

## Management Discussion and Analysis

### Independent Auditors' Report

Hope Enterprise Corporation (HEC) received an unmodified, or “clean” audit for FY 2019.

### Balance Sheet Analysis

HEC's total assets stood at \$177.5 million at December 31, 2019, up \$29.0 million from December 31, 2018. This change is primarily the result of \$34.0 million in transactions carried out by four HEC New Markets Tax Credit (NMTC) entities in 2019. The effect of these transactions on HEC's net worth position as a percentage of total assets is detailed in the following schedule:

	2019	2018
Unrestricted	4.8%	4.1%
Non-controlling interests	67.3%	59.4%
Total unrestricted	72.1%	63.5%
With Donor Restrictions	11.0%	14.3%
<b>Total net assets</b>	<b>83.1%</b>	<b>77.8%</b>

As detailed in the following schedule, the vast majority of HEC's assets are tied up in some form of loan, investment, or property that resulted from a loan:

	2019	2018
Loans receivable – net of allowance for loan losses	\$135,577,901	\$96,172,296
Loan guarantees receivable	-	119,139
Investments in affiliated companies	1,036,558	1,036,558
Investment in secondary capital of HCU	12,475,000	12,475,000
Foreclosed property	-	132,520
<b>Total</b>	<b>\$149,089,459</b>	<b>\$109,935,513</b>
<b>Percent of total assets</b>	<b>84%</b>	<b>74%</b>

Notes payable fell from \$25.4 million at December 31, 2018 to \$23.9 million at December 31, 2019, a decrease of \$1.5 million.

### Earnings Analysis

Total revenue for 2019 was \$16.9 million as compared to \$13.8 million for 2018, and expenses were \$16.8 million in 2019 as compared to \$16.3 million for 2018. Non-controlling interests in subsidiaries' losses increased from \$354,000 in 2018 to \$493,000 in 2019 with the change in net assets attributable to controlling interest decreasing from \$875,000 in 2018 to \$676,000 in 2019.

With regard to earned revenue, differences between 2018 and 2017 are summarized in the following schedule:

	2019	2018
Interest, dividends and related fees:		
Loans and other investments	\$2,349,517	\$724,460
Debt securities and cash equivalents	894,491	527,945
Gain (loss) on sale of assets and investments	(40,390)	(60,126)
Contract services revenues	1,675,768	1,892,274
<b>Total earned revenue</b>	<b>\$4,879,386</b>	<b>\$3,084,553</b>

The increase in interest and related fees from loans is due to the fact that \$1.0 million in NMTC fees were excluded from interest and fees in 2018 and included in contract and service fee revenue, with the remaining increase due to the timing of NMTC loan closings. The change in contract services revenue is almost wholly the result of fees generated from New Markets Tax Credit related transactions.



Alan Branson  
Chief Financial Officer



William Bynum  
Chief Executive Officer

**HOPE ENTERPRISE CORPORATION**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**HOPE ENTERPRISE CORPORATION  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>7</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING STATEMENT OF FINANCIAL POSITION</b>	<b>32</b>
<b>CONSOLIDATING STATEMENT OF ACTIVITIES</b>	<b>33</b>
<b>DETAILS OF NEW MARKETS TAX CREDIT COMPANIES – COMBINING STATEMENT OF FINANCIAL POSITION</b>	<b>34</b>
<b>DETAILS OF NEW MARKETS TAX CREDIT COMPANIES – COMBINING STATEMENT OF ACTIVITIES</b>	<b>38</b>
<b>ECD INVESTMENTS, LLC CONSOLIDATING BALANCE SHEET</b>	<b>42</b>
<b>ECD INVESTMENTS, LLC CONSOLIDATING STATEMENT OF OPERATIONS</b>	<b>43</b>
<b>ECD ASSOCIATES, LLC CONSOLIDATING BALANCE SHEET</b>	<b>44</b>
<b>ECD ASSOCIATES, LLC CONSOLIDATING STATEMENT OF OPERATIONS</b>	<b>45</b>



CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hope Enterprise Corporation  
Jackson, Mississippi

### **Report on the Financial Statements**

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, 2019, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Hope Enterprise Corporation and entities under its control as of December 31, 2019, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the consolidated financial statements, management has adopted Financial Accounting Standards Board ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASC 606 *Revenue Recognition*; these new standards require changes to be made in how revenue is recognized; and ASU 2016-18 *Statement of Cash Flows*. Our opinion is not modified with respect to these matters.

***Other Matter***

The 2018 consolidated financial statements were audited by other auditors, whose report dated July 1, 2019 expressed an unmodified opinion on those statements.

**Report on Supplementary Information**

Our 2019 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 – 6 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 2019 consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Dallas, Texas  
March 31, 2020

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	As Restated 2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,830,170	\$ 11,369,898
Restricted Cash	4,792,707	5,124,098
Grants Receivable	3,175,499	10,080,215
Contract Revenue Receivable	158,065	272,218
Loans Receivable, Net of Allowance for Loan Losses of Approximately \$2,150,000 and \$2,497,000 in 2019 and 2018, Respectively	135,577,901	96,675,650
Loan Guarantees Receivable from Small Business Administration	-	119,139
Investment Securities	15,815,535	8,147,855
Investment in Affiliated Companies - Note 6	1,036,558	1,036,558
Investment in Secondary Capital of Hope Federal Credit Union - Note 7	12,475,000	12,475,000
Property and Equipment, Net	2,309,327	2,486,929
Foreclosed Property	-	132,520
Other Assets	359,385	636,874
	<u>\$ 177,530,147</u>	<u>\$ 148,556,954</u>
Total Assets		
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,472,584	\$ 1,778,878
Funds Held in Escrow	23,097	21,522
Payable to Hope Federal Credit Union	2,317,019	1,278,425
Deferred Revenue	2,125,566	4,370,360
Notes Payable	23,931,483	25,425,528
Total Liabilities	29,869,749	32,874,713
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without Donor Restrictions	8,591,433	6,133,130
Noncontrolling Interests	119,554,915	88,252,979
Total Without Donor Restrictions	128,146,348	94,386,109
With Donor Restrictions	19,514,050	21,296,132
Total Net Assets	147,660,398	115,682,241
Total Liabilities and Net Assets	<u>\$ 177,530,147</u>	<u>\$ 148,556,954</u>

See accompanying Notes to Consolidated Financial Statements.

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Grants and Contributions	\$ 8,154,229	\$ 3,910,788	\$ 12,065,017
In-Kind Contributions	32,725	-	32,725
Interest, Dividends, and Related Fees:			
Loans and Other Investments	2,349,517	-	2,349,517
Investment Income, Net	894,491	-	894,491
Other Losses	(40,390)	-	(40,390)
Contract Services Revenue	1,675,768	-	1,675,768
Subtotal	13,066,340	3,910,788	16,977,128
Net Assets Release from Restrictions:			
Satisfaction of Program Restrictions	5,692,870	(5,692,870)	-
Total Revenues and Gains	18,759,210	(1,782,082)	16,977,128
<b>EXPENSES</b>			
Program Expenses:			
Development Finance	8,898,249	-	8,898,249
Housing Initiative	1,245,708	-	1,245,708
Policy and Advocacy	428,646	-	428,646
Other Programs	1,355,876	-	1,355,876
Total Program Expenses	11,928,479	-	11,928,479
Supporting Services:			
General and Administration	4,255,362	-	4,255,362
Fundraising and Communication	609,612	-	609,612
Total Expenses	16,793,453	-	16,793,453
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	1,965,757	(1,782,082)	183,675
Noncontrolling Interests in Subsidiaries' Net Loss	492,546	-	492,546
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	2,458,303	(1,782,082)	676,221
Net Assets Contributable to Controlling Interests - Beginning of Year	6,133,130	21,296,132	27,429,262
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR</b>	8,591,433	19,514,050	28,105,483
Net Assets of Noncontrolling Interests	119,554,915	-	119,554,915
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 128,146,348</u>	<u>\$ 19,514,050</u>	<u>\$ 147,660,398</u>

See accompanying Notes to Consolidated Financial Statements.

