

Management Discussion and Analysis

Independent Auditors' Report

Hope Enterprise Corporation (HEC) received an unmodified, or “clean” audit for FY 2021.

Balance Sheet Analysis

HEC’s total assets stood at \$265 million at December 31, 2021, down \$17.5 million from December 31, 2020. This change was driven by a reduction of more than \$50 million in Loans Receivable, primarily due to forgiveness/repayment of Paycheck Protection Program (PPP) loans originated in 2020 and 2021. The PPP loans are 100% guaranteed by the U.S. Small Business Administration (SBA). The reduction in Loans Receivable was partially offset by increases in secondary capital loans (funds used by HEC to make regulatory capital investments in Hope Federal Credit Union) and securities. The effect of these transactions on HEC’s financial position is summarized below:

	2021	2020
Unrestricted	15.0%	13.4%
Non-controlling interests	41.3%	39.4%
Total unrestricted	56.3%	52.8%
With donor restrictions	6.7%	6.9%
Total net assets	63.0%	59.7%

As reflected below, loans and investments comprise the majority of HEC’s assets:

	2021	2020
Loans receivable – net of allowance for loan losses	\$158,300,098	\$208,644,234
Investments in affiliated companies	1,187,725	1,107,608
Investment in secondary capital of HCU	38,035,775	15,475,000
Total	\$197,523,598	\$225,226,842
Percent of total assets	74.5%	79.7%

Notes payable decreased from \$107.6 million at December 31, 2020 to \$88.5 million at December 31, 2021. The \$19.1 million decrease was primarily driven by the repayment of funds borrowed to support HEC’s PPP lending.

Earnings Analysis

Total revenue for 2021 was \$26.1 million as compared to \$46.4 million for 2020, and expenses were \$26.4 million in 2021 as compared to \$17.4 million for 2020. The increase was primarily attributable to pass-thru grant expense of \$5.8 million and additional ALLL expense in an NMTC subsidiary of ~\$2 million. Earned revenue, as described below, increased to \$10.6 million in 2021 from \$8.3 million in 2020. Contributed revenue decreased to \$15.5 million from \$38.1 million in 2020. Contributed revenue in 2020 was driven by large, unrestricted grants made to fuel HOPE’s COVID response efforts, and to fortify our work to advance economic and racial justice. While these grants were recognized as revenue in FY 2020, they will be expended over several years.

Non-controlling interests in subsidiaries’ net income increased from (\$706,643) in 2020 to \$548,152 in 2021, with the change in net assets attributable to controlling interest decreasing from \$28.2 million in

2020 to \$253,889 million in 2021. In 2020, HEC realized an increase of \$1.0 million in net assets upon the liquidation of BIDCO preferred stock. BIDCO was established in the late 1990's to access SBA programs, but had been inactive for ~5 years before being dissolved in 2020.

Differences between earned revenue in 2021 and 2020 are summarized in the following schedule:

	2021	2020
Interest, dividends and related fees:		
Loans and other investments	\$3,074,917	\$3,251,835
Debt securities and cash equivalents	1,549	1,103,868
Gain (loss) on sale of assets and investments	80,117	(370,855)
Contract services revenues	7,397,395	4,269,424
Total earned revenue	\$10,553,978	\$8,254,272

The change in contract services revenue is almost wholly the result of PPP loan origination fees. Revenue from loans and other investments was relatively stable and the decrease in debt securities revenue was due to unrealized losses on fixed rate debt securities. HEC generally holds all debt securities to maturity and does not expect to realize the losses in its debt securities portfolio.



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, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Enterprise Corporation
Jackson, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Enterprise Corporation and entities under its control as of December 31, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the following consolidating or combining statements are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
March 31, 2022

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 20,884,637	\$ 24,446,074
Restricted Cash	10,760,353	6,981,652
Grant and Other Receivables	886,105	2,013,287
Contract Revenue Receivable	108,190	219,877
Due from Affiliate	1,530,428	-
Loans Receivable, Net of Allowance for Loan Losses of Approximately \$3,841,000 and \$2,031,000 in 2021 and 2020, Respectively	158,300,098	208,644,234
Investment Securities	30,454,638	21,200,478
Investment in Affiliated Companies - Note 6	1,187,725	1,107,608
Investment in Secondary Capital of Hope Federal Credit Union - Note 7	38,035,775	15,475,000
Property and Equipment, Net	2,400,013	2,179,606
Other Assets	440,175	332,001
	\$ 264,988,137	\$ 282,599,817
Total Assets	\$ 264,988,137	\$ 282,599,817
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,565,546	\$ 2,051,574
Payable to Hope Federal Credit Union	-	3,077,312
Deferred Revenue	7,046,214	1,124,729
Notes Payable	88,456,038	107,622,143
Total Liabilities	98,067,798	113,875,758
NET ASSETS		
Without Donor Restrictions	39,785,370	37,831,395
Noncontrolling Interests	109,345,170	111,402,779
Total Without Donor Restrictions	149,130,540	149,234,174
With Donor Restrictions	17,789,799	19,489,885
Total Net Assets	166,920,339	168,724,059
	\$ 264,988,137	\$ 282,599,817
Total Liabilities and Net Assets	\$ 264,988,137	\$ 282,599,817