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018 (AS RESTATED)**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND GAINS</b>			
Grants and Contributions	\$ 4,813,414	\$ 5,389,816	\$ 10,203,230
In-Kind Contributions	495,198	-	495,198
Interest, Dividends, and Related Fees:			
Loans and Other Investments	724,460	-	724,460
Investment Securities and Cash Equivalents	527,945	-	527,945
Net Investment Loss	(39,028)	-	(39,028)
Loss on Sale of Assets	(21,078)	-	(21,078)
Contract Services Revenue	1,892,274	-	1,892,274
Subtotal	8,393,185	5,389,816	13,783,001
Net Assets Release from Restrictions:			
Satisfaction of Program Restrictions	3,045,733	(3,045,733)	-
Expiration of Time Restrictions	20,000	(20,000)	-
Transfers from Changes in Program Restrictions	301,728	(301,728)	-
Total Revenues and Gains	11,760,646	2,022,355	13,783,001
<b>EXPENSES</b>			
Program Expenses:			
Development Finance	8,333,126	-	8,333,126
Housing Initiative	926,750	-	926,750
Policy and Advocacy	438,949	-	438,949
Other Programs	1,456,672	-	1,456,672
Total Program Expenses	11,155,497	-	11,155,497
Supporting Services:			
General and Administration Expense	3,701,088	-	3,701,088
Fundraising and Communication	1,459,574	-	1,459,574
Total Expenses	16,316,159	-	16,316,159
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	(4,555,513)	2,022,355	(2,533,158)
Noncontrolling Interests in Subsidiaries' Net Loss	353,937	-	353,937
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	(4,201,576)	2,022,355	(2,179,221)
Net Assets Contributable to Controlling Interests - Beginning of Year	10,334,706	24,656,871	34,991,577
Restatement	-	(5,383,094)	(5,383,094)
Net Assets Contributable to Controlling Interests - Beginning of Year, As Restated	10,334,706	19,273,777	29,608,483
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR</b>	6,133,130	21,296,132	27,429,262
Net Assets of Noncontrolling Interests	88,252,979	-	88,252,979
<b>NET ASSETS - END OF YEAR</b>	\$ 94,386,109	\$ 21,296,132	\$ 115,682,241

See accompanying Notes to Consolidated Financial Statements.

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets Attributable to Controlling Interests	\$ 676,221	\$ (2,179,221)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Noncontrolling Interests in Subsidiaries' Loss	(492,546)	(353,937)
Depreciation and Amortization	413,179	445,606
Loss on Sale of Assets	78,268	21,078
Loss on Extinguishment of Debt	156,776	-
Provision for Loan Losses	355,838	1,490,863
Forgiveness of Mortgage Loan Debt	799,044	693,470
Realized and Unrealized (Gain) Loss on Investments	(272,853)	26,841
Changes in Operating Assets and Liabilities:		
Contract Revenue Receivable	114,153	(106,113)
Grants Receivable	6,904,716	1,148,328
Other Receivables and Prepaid Expenses	396,628	3,274
Accounts Payable and Other Liabilities	733,875	860,449
Deferred Revenue	(2,244,794)	(1,012,734)
Net Cash Provided by Operating Activities	<u>7,618,505</u>	<u>1,037,904</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Increase in Loans Held for Investment	(40,057,133)	(28,942,014)
Purchase of Investments	(11,593,160)	(1,984,003)
Proceeds from Maturities and Sales of Investments	4,198,333	1,651,496
Proceeds from Sales of Foreclosed Property	132,520	-
Purchase of Property and Equipment	(313,845)	(435,531)
Net Cash Used by Investing Activities	<u>(47,633,285)</u>	<u>(29,710,052)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Contributions from Noncontrolling Interests	33,000,000	34,000,000
Cash Dividends Paid to Noncontrolling Interests	(1,362,294)	(1,045,601)
Proceeds from Issuance of Notes Payable	2,000,000	3,750,000
Payments on Long-Term Borrowings	(3,494,045)	(1,799,370)
Net Cash Provided by Financing Activities	<u>30,143,661</u>	<u>34,905,029</u>
<b>NET INCREASE (DECREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH)</b>	(9,871,119)	6,232,881
Cash, Cash Equivalents, Restricted Cash - Beginning of Year	<u>16,493,996</u>	<u>10,261,115</u>
<b>CASH, CASH EQUIVALENTS, RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 6,622,877</u></u>	<u><u>\$ 16,493,996</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Cash Paid for Interest	<u>\$ 647,902</u>	<u>\$ 571,000</u>
Transfer of Loan to Noncontrolling Interests	<u>\$ -</u>	<u>\$ 8,775,000</u>

See accompanying Notes to Consolidated Financial Statements.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Company**

Hope Enterprise Corporation (the Company) is a nonprofit development financial corporation primarily serving Alabama, Arkansas, Louisiana, Mississippi, and Tennessee. The goal of the Company is to improve the regional economy through investment, jobs, and growth. The services of the Company 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 Company and entities under its control which include, ECD Investments, LLC (ECDI), ECD Investments BIDCO, Inc. (BIDCO), Home Again, Inc. (Home Again), and seventeen additional New Markets Tax Credit entities, as described in further detail below. 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 and owns the corporate stock of BIDCO. The purpose of ECDI and BIDCO 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 seventeen additional limited liability companies included in the consolidated financial statements of the Company. The Company serves as the Managing Member of all seventeen 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 seventeen 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 COE operating agreements.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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, 2019, 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 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 totaling \$1,830,170, and restricted cash totaling \$4,792,707, as included on the consolidated statement of activities, equal total cash, cash equivalents, and restricted cash shown on the consolidated statement of cash flows of \$6,622,877.

**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 \$2,125,566 and \$4,370,360 at December 31, 2019 and 2018, 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.

**Contract Services Revenue and Related Receivables**

Contract services revenue is recognized in the period services are rendered. For related receivables, no allowance for doubtful accounts has been deemed necessary. Management determines the allowance by reviewing all outstanding amounts on a monthly basis, identifying troubled accounts, and using historical experience applied to an aging of accounts. 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 statement of activities. During the years ended December 31, 2019 and 2018, revenue from these fees totaled \$802,673 and approximately \$560,000, respectively.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Fair Value Measurements**

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

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

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

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

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

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.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Loans Receivable**

Loans receivable are stated at the amount of unpaid principal, less an allowance for loan losses, 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. For all loans 90 days or more past due, the Company generally discontinues the accrual of interest and recognizes income only as received. 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 expenses 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 \$33,000 and \$33,000 as of December 31, 2019 and 2018, respectively.

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 loan losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.

A loan is considered a troubled debt restructured loan based on individual facts and circumstances. The Company makes various types of concessions when structuring troubled debt restructurings (TDRs) including rate reductions, payment extensions, and forbearance. The Company classifies troubled debt restructured loans as impaired and evaluates the need for an allowance for loan losses on a loan-by-loan basis. An allowance for loan losses is based on either the present value of estimated future cash flows or the estimated fair value of the underlying collateral. Loans retain their interest accrual status at the time of modification.

The Company has no material TDRs or impaired loans as of and for the years ended December 31, 2019 and 2018.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Loans Receivable (continued)**

Loans receivable also include forgivable mortgage loans that are made to accommodate the financial needs of qualifying customers. The terms of these loans differ significantly from traditional mortgage loans since they are forgivable over a stated period of time, typically from 5 to 15 years, and only become due upon on 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 \$799,000 and \$693,000 in debt forgiveness during 2019 and 2018, respectively, related to these mortgage loans.

As of December 31, 2019, 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>
2020	\$ 548,888
2021	548,888
2022	548,888
2023	546,763
2024	341,805
Thereafter	1,563,288

**Allowance for Loan Losses**

The allowance for loan losses is determined based on homogeneous pools of loans. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance for loan losses is increased by a provision for loan losses which is charged to expense and reduced by charge-offs, net of recoveries, by portfolio segment. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, and changes in its risk profile, and credit concentrations. This evaluation also considers the balance of impaired loans. Though management believes the allowance for loan losses to be adequate, ultimate losses may vary from their estimates. However, estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the change in net assets during periods in which they become known.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Allowance for Loan Losses (continued)**

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

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

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

**Substandard:** Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or 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 uncollectable and anticipated to be charged off.

**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.

HOPE ENTERPRISE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

**Investment Securities (continued)**

Premiums and discounts on investment securities are recognized as adjustments to interest income by the interest method over the period to maturity and adjusted for prepayments as applicable. 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.

**Investment in Affiliated Companies**

The Company holds a 47.63% equity interest in Homestead Development, LLC (Homestead). The investment is accounted for using the equity method of accounting since the Company does not have a controlling interest.

**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 three 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 losses. 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.

**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.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Net Assets (continued)**

*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.

**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 and the 19 New Market Tax Credit entities are limited liability companies, no income taxes are provided. The results of operations are reportable by the LLC members on their individual income tax returns. BIDCO is subject to income taxes at the corporate level. As such, deferred income taxes relate to temporary differences between assets and liabilities of BIDCO that are recognized differently for financial reporting purposes and income tax purposes. Deferred tax assets and liabilities pertain to net operating loss carryforwards and the allowance for loan losses. A valuation allowance of approximately \$1,901,000 and \$1,788,000, respectively, was recorded at December 31, 2019 and 2018, to offset the net deferred tax assets of BIDCO. The valuation allowance is established to provide for amounts that management considers may not be realized as a result of income limitations. At December 31, 2019, BIDCO had net operating loss carryforwards of \$8,013,312 that will begin to expire in 2024.

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 2016.

**Subsequent Events**

In connection with the preparation of the consolidated financial statements, management of the Company evaluated subsequent events through March 31, 2020, which was the date the consolidated financial statements were available to be issued.

During the period January 1, 2020 through March 31, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Subsequent Events (continued)**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Company, COVID-19 may impact various parts of its 2020 operations and financial results, including, but not limited to, additional loan loss reserves, costs for emergency preparedness, or potential shortages of personnel. Management believes the Company is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**Change in Accounting Principles**

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The consolidated financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Company's reported historical revenue. The Company has concluded that no changes are necessary to conform with the new standard. Only one revenue stream is subject to the guidance in Topic 606 and contains a single performance obligation and revenue is recognized at a point in time.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. The ASU clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Change in Accounting Principles (continued)**

The consolidated financial statements reflect the application of ASU 2018-08 beginning January 1, 2018, and the 2018 statements of financial position and activities have been adjusted accordingly to reflect adoption. The implementation of this standard resulted in multiple grants, previously classified as unconditional, being recognized as conditional.

Below is the impact of this amendment on the consolidated financial statements as of and for the year ended December 31, 2018:

	<u>As Previously Reported</u>	<u>Restatement</u>	<u>Restated</u>
Consolidated Statement of Financial Position			
Grants Receivable	\$ 13,650,672	\$ (3,570,457)	\$ 10,080,215
Deferred Revenue	-	4,370,360	4,370,360
Net Assets With Donor Restrictions	29,236,949	(7,940,817)	21,296,132
Consolidated Statement of Activities			
Grants and Contributions With Donor Restrictions	7,947,539	(2,557,723)	5,389,816
Change in Net Assets Before Non-Controlling Interest With Donor Restrictions	4,580,078	(2,557,723)	2,022,355
Consolidated Statement of Cash Flows			
Change in Net Assets Attributable to Controlling Interests	378,502	(2,557,723)	(2,179,221)
Grants Receivable	(2,422,129)	3,570,457	1,148,328
Deferred Revenue	-	(1,012,734)	(1,012,734)

**NOTE 2 GRANTS RECEIVABLE**

The Company's management anticipates grants receivable will be received and available for support of the Company's programs as follows:

	2019	As Restated 2018
Receivable in Less Than One Year	\$ 1,793,919	\$ 7,247,629
Receivable in One to Five Years	1,492,390	2,954,371
Subtotal	3,286,309	10,202,000
Less: Adjustment to Reflect Grants Receivable at Fair Value at the Date of Grant, Based on 2.5% Discount Rate in 2019 and 2.49% Discount Rate in 2018	(110,810)	(121,785)
Total	<u>\$ 3,175,499</u>	<u>\$ 10,080,215</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS**

At December 31, 2019 and 2018, 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, 2019				
	Level 1	Level 2	Level 3	Total
Investment Securities	\$ -	\$ 15,815,535	\$ -	\$ 15,815,535

  

December 31, 2018				
	Level 1	Level 2	Level 3	Total
Impaired Loans	\$ -	\$ -	\$ 250,838	\$ 250,838
Foreclosed Property	-	-	132,520	132,520
Investment Securities	742,970	7,404,885	-	8,147,855

**NOTE 4 INVESTMENT SECURITIES**

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

December 31, 2019		
	Amortized Cost	Fair Value
Government Agencies	\$ 3,975,840	\$ 4,013,370
Residential Mortgage-Backed Securities	8,509,865	8,551,573
US Treasury Bonds	1,743,770	1,759,842
Municipal Bonds	1,481,768	1,490,750
Total	<u>\$ 15,711,243</u>	<u>\$ 15,815,535</u>

  

December 31, 2018		
	Amortized Cost	Fair Value
Government Agencies	\$ 4,307,278	\$ 4,253,791
Residential Mortgage-Backed Securities	2,567,918	2,489,716
Municipal Bonds	1,429,672	1,404,348
Total	<u>\$ 8,304,868</u>	<u>\$ 8,147,855</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 INVESTMENT SECURITIES (CONTINUED)**

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

	December 31, 2019	
	Amortized Cost	Fair Value
US Government, Municipal Bonds and Federal Agency Securities:		
Due Within One Year	\$ 1,608,485	\$ 1,605,442
Due After One Year Through Five Years	3,908,394	3,957,846
Due After Five Years Through Ten Years	1,684,499	1,700,674
Subtotal	7,201,378	7,263,962
Residential Mortgage-Backed Securities	8,509,865	8,551,573
Total	<u>\$ 15,711,243</u>	<u>\$ 15,815,535</u>

**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 \$119,693,000 and \$81,480,000 at December 31, 2019 and 2018, respectively. These interest-only loans have seven-year repayment terms.

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

	2019	2018
Commercial Loans	\$ 132,933,854	\$ 96,292,209
Forgivable Mortgage Loans	4,311,581	2,373,347
Other Consumer Mortgage Loans	481,776	506,930
Subtotal	137,727,211	99,172,486
Allowance for Loan Losses	2,149,310	2,496,836
Total	<u>\$ 135,577,901</u>	<u>\$ 96,675,650</u>

The Company has sold loan participations to various other companies, which are secured by commercial property of the Company's customers. 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 \$25,868,000 and \$30,241,000 at December 31, 2019 and 2018, respectively.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 LOANS, NET (CONTINUED)**

The allowance for loan losses as of December 31, 2019 is as follows:

December 31, 2019					
	Balance - Beginning of Year	Charge-Offs	Recoveries	Provision (Credit) for Loan Losses	Balance - End of Year
Commercial	\$ 2,494,301	\$ (763,802)	\$ 60,438	\$ 355,884	\$ 2,146,821
Other Consumer Mortgage Loans	2,535	-	-	(46)	2,489
Total	<u>\$ 2,496,836</u>	<u>\$ (763,802)</u>	<u>\$ 60,438</u>	<u>\$ 355,838</u>	<u>\$ 2,149,310</u>

The allowance for loan losses as of December 31, 2018 is as follows:

December 31, 2018					
	Balance - Beginning of Year	Charge-Offs	Recoveries	Provision for Loan Losses	Balance - End of Year
Commercial	\$ 12,300,045	\$ (11,462,200)	\$ 165,593	\$ 1,490,863	\$ 2,494,301
Other Consumer Mortgage Loans	2,690	(155)	-	-	2,535
Total	<u>\$ 12,302,735</u>	<u>\$ (11,462,355)</u>	<u>\$ 165,593</u>	<u>\$ 1,490,863</u>	<u>\$ 2,496,836</u>

A summary of the commercial loans and related allowance for loan losses evaluated for impairment both individually and collectively is as follows:

December 31, 2019					
	Loans		Allowance		Net
	Individually	Collectively	Individually	Collectively	
Commercial	\$ -	\$ 132,933,854	\$ -	\$ 2,146,821	\$ 130,787,033
Other Consumer Mortgage Loans	-	481,776	-	2,489	479,287
Total	<u>\$ -</u>	<u>\$ 133,415,630</u>	<u>\$ -</u>	<u>\$ 2,149,310</u>	<u>\$ 131,266,320</u>

  

December 31, 2018					
	Loans		Allowance		Net
	Individually	Collectively	Individually	Collectively	
Commercial	\$ 9,045,423	\$ 87,246,786	\$ 852,267	\$ 1,642,034	\$ 93,797,908
Other Consumer Mortgage Loans	-	506,930	-	2,535	504,395
Total	<u>\$ 9,045,423</u>	<u>\$ 87,753,716</u>	<u>\$ 852,267</u>	<u>\$ 1,644,569</u>	<u>\$ 94,302,303</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 LOANS, NET (CONTINUED)**

The following tables show the commercial loan portfolio allocated by management's internal risk ratings as of December 31:

December 31, 2019					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 128,697,523	\$ 3,937,578	\$ 298,753	\$ -	\$ 132,933,854

  

December 31, 2018					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 91,619,519	\$ 3,631,591	\$ 295,731	\$ 745,368	\$ 96,292,209

The following table shows the classes within the mortgage loan segments allocated by payment activity as of December 31, 2019. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest:

		Payment Activity	
	Forgivable Mortgage Loans	Other Mortgage Loans	Total
Performing	\$ 4,161,853	\$ 305,946	\$ 4,467,799
Non-Performing	-	175,830	175,830
Total	\$ 4,161,853	\$ 481,776	\$ 4,643,629

As of December 31, 2018, all loans were performing.