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Grants and Contributions	\$ 6,904,703	\$ 8,611,537	\$ 15,516,240
In-Kind Contributions	-	-	-
Interest, Dividends, and Related Fees:			
Loans and Other Investments	3,074,917	-	3,074,917
Investment Income, Net	1,549	-	1,549
Other Losses	80,117	-	80,117
Contract Services Revenue	7,397,395	-	7,397,395
Subtotal	<u>17,458,681</u>	<u>8,611,537</u>	<u>26,070,218</u>
Net Assets Release from Restrictions:			
Satisfaction of Program Restrictions	10,311,623	(10,311,623)	-
Total Revenues and Gains	<u>27,770,304</u>	<u>(1,700,086)</u>	<u>26,070,218</u>
EXPENSES			
Program Expenses:			
Development Finance	14,699,079	-	14,699,079
Housing Initiative	475,245	-	475,245
Policy and Advocacy	884,961	-	884,961
Other Programs	1,839,013	-	1,839,013
Total Program Expenses	<u>17,898,298</u>	<u>-</u>	<u>17,898,298</u>
Supporting Services:			
General and Administration	7,935,219	-	7,935,219
Fundraising and Communication	530,964	-	530,964
Total Expenses	<u>26,364,481</u>	<u>-</u>	<u>26,364,481</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	1,405,823	(1,700,086)	(294,263)
Noncontrolling Interests in Subsidiaries' Net Income	<u>548,152</u>	<u>-</u>	<u>548,152</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	1,953,975	(1,700,086)	253,889
Net Assets Contributable to Controlling Interests - Beginning of Year	<u>37,831,395</u>	<u>19,489,885</u>	<u>57,321,280</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	39,785,370	17,789,799	57,575,169
Net Assets of Noncontrolling Interests	<u>109,345,170</u>	<u>-</u>	<u>109,345,170</u>
NET ASSETS - END OF YEAR	<u>\$ 149,130,540</u>	<u>\$ 17,789,799</u>	<u>\$ 166,920,339</u>

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Grants and Contributions	\$ 31,562,983	\$ 6,542,232	\$ 38,105,215
In-Kind Contributions	2,610	-	2,610
Interest, Dividends, and Related Fees:			
Loans and Other Investments	3,251,835	-	3,251,835
Investment Income, Net	1,103,868	-	1,103,868
Other Losses	(370,855)	-	(370,855)
Contract Services Revenue	4,269,424	-	4,269,424
Subtotal	39,819,865	6,542,232	46,362,097
Net Assets Release from Restrictions:			
Satisfaction of Program Restrictions	6,566,397	(6,566,397)	-
Total Revenues and Gains	46,386,262	(24,165)	46,362,097
EXPENSES			
Program Expenses:			
Development Finance	9,100,547	-	9,100,547
Housing Initiative	557,368	-	557,368
Policy and Advocacy	814,897	-	814,897
Other Programs	1,997,000	-	1,997,000
Total Program Expenses	12,469,812	-	12,469,812
Supporting Services:			
General and Administration Expense	4,547,516	-	4,547,516
Fundraising and Communication	422,329	-	422,329
Total Expenses	17,439,657	-	17,439,657
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	28,946,605	(24,165)	28,922,440
Noncontrolling Interests in Subsidiaries' Net Income	(706,643)	-	(706,643)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	28,239,962	(24,165)	28,215,797
Net Assets Contributable to Controlling Interests - Beginning of Year	8,591,433	19,514,050	28,105,483
Liquidation of BIDCO Preferred Stock	1,000,000	-	1,000,000
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	37,831,395	19,489,885	57,321,280
Net Assets of Noncontrolling Interests	111,402,779	-	111,402,779
NET ASSETS - END OF YEAR	\$ 149,234,174	\$ 19,489,885	\$ 168,724,059