The following tables show an aging analysis of the loan portfolio by time past due as of December 31:

	December 31, 2019				
			Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
	Current	Past Due 30-89 Days			
Commercial Loans	\$ 132,188,189	\$ 451,665	\$ -	\$ 294,000	\$ 132,933,854
Forgivable Mortgage Loans	4,311,581	-	-	-	4,311,581
Other Consumer Mortgage Loans	243,991	61,955	-	175,830	481,776
Total	\$ 136,743,761	\$ 513,620	\$ -	\$ 469,830	\$ 137,727,211

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 LOANS, NET (CONTINUED)**

	December 31, 2018				
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 95,006,786	\$ 176,810	\$ -	\$ 1,108,613	\$ 96,292,209
Forgivable Mortgage Loans	2,373,347	-	-	-	2,373,347
Other Consumer Mortgage Loans	506,930	-	-	-	506,930
Total	<u>\$ 97,887,063</u>	<u>\$ 176,810</u>	<u>\$ -</u>	<u>\$ 1,108,613</u>	<u>\$ 99,172,486</u>

There were no loans past due 90 days or more and still accruing interest at December 31, 2019 and 2018. Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2019 and 2018.

There were no material impaired loans as of December 31, 2019. The following tables present information related to impaired loans as of December 31, 2018:

	December 31, 2018				
	Average Principal Balance	Unpaid Principal Balance	Total Loans with No Specific Allowance	Total Loans with a Specific Allowance	Specific Allowance
Commercial Loans	\$ 6,969,369	\$ 9,045,423	\$ 182,317	\$ 8,863,106	\$ 852,267
Other Consumer Mortgage Loans	-	-	-	-	-
Total Impaired Loans	<u>\$ 6,969,369</u>	<u>\$ 9,045,423</u>	<u>\$ 182,317</u>	<u>\$ 8,863,106</u>	<u>\$ 852,267</u>

Interest on impaired loans as of December 31, 2018 was not material.

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.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 INVESTMENT IN AFFILIATED COMPANIES**

Summarized, unaudited financial information of Homestead Development, LLC, is as follows:

	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 94,984	\$ 71,607
Property and Equipment	2,963,928	2,963,928
Other Assets	27,227	28,772
Total Assets	<u>\$ 3,086,139</u>	<u>\$ 3,064,307</u>
Liabilities and Members' Equity:		
Accounts Payable	\$ 8,859	\$ 8,859
Deposits	26,225	19,106
Notes Payable to Related Entities	3,109,338	3,236,997
Capital and Retained Deficit	(58,283)	(200,655)
Total Liabilities and Members Equity	<u>\$ 3,086,139</u>	<u>\$ 3,064,307</u>
Results of Operations:		
Revenue	\$ 541,491	\$ 491,849
Interest Expense	13,639	10,254
Depreciation	-	113,437
Other Expenses	385,377	381,709
Net Earnings (Losses)	<u>\$ 142,475</u>	<u>\$ (13,551)</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 7 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 affiliates. The Company incurred expenses of \$5,051,000 and \$3,261,000 relative to its obligation to reimburse certain operating expenses of HFCU in 2019 and 2018, respectively.

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 advances include two fixed rate loans at 5.45% for \$1,050,000 and \$550,000 maturing in 2027 and 2024, two fixed rate loans at 1.00% for \$5,000,000 and \$2,000,000 maturing on December 13, 2023, a fixed rate loan at 1.50% for \$1,500,000 maturing on December 22, 2023, a fixed rate loan at 1.00% for \$1,000,000 maturing on April 29, 2025, and three variable rate loans aggregating \$1,375,000 with interest floors and caps from 5.00% – 10.90% (with effective rates of 5.00% – 5.45% at December 31, 2019), maturing in 2024 – 2025, with principal payments required each year until maturity. Interest income received from HFCU relative to the secondary capital loans was \$102,500 and approximated \$258,000 for the years ended December 31, 2019 and 2018, respectively. No repayments are due on the above secondary capital loans until 2023 and thereafter.

The Company incurred \$50,000 and \$505,000 in 2019 and 2018, respectively, for grants to HFCU which are included in development finance expense in the accompanying consolidated statements of activities.

Accounts payable to HFCU for grants and contractual services totaled \$2,326,769 and \$1,278,000 in 2019 and 2018, respectively. The Company had deposit accounts with HFCU as of December 31, 2019 and 2018, totaling \$3,578,401 and approximately \$3,135,000, respectively.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2019	2018
Computer Equipment	\$ 4,319,177	\$ 4,112,881
Office Equipemnt and Other	988,299	846,411
Buildings and Improvements	2,027,655	2,339,711
Construction in Progress	140,545	-
Subtotal	7,475,676	7,299,003
Less: Accumulated Depreciation	(5,166,349)	(4,812,074)
Total	<u>\$ 2,309,327</u>	<u>\$ 2,486,929</u>

**NOTE 9 FORECLOSED PROPERTY**

An analysis of foreclosed property follows:

	2019	2018
Balance - Beginning of Year	\$ 132,520	\$ 132,520
Transfer from Loans	-	-
Carrying Value of Foreclosed Property Sold	(132,520)	-
Impairments Recognized	-	-
Balance - End of Year	<u>\$ -</u>	<u>\$ 132,520</u>

**NOTE 10 NOTES PAYABLE**

The Company has entered into one loan facility with a bank and one loan facility with a nonbank lender to provide funding in amounts up to \$20,000,000 and \$3,000,000, respectively. The bank facility may be increased and extended at the discretion of the lender and subject to certain terms of that agreement. The outstanding balances under these loan facilities at December 31, 2019, were \$2,805,082 and \$750,300, respectively. The outstanding balances under these loan facilities at December 31, 2018, were approximately \$3,901,000 and \$1,500,000, respectively. The proceeds of both facilities are to be used for small business lending activities of the Company. The agreements contain certain financial covenants, including but not limited to, net assets ratios, delinquent loan ratios, a current ratio, a liquidity reserve, and restrictions on the amount of support which may be provided to its affiliates. 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 \$48,582 and approximately \$51,000 during 2019 and 2018, respectively, related to its mortgage and note payable to HFCU.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 NOTES PAYABLE (CONTINUED)**

Notes payable consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
1% Notes Payable:		
Interest Due Quarterly and Maturing from 2020 through 2025	\$ 6,999,417	\$ 6,999,417
Interest Due Annually and Maturing from 2019 through 2023	1,550,000	1,650,000
Interest Due at Maturity, January 2025	2,000,000	2,000,000
Notes Payable to Banks with Interest Due Quarterly:		
Interest Payable at 3%, Maturing in 2022	500,000	500,000
Interest Payable at 3.25%, Maturing from 2022 through 2028	1,000,000	1,000,000
Interest Payable at 5.5%, Maturing in June 2020	750,300	1,500,300
1.35% Note Payable with Interest Due Monthly, Maturing in 2024	999,944	999,944
3% Note Payable with Interest Due Monthly, Maturing in 2022	2,805,082	3,901,055
4.30% Note Payable with Interest Due Monthly, Maturing in 2019	-	1,500,000
4.75% Mortgage Payable to HFCU with Monthly Installments of \$7,773, Including Interest at Prime Plus 1.5%, Payable Until Final Balloon in December 2020	816,740	864,812
3% Note Payable with Interest Due Quarterly and Maturing in 2022	1,000,000	1,000,000
Note Payable to Nonprofit Foundations Bearing Interest at 2.5% with Interest Due Quarterly, Maturing from 2019 through 2021	750,000	750,000
Note Payable to Nonprofit Foundation Bearing Interest at 2% with Interest Due at Maturity in December 2028	1,500,000	1,500,000
Other Notes Payable, with Interest at 1% to 2.5%	160,000	160,000
3% Line of Credit with Interest Due Monthly, Maturing in 2026	2,000,000	-
6% Line of Credit to Bank with Interest Due at Maturity in 2021	1,100,000	1,100,000
Total Notes Payable	<u>\$ 23,931,483</u>	<u>\$ 25,425,528</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 10 NOTES PAYABLE (CONTINUED)**

Notes payable maturities at December 31, 2019, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 6,110,192
2021	1,256,049
2022	4,765,298
2023	2,300,000
2024	2,749,944
Thereafter	6,750,000
Total	<u>\$ 23,931,483</u>

**NOTE 11 NET ASSETS**

**Net Assets With Donor Restrictions**

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

	<u>2019</u>	<u>As Restated 2018</u>
Net Assets Subject to Expenditures for Specified Purpose:		
Development Finance Activities	\$ 17,291,890	\$ 16,836,072
Housing Initiative Activities	508,900	2,579,401
Other Program Activities	427,926	364,115
Subtotal	<u>18,228,716</u>	<u>19,779,588</u>
Net Assets Subject to Passage of Time:		
For Periods after December 31	100,000	120,000
Net Assets to be Maintained in Perpetuity:		
Revolving Loan Funds	1,185,334	1,396,544
Total Net Assets with Donor Restrictions	<u>\$ 19,514,050</u>	<u>\$ 21,296,132</u>

**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 17 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 2019 and 2018. Dividends in arrears relative to the ECDI Class A units totaled \$114,775 at December 31, 2019 and 2018.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 NET ASSETS (CONTINUED)**

The changes in noncontrolling interest are as follows:

	Balance - January 1, 2019	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2019
ECD Investments Consolidated	\$ 290,284	\$ -	\$ 156,778	\$ (281,303)	\$ 165,759
ECD Associates Consolidated	1,271,985	-	(82,225)	49,250	1,239,010
ECD New Markets 4	-	-	(456)	456	-
ECD New Markets 5	20,732	-	(13,783)	(6,949)	-
Hope New Markets 1	5,795,134	-	(43,646)	43,649	5,795,137
Hope New Markets 2	7,729,316	-	(77,747)	77,747	7,729,316
Hope New Markets 3	4,708,479	-	(35,012)	35,011	4,708,478
Hope New Markets 4	5,790,911	-	(85,462)	85,462	5,790,911
Hope New Markets 5	5,769,995	-	(98,172)	98,172	5,769,995
Hope New Markets 6	10,628,787	-	555	33,372	10,662,714
Hope New Markets 7	7,721,228	-	(77,592)	77,592	7,721,228
Hope New Markets 8	7,699,605	-	(217,783)	217,783	7,699,605
Hope New Markets 9	8,712,231	-	(310,237)	310,237	8,712,231
Hope New Markets 10	7,772,226	-	(205,909)	213,010	7,779,327
Hope New Markets 11	8,342,066	-	(916)	19,016	8,360,166
Hope New Markets 12	6,000,000	4,000,000	(57,159)	(283,625)	9,659,216
Hope New Markets 13	-	8,000,000	(43,376)	(265,786)	7,690,838
Hope New Markets 14	-	7,000,000	(10,297)	(295,081)	6,694,622
Hope New Markets 15	-	14,000,000	(3,080)	(620,558)	13,376,362
Total	<u>\$ 88,252,979</u>	<u>\$ 33,000,000</u>	<u>\$ (1,205,519)</u>	<u>\$ (492,545)</u>	<u>\$ 119,554,915</u>

  

	Balance - January 1, 2018	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2018
ECD Investments Consolidated	\$ 501,883	\$ -	\$ -	\$ (211,599)	\$ 290,284
ECD Associates Consolidated	1,199,836	-	(82,224)	154,373	1,271,985
ECD New Markets 3	8,706,589	-	(8,825,345)	118,756	-
ECD New Markets 4	9,161	-	-	(9,161)	-
ECD New Markets 5	38,577	-	-	(17,845)	20,732
Hope New Markets 1	5,795,128	-	(43,646)	43,652	5,795,134
Hope New Markets 2	7,729,316	-	(77,747)	77,747	7,729,316
Hope New Markets 3	4,704,520	-	(35,012)	38,971	4,708,479
Hope New Markets 4	5,790,911	-	(85,462)	85,462	5,790,911
Hope New Markets 5	5,762,767	-	(90,851)	98,079	5,769,995
Hope New Markets 6	-	11,000,000	(555)	(370,658)	10,628,787
Hope New Markets 7	7,759,636	-	(77,592)	39,184	7,721,228
Hope New Markets 8	7,699,605	-	(217,783)	217,783	7,699,605
Hope New Markets 9	8,729,588	-	(284,384)	267,027	8,712,231
Hope New Markets 10	-	8,000,000	-	(227,774)	7,772,226
Hope New Markets 11	-	9,000,000	-	(657,934)	8,342,066
Hope New Markets 12	-	6,000,000	-	-	6,000,000
Total	<u>\$ 64,427,517</u>	<u>\$ 34,000,000</u>	<u>\$ (9,820,601)</u>	<u>\$ (353,937)</u>	<u>\$ 88,252,979</u>

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 12 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:

	2019	As Restated 2018
Cash and Cash Equivalents	\$ 1,830,170	\$ 11,369,898
Grants Receivables	1,793,919	7,247,629
Investment Securities	15,815,535	8,147,855
Loans Receivable	862,531	945,642
Interest Receivable	158,065	272,218
Financial Assets, at Year End	<u>\$ 20,460,220</u>	<u>\$ 27,983,242</u>
Less Those Not Available for General Expenditures within One Year, Due to:		
Restricted by Donors	(19,514,050)	(16,172,034)
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	<u>\$ 946,170</u>	<u>\$ 11,811,208</u>

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 10.

**NOTE 13 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 \$111,558 in 2019 and approximately \$87,000 in 2018.

**NOTE 14 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.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Off-Consolidated Statement of Financial Condition Activities (Continued)**

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 \$1,141,000 and \$2,300,000 at December 31, 2019 and 2018, 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 Credit Union is committed.

**Credit Enhancement Loans**

As of December 31, 2019, HFCU 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 approximately \$6,779,000 and \$4,955,000 as of December 31, 2019 and 2018, respectively.

**Legal Contingencies**

The Company is a defendant in litigation arising from normal business activities. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial statements.

**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 \$334,545 and approximated \$325,000 as of December 31, 2019 and 2018, respectively.

**Concentrations**

Contributions totaling \$7,135,000 were received from two donors for the year ended December 31, 2019, representing 42% of total revenue. Should these contribution levels decrease, the Company may be adversely affected.

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES**

A summary of 2019 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		
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication
Salaries, Employee Taxes, and Benefits	\$ 948,017	\$ 97,021	\$ 316,039	\$ 654,227	\$ 2,015,304	\$ 2,042,840	\$ 331,909
Bank Fees	6,653	-	-	-	6,653	8,443	-
Conferences and Employee Training	11,109	1,423	1,875	12,393	26,800	37,025	648
Contractual Services	268,911	1,449	10,005	194,491	474,856	447,147	182,938
Dues, Fees, and Memberships	4,651	2,005	5,652	20,776	33,084	25,163	7,970
Equipment, Furnitures, and Fixtures	313,685	3,936	10,285	20,251	348,157	156,719	11,437
Forgiveness of Mortgage Loan Debt	114,751	684,293	-	-	799,044	-	-
HFCU Operational Support	5,051,000	-	-	-	5,051,000	-	-
Insurance	35,416	-	-	-	35,416	116,662	-
Miscellaneous	283,905	28,840	500	1,550	314,795	7,197	750
Office Supplies	66,930	555	11,731	19,293	88,509	75,969	17,385
Pass Through Grants	231,000	-	250	147,908	379,158	-	-
Professional Fees	41,410	-	-	32,034	73,444	19,000	-
Rent and Employee Parking	19,300	-	-	10,585	29,885	-	-
Repairs and Maintenance	118,706	947	3,292	6,738	129,683	40,149	3,711
Service Fees	198,913	411,015	14,628	138,776	763,332	109,565	24,996
Staff Recruitment and Relocation	1,390	2,151	-	-	3,541	10,457	-
Telephone and Utilities	554,924	4,555	17,211	41,994	618,684	126,353	19,520
Travel	64,058	7,564	37,178	54,860	163,660	150,460	8,348
Interest	207,635	-	-	-	207,635	469,034	-
Provision for Loan Losses	355,885	(46)	-	-	355,839	-	-
Depreciation and Amortization	-	-	-	-	-	413,179	-
Total	\$ 8,898,249	\$ 1,245,708	\$ 428,646	\$ 1,355,876	\$ 11,928,479	\$ 4,255,362	\$ 609,612
							\$ 4,864,974
							\$ 16,793,453

**HOPE ENTERPRISE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)**

A summary of 2018 expenses summarized by functional and natural classification follows.

	Program Activities				Supporting Services			
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication	Supporting Subtotal
Salaries, Employee Taxes, and Benefits	\$ 1,011,277	\$ 73,462	\$ 309,542	\$ 730,768	\$ 2,125,049	\$ 1,778,598	\$ 320,360	\$ 2,098,958
Bank Fees	12,974	347	-	12,178	25,499	184	-	184
Conferences and Employee Training	3,776	1,960	9,050	4,501	19,287	58,451	2,855	61,306
Contractual Services	228,737	675	28,211	165,294	422,917	199,900	1,013,774	1,213,674
Dues, Fees, and Memberships	18,348	8	3,420	18,062	39,838	31,856	13,602	45,458
Equipment, Furnitures, and Fixtures	372,449	3,940	11,967	28,018	416,374	130,356	12,295	142,651
Forgiveness of Mortgage Loan Debt	-	693,470	-	-	693,470	-	-	-
HFCU Operational Support Insurance	3,261,000	-	-	-	3,261,000	-	-	-
Miscellaneous	41,610	-	-	-	41,610	114,244	-	114,244
Office Supplies	25,629	2,106	501	-	28,236	16,514	-	16,514
Pass Through Grants	98,425	725	2,888	15,455	117,293	37,552	20,901	58,453
Professional Fees	505,000	-	2,200	147,850	655,050	-	-	-
Rent and Employee Parking	58,305	58,400	-	46,521	163,226	172,351	-	172,351
Repairs and Maintenance	17,350	-	-	9,086	26,436	-	-	-
Service Fees	126,707	3,835	3,640	8,689	142,871	44,305	3,840	48,145
Staff Recruitment and Relocation	-	65,762	18,997	167,922	252,681	144,362	37,895	182,257
Telephone and Utilities	-	-	-	-	-	8,250	-	8,250
Travel	719,788	9,224	19,258	45,805	794,075	79,155	20,798	99,953
Interest	56,482	12,991	29,475	56,523	155,471	129,543	13,254	142,797
Provision for Loan Losses	284,251	-	-	-	284,251	309,861	-	309,861
Depreciation and Amortization	1,491,018	(155)	-	-	1,490,863	-	-	-
Total	\$ 8,333,126	\$ 926,750	\$ 438,949	\$ 1,456,672	\$ 11,155,497	\$ 3,701,088	\$ 1,459,574	\$ 5,160,662
								\$ 445,606
								\$ 445,606
								\$ 16,316,151

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, LLC					New Markets Tax Credit Companies	Eliminations	Consolidated
ASSETS	Consolidated	Home Again, Inc.	Enterprise Corporation					
Cash and Cash Equivalents	\$ 60,708	\$ 249,491	\$ 1,080,919	\$ 439,052	\$ -			\$ 1,830,170
Restricted Cash	-	-	4,792,707	-	-			4,792,707
Grants Receivable	13,105	10,400	3,151,994	-	-			3,175,499
Contract Revenue Receivable	-	-	-	158,065	-			158,065
Due from Affiliates	1,334,700	21,000	1,067,544	-	(2,423,244)			-
Other Loans, Net of Allowance	359,335	2,737,311	14,548,655	117,932,600	-			135,577,901
Investment Securities	-	-	15,815,535	-	-			15,815,535
Investment in Affiliated Company	-	1,036,558	-	-	-			1,036,558
Investment in Subsidiary	-	-	2,764,398	-	(2,764,398)			-
Investment in Secondary Capital of HFCU	-	-	9,500,000	-	-			12,475,000
Property and Equipment, Net	-	248,948	2,060,379	-	-			2,309,327
Other Assets	7,066	50,000	292,319	10,000	-			359,385
Total Assets	\$ 1,774,914	\$ 4,353,708	\$ 55,074,450	\$ 121,514,717	\$ (5,187,642)			\$ 177,530,147
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 91,725	\$ -	\$ 2,734,482	\$ 11,011	\$ (1,364,634)			\$ 1,472,584
Funds Held in Escrow	-	23,097	-	-	-			23,097
Payable to Hope Federal Credit Union	-	-	2,317,019	-	-			2,317,019
Due to Affiliates	-	1,036,152	-	20,971	(1,057,123)			-
Deferred Revenue	-	-	2,125,566	-	-			2,125,566
Notes Payable	1,500,000	-	22,431,483	-	-			23,931,483
Total Liabilities	1,591,725	1,059,249	29,608,550	31,982	(2,421,757)			29,869,749
NET ASSETS								
Noncontrolling Interests	165,759	-	-	119,389,156	-			119,554,915
Without Donor Restrictions	17,430	3,205,559	6,040,750	2,093,579	(2,765,885)			8,591,433
With Donor Restrictions	-	88,900	19,425,150	-	-			19,514,050
Total Net Assets	183,189	3,294,459	25,465,900	121,482,735	(2,765,885)			147,660,398
Total Liabilities and Net Assets	\$ 1,774,914	\$ 4,353,708	\$ 55,074,450	\$ 121,514,717	\$ (5,187,642)			\$ 177,530,147

**HOPE ENTERPRISE CORPORATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, LLC Consolidated	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
<b>REVENUES AND GAINS</b>						
Grants and Contributions	\$ -	\$ 470,001	\$ 11,714,016	\$ -	\$ (119,000)	\$ 12,065,017
In-Kind Contributions	-	-	32,725	-	-	32,725
Interest, Dividends, and Related Fees:						
Loans and Other Investments	6,521	-	617,172	1,798,678	(72,854)	2,349,517
Investment Income, Net	-	-	894,491	-	-	894,491
Other Losses	-	-	(40,390)	-	-	(40,390)
Contract Services Revenue	44	-	3,050,146	198,125	(1,572,547)	1,675,768
Total Revenues and Gains	6,565	470,001	16,268,160	1,996,803	(1,764,401)	16,977,128
<b>EXPENSES</b>						
Program Expenses:						
Development Finance	301,132	300,839	7,882,549	2,110,782	(1,697,050)	8,898,252
Housing Initiative	-	-	1,245,709	-	-	1,245,709
Policy and Advocacy	-	-	428,646	-	-	428,646
Other Programs	-	-	1,355,876	-	-	1,355,876
Total Program Expenses	301,132	300,839	10,912,780	2,110,782	(1,697,050)	11,928,483
General and Administration Expense	-	-	4,255,358	-	-	4,255,358
Fundraising and Communication	-	-	609,612	-	-	609,612
Total Expenses	301,132	300,839	15,777,750	2,110,782	(1,697,050)	16,793,453
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	(294,567)	169,162	490,410	(113,979)	(67,351)	183,675
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	281,303	-	-	211,243	-	492,546
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	(13,264)	169,162	490,410	97,264	(67,351)	676,221
Net Assets Contributable to Controlling Interests - Beginning of Year	30,694	3,125,297	24,975,490	2,003,142	(2,705,361)	27,429,262
Capital Contribution	-	-	-	3,300	(3,300)	-
Dividends Paid to Controlling Interests	-	-	-	(10,127)	10,127	-
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR</b>	17,430	3,294,459	25,465,900	2,093,579	(2,765,885)	28,105,483
Net Assets of Noncontrolling Interests	165,759	-	-	119,389,156	-	119,554,915
<b>NET ASSETS - END OF YEAR</b>	183,189	3,294,459	25,465,900	121,482,735	(2,765,885)	147,660,398

(33)

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD					
	Associates, LLC Consolidated	ECD New Markets 4 LLC	ECD New Markets 5 LLC	Hope New Markets 1 LLC	Hope New Markets 2 LLC	Hope New Markets 3 LLC
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 345,733	\$ -	\$ -	\$ 619	\$ 800	\$ 500
Contract Revenue Receivable	-	-	-	4,203	8,096	3,960
Other Loans, Net of Allowance	-	-	-	5,790,900	7,721,200	4,704,500
Secondary Capital of HFCU	2,975,000	-	-	-	-	-
Other Assets	-	-	-	-	-	10,000
Total Assets	<u>\$ 3,320,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,795,722</u>	<u>\$ 7,730,096</u>	<u>\$ 4,718,960</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable and Accrued Expenses	\$ (4)	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Due to Affiliates	-	-	-	-	-	-
Total Liabilities	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<b>NET ASSETS</b>						
Noncontrolling Interests	1,239,010	-	-	5,795,137	7,729,316	4,708,478
Without Donor Restrictions	2,081,727	-	-	585	780	482
Total Net Assets	<u>3,320,737</u>	<u>-</u>	<u>-</u>	<u>5,795,722</u>	<u>7,730,096</u>	<u>4,708,960</u>
Total Liabilities and Net Assets	<u>\$ 3,320,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,795,722</u>	<u>\$ 7,730,096</u>	<u>\$ 4,718,960</u>

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Hope New					Hope New	
	Markets 4 LLC	Markets 5 LLC	Markets 6 LLC	Markets 7 LLC	Markets 8 LLC	Markets 9 LLC	
Cash and Cash Equivalents	\$ 600	\$ 600	\$ 37,404	\$ 800	\$ 800	\$ 900	
Contract Revenue Receivable	-	8,173	9,726	-	-	17,175	25,856
Other Loans, Net of Allowance	5,790,900	5,761,800	10,616,650	7,721,200	7,682,400	8,686,350	
Secondary Capital of HFCU	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
Total Assets	\$ 5,791,500	\$ 5,770,573	\$ 10,663,780	\$ 7,722,000	\$ 7,700,375	\$ 8,713,106	
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Due to Affiliates	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-
<b>NET ASSETS</b>							
Noncontrolling Interests	5,790,911	5,769,995	10,662,714	7,721,228	7,699,605	8,712,231	
Without Donor Restrictions	589	578	1,066	772	770	875	
Total Net Assets	5,791,500	5,770,573	10,663,780	7,722,000	7,700,375	8,713,106	
Total Liabilities and Net Assets	\$ 5,791,500	\$ 5,770,573	\$ 10,663,780	\$ 7,722,000	\$ 7,700,375	\$ 8,713,106	

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Hope New					Hope New	
	Markets 10 LLC	Markets 11 LLC	Markets 12 LLC	Markets 13 LLC	Markets 14 LLC	Markets 15 LLC	
Cash and Cash Equivalents	\$ 800	\$ 45,579	\$ 1,017	\$ 800	\$ 700	\$ 1,400	
Contract Revenue Receivable	58,105	243	7,680	8,407	6,441	-	
Other Loans, Net of Allowance	7,721,200	8,337,150	9,651,500	7,682,400	6,688,150	13,376,300	
Secondary Capital of HFCU	-	-	-	-	-	-	
Other Assets	-	-	-	-	-	-	
Total Assets	<u>\$ 7,780,105</u>	<u>\$ 8,382,972</u>	<u>\$ 9,660,197</u>	<u>\$ 7,691,607</u>	<u>\$ 6,695,291</u>	<u>\$ 13,377,700</u>	
<b>LIABILITIES AND NET ASSETS</b>							
<b>LIABILITIES</b>							
Accounts Payable and Accrued Expenses	\$ -	\$ 1,000	\$ 15	\$ -	\$ -	\$ -	
Due to Affiliates	-	20,971	-	-	-	-	
Total Liabilities	<u>-</u>	<u>21,971</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>NET ASSETS</b>							
Noncontrolling Interests	7,779,327	8,360,166	9,659,216	7,690,838	6,694,622	13,376,362	
Without Donor Restrictions	778	835	966	769	669	1,338	
Total Net Assets	<u>7,780,105</u>	<u>8,361,001</u>	<u>9,660,182</u>	<u>7,691,607</u>	<u>6,695,291</u>	<u>13,377,700</u>	
Total Liabilities and Net Assets	<u>\$ 7,780,105</u>	<u>\$ 8,382,972</u>	<u>\$ 9,660,197</u>	<u>\$ 7,691,607</u>	<u>\$ 6,695,291</u>	<u>\$ 13,377,700</u>	

HOPE ENTERPRISE CORPORATION  
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES  
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)  
DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)

	Combined
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 439,052
Contract Revenue Receivable	158,065
Other Loans, Net of Allowance	117,932,600
Secondary Capital of HFCU	2,975,000
Other Assets	10,000
	<u>10,000</u>
Total Assets	<u>\$ 121,514,717</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	\$ 11,011
Due to Affiliates	20,971
Total Liabilities	<u>31,982</u>
<b>NET ASSETS</b>	
Noncontrolling Interests	119,389,156
Without Donor Restrictions	2,093,579
Total Net Assets	<u>121,482,735</u>
Total Liabilities and Net Assets	<u>\$ 121,514,717</u>

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD					
	Associates, LLC Consolidated	ECD New Markets 4 LLC	ECD New Markets 5 LLC	Hope New Markets 1 LLC	Hope New Markets 2 LLC	Hope New Markets 3 LLC
<b>REVENUES AND GAINS</b>						
Interest, Dividends, and Related Fees:						
Loans and Other Investments	\$ 155,950	\$ 456	\$ 50	\$ 58,204	\$ 97,155	\$ 47,515
Contract Services Revenue	-	-	-	-	10,000	10,000
Total Revenues and Gains	<u>155,950</u>	<u>456</u>	<u>50</u>	<u>58,204</u>	<u>107,155</u>	<u>57,515</u>
<b>EXPENSES</b>						
Program Expenses:						
Development Finance	9,411	-	7,000	14,551	29,400	22,500
Total Expenses	<u>9,411</u>	<u>-</u>	<u>7,000</u>	<u>14,551</u>	<u>29,400</u>	<u>22,500</u>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME</b>	<u>146,539</u>	<u>456</u>	<u>(6,950)</u>	<u>43,653</u>	<u>77,755</u>	<u>35,015</u>
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(49,250)</u>	<u>(456)</u>	<u>6,950</u>	<u>(43,649)</u>	<u>(77,747)</u>	<u>(35,011)</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	<u>97,289</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>8</u>	<u>4</u>
Net Assets Attributable to Controlling Interest - Beginning of Year	1,994,438	-	2	584	780	481
Capital Contribution	-	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>(10,000)</u>	<u>-</u>	<u>(2)</u>	<u>(3)</u>	<u>(8)</u>	<u>(3)</u>
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR</b>	<u>2,081,727</u>	<u>-</u>	<u>-</u>	<u>585</u>	<u>780</u>	<u>482</u>
Net Assets of Noncontrolling Interests	<u>1,239,010</u>	<u>-</u>	<u>-</u>	<u>5,795,137</u>	<u>7,729,316</u>	<u>4,708,478</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,320,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,795,722</u>	<u>\$ 7,730,096</u>	<u>\$ 4,708,960</u>

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Hope New Markets 4 LLC	Hope New Markets 5 LLC	Hope New Markets 6 LLC	Hope New Markets 7 LLC	Hope New Markets 8 LLC	Hope New Markets 9 LLC
<b>REVENUES AND GAINS</b>						
Interest, Dividends, and Related Fees:						
Loans and Other Investments						
Contract Services Revenue	\$ 100,471	\$ 113,182	\$ 112,953	\$ 77,600	\$ 237,805	\$ 310,268
Total Revenues and Gains	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>30,000</u>	<u>10,000</u>	<u>48,125</u>
	110,471	113,182	122,953	107,600	247,805	358,393
<b>EXPENSES</b>						
Program Expenses:						
Development Finance	25,000	15,000	89,578	30,000	30,000	48,125
Total Expenses	<u>25,000</u>	<u>15,000</u>	<u>89,578</u>	<u>30,000</u>	<u>30,000</u>	<u>48,125</u>
	85,471	98,182	33,375	77,600	217,805	310,268
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME</b>	<u>(85,462)</u>	<u>(98,172)</u>	<u>(33,372)</u>	<u>(77,592)</u>	<u>(217,783)</u>	<u>(310,237)</u>
Noncontrolling Interests in Subsidiaries' Net (Income) Loss						
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	9	10	3	8	22	31
Net Assets Attributable to Controlling Interest - Beginning of Year	589	578	1,062	772	770	875
Capital Contribution	-	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>(9)</u>	<u>(10)</u>	<u>1</u>	<u>(8)</u>	<u>(22)</u>	<u>(31)</u>
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR</b>	589	578	1,066	772	770	875
Net Assets of Noncontrolling Interests	5,790,911	5,769,995	10,662,714	7,721,228	7,699,605	8,712,231
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,791,500</u>	<u>\$ 5,770,573</u>	<u>\$ 10,663,780</u>	<u>\$ 7,722,000</u>	<u>\$ 7,700,375</u>	<u>\$ 8,713,106</u>

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Hope New Markets 10 LLC	Hope New Markets 11 LLC	Hope New Markets 12 LLC	Hope New Markets 13 LLC	Hope New Markets 14 LLC	Hope New Markets 15 LLC
<b>REVENUES AND GAINS</b>						
Interest, Dividends, and Related Fees:						
Loans and Other Investments						
Contract Services Revenue	\$ 232,420	\$ 87,543	\$ 82,416	\$ 60,787	\$ 19,754	\$ 4,149
Total Revenues and Gains	10,000	10,000	10,000	10,000	20,000	10,000
	242,420	97,543	92,416	70,787	39,754	14,149
<b>EXPENSES</b>						
Program Expenses:						
Development Finance						
Total Expenses	29,389	78,525	376,069	336,600	334,865	634,769
	29,389	78,525	376,069	336,600	334,865	634,769
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME</b>						
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	213,031	19,018	(283,653)	(265,813)	(295,111)	(620,620)
	(213,010)	(19,016)	283,625	265,786	295,081	620,558
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>						
Net Assets Attributable to Controlling Interest - Beginning of Year	21	2	(28)	(27)	(30)	(62)
Capital Contribution	777	834	600	-	-	-
Dividends Paid to Controlling Interests	-	-	400	800	700	1,400
	(20)	(1)	(6)	(4)	(1)	-
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR</b>						
Net Assets of Noncontrolling Interests	778	835	966	769	669	1,338
	7,779,327	8,360,166	9,659,216	7,690,838	6,694,622	13,376,362
<b>NET ASSETS - END OF YEAR</b>						
	\$ 7,780,105	\$ 8,361,001	\$ 9,660,182	\$ 7,691,607	\$ 6,695,291	\$ 13,377,700

**HOPE ENTERPRISE CORPORATION**  
**DETAILS OF NEW MARKETS TAX CREDIT COMPANIES**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Combined
<b>REVENUES AND GAINS</b>	
Interest, Dividends, and Related Fees:	
Loans and Other Investments	\$ 1,798,678
Contract Services Revenue	198,125
Total Revenues and Gains	<u>1,996,803</u>
<b>EXPENSES</b>	
Program Expenses:	
Development Finance	2,110,782
Total Expenses	<u>2,110,782</u>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME</b>	(113,979)
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>211,243</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	97,264
Net Assets Attributable to Controlling Interest - Beginning of Year	2,003,142
Capital Contribution	3,300
Dividends Paid to Controlling Interests	<u>(10,127)</u>
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR</b>	2,093,579
Net Assets of Noncontrolling Interests	<u>119,389,156</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 121,482,735</u></u>

**HOPE ENTERPRISE CORPORATION  
ECD INVESTMENTS, LLC  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, BIDCO, Inc.	ECD Investments, LLC	Eliminations	ECD Investments, LLC Consolidated
<b>ASSETS</b>				
Cash and Cash Equivalents	1,040	59,668	\$ -	\$ 60,708
Loans, Net of Allowance for Loan Losses of \$23,393	-	359,335	-	359,335
Due from Parent	1,047,476	4,605,487	(4,305,368)	1,347,595
Other Receivables	115	840,126	(840,031)	210
Investment in Subsidiary	-	1,000,000	(1,000,000)	-
Other Assets	7,066	-	-	7,066
	<u>1,055,697</u>	<u>6,864,616</u>	<u>(6,145,399)</u>	<u>1,774,914</u>
Total Assets	<u>\$ 1,055,697</u>	<u>\$ 6,864,616</u>	<u>\$ (6,145,399)</u>	<u>\$ 1,774,914</u>
<b>LIABILITIES AND CAPITAL</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 1,284,675	\$ -	\$ (1,192,950)	\$ 91,725
Intercompany Debt	4,285,600	-	(4,285,600)	-
Other Long-Term Debt	1,500,000	-	-	1,500,000
Total Liabilities	<u>7,070,275</u>	<u>-</u>	<u>(5,478,550)</u>	<u>1,591,725</u>
<b>CAPITAL</b>				
Class A Members' Capital	1,000,000	5,406,042	(1,000,000)	5,406,042
Class B Members' Capital	-	501,000	-	501,000
Class C Members' Capital	1,000,000	5,125,000	(1,000,000)	5,125,000
Accumulated Losses - Class A Members' Capital	-	(4,167,426)	(1,889,578)	(6,057,004)
Accumulated Losses - Class B Members' Capital	-	-	333,151	333,151
Accumulated Losses - Class C Members' Capital	-	-	(5,125,000)	(5,125,000)
Retained Earnings (Deficit)	(8,014,578)	-	8,014,578	-
Total Capital	<u>(6,014,578)</u>	<u>6,864,616</u>	<u>(666,849)</u>	<u>183,189</u>
Total Liabilities and Capital	<u>\$ 1,055,697</u>	<u>\$ 6,864,616</u>	<u>\$ (6,145,399)</u>	<u>\$ 1,774,914</u>

**HOPE ENTERPRISE CORPORATION  
ECD INVESTMENTS, LLC  
CONSOLIDATING STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, BIDCO, Inc.	ECD Investments, LLC	Eliminations	ECD Investments, LLC Consolidated
<b>REVENUES</b>				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	\$ 1,156	\$ 270,590	\$ (265,225)	\$ 6,521
Contract Services Revenue	44	-	-	44
Total Revenues and Gains	<u>1,200</u>	<u>270,590</u>	<u>(265,225)</u>	<u>6,565</u>
<b>EXPENSES</b>				
Program Expenses:				
Development Finance	519,061	47,296	(265,225)	301,132
Total Expenses	<u>519,061</u>	<u>47,296</u>	<u>(265,225)</u>	<u>301,132</u>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS</b>	<u><u>\$ (517,861)</u></u>	<u><u>\$ 223,294</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (294,567)</u></u>

**HOPE ENTERPRISE CORPORATION  
ECD ASSOCIATES, LLC  
CONSOLIDATING BALANCE SHEET  
YEAR ENDED DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>ECD New Markets, LLC</u>	<u>ECD Associates, LLC</u>	<u>Eliminations</u>	<u>ECD Associates, LLC Consolidated</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	180,911	\$ 164,822	\$ -	\$ 345,733
Investment in Subsidiary	-	3,505,000	(3,505,000)	-
Secondary Capital of HFCU	<u>2,975,000</u>	<u>-</u>	<u>-</u>	<u>2,975,000</u>
Total Assets	<u>\$ 3,155,911</u>	<u>\$ 3,669,822</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,320,733</u>
<b>LIABILITIES AND CAPITAL</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ -	\$ (4)	\$ -	\$ (4)
Total Liabilities	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>
<b>CAPITAL</b>				
Managing Members	100	1,000	-	1,100
Investor Members	11,849,050	3,014,228	(3,505,000)	11,358,278
Retained Earnings (Deficit)	<u>(8,693,239)</u>	<u>654,598</u>	<u>-</u>	<u>(8,038,641)</u>
Total Capital	<u>3,155,911</u>	<u>3,669,826</u>	<u>(3,505,000)</u>	<u>3,320,737</u>
Total Liabilities and Capital	<u>\$ 3,155,911</u>	<u>\$ 3,669,822</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,320,733</u>

**HOPE ENTERPRISE CORPORATION  
ECD ASSOCIATES, LLC  
CONSOLIDATING STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>ECD New Markets, LLC</u>	<u>ECD Associates, LLC</u>	<u>Eliminations</u>	<u>ECD Associates, LLC Consolidated</u>
<b>REVENUES</b>				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	<u>\$ 155,950</u>	<u>\$ 98,725</u>	<u>\$ (98,725)</u>	<u>\$ 155,950</u>
Total Revenues and Gains	155,950	98,725	(98,725)	155,950
<b>EXPENSES</b>				
Program Expenses:				
Development Finance	<u>2,546</u>	<u>6,865</u>	<u>-</u>	<u>9,411</u>
Total Expenses	<u>2,546</u>	<u>6,865</u>	<u>-</u>	<u>9,411</u>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS</b>	<u><u>\$ 153,404</u></u>	<u><u>\$ 91,860</u></u>	<u><u>\$ (98,725)</u></u>	<u><u>\$ 146,539</u></u>