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Attributable to Controlling Interests	\$ 253,889	\$ 28,215,797
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Noncontrolling Interests in Subsidiaries' Loss	(548,152)	706,643
Depreciation and Amortization	320,207	370,551
Provision for Loan Losses	2,101,973	(64,648)
Forgiveness of Mortgage Loan Debt	601,511	567,255
Forgiveness of Debt	-	(100,000)
Assignment of Debt	3,158,000	-
Equity in Affiliate	(80,117)	(71,050)
Realized and Unrealized Net (Gains) Losses on Investments	747,911	(447,262)
Changes in Operating Assets and Liabilities:		
Contract Revenue Receivable	111,687	(61,812)
Grants Receivable	1,127,182	1,162,212
Due from Affiliate	(1,530,428)	-
Other Receivables and Prepaid Expenses	(108,174)	27,384
Accounts Payable and Other Liabilities	(2,563,340)	1,316,186
Deferred Revenue	5,921,485	(1,000,837)
Net Cash Provided by Operating Activities	9,513,634	30,620,419
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Increase) Decrease in Loans Held for Investment	47,640,652	(73,568,940)
Purchases of Investments	(15,054,240)	(10,096,984)
Proceeds from Maturities and Sales of Investments	5,052,169	5,159,303
Issuance of Secondary Capital Loan	(22,560,775)	(3,000,000)
Purchase of Property and Equipment	(540,614)	(240,830)
Liquidation of BIDCO Preferred Stock	-	1,000,000
Net Cash Provided (Used) by Investing Activities	14,537,192	(80,747,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contributions from Noncontrolling Interests	-	17,000,000
Return of Capital Contributions to Noncontrolling Interests	-	(24,250,000)
Cash Dividends Paid to Noncontrolling Interests	(1,509,457)	(1,608,779)
Proceeds from Issuance of Notes Payable	79,496,228	171,759,675
Payments on Long-Term Borrowings	(101,820,333)	(87,969,015)
Net Cash Provided (Used) by Financing Activities	(23,833,562)	74,931,881
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	217,264	24,804,849
Cash, Cash Equivalents, Restricted Cash - Beginning of Year	31,427,726	6,622,877
CASH, CASH EQUIVALENTS, RESTRICTED CASH - END OF YEAR	\$ 31,644,990	\$ 31,427,726
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 924,793	\$ 426,006

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 15 additional limited liability companies included in the consolidated financial statements of the Company. The Company serves as the Managing Member of all 15 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 13 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.

BIDCO has not had any activity since 2016 was liquidated effective August 31, 2020.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**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, 2021, 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 at December 31, 2021 totaling \$19,786,385, and restricted cash totaling \$10,760,353, as included on the consolidated statement of financial position, equal total cash, cash equivalents, and restricted cash shown of the consolidated statement of cash flows of \$30,546,738. Cash and cash equivalents at December 31, 2020 totaling \$24,446,074, and restricted cash totaling \$6,981,652, as included on the consolidated statement of financial position, equal total cash, cash equivalents, and restricted cash shown of the consolidated statement of cash flows of \$31,427,726.

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 \$7,046,214 and \$1,124,729 at December 31, 2021 and 2020, respectively, have been recognized in the accompanying consolidated statement of financial position as deferred revenue because the conditions on which they depend have not yet been met. Management considers all grants and contributions receivable to be fully collectible and therefore no allowance for uncollectible amounts is necessary. The Company has received \$10,043,457 of conditional grants that have not been recognized because the conditions have not been met as of year-end.

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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Contract Services Revenue and Related Receivables (continued)

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, 2021 and 2020, revenue from these fees totaled \$25,667 and \$457,969, respectively.

The Company receives fees from the Small Business Administration for originating loans under the Paycheck Protection Program (PPP). Revenue from the origination service fees is recognized when the loan is originated. These fees are included in contract services revenue on the consolidated statement of activities. During the years ended December 31, 2021 and 2020, revenue from these fees totaled \$6,789,896 and \$2,747,833, respectively.

Fair Value Measurements

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

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

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

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

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

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Fair Value Measurements (continued)

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

Loans Receivable

Loans receivable are stated at the amount of unpaid principal, less an allowance for 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. Unless collection of interest is reasonably certain, as in the case of a government guarantee, the Company generally discontinues the accrual of interest and recognizes income only as received for loans 90 days or more past due. A loan may also be placed in nonaccrual status when, in management's judgment, the collection of interest is doubtful. All interest accrued but not collected for loans that are placed in nonaccrual status or charged off is reversed through interest income unless management believes the accrued interest is recoverable through the liquidation of collateral. Interest received on nonaccrual loans is either applied against principal or reported as interest income, based on management's assessment regarding the recovery of principal. The Company has determined that the impact of capitalizing nonrefundable fees and other costs is not significant. These costs have been expensed as incurred. Management has also issued loans at below-market rates. Interest income from these loans is imputed based on the market rate offered to those of a similar type. Imputed interest is approximately \$34,000 and \$41,000 as of December 31, 2021 and 2020, 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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Loans Receivable (continued)

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 four significant TDRs or impaired loans totaling approximately \$6,077,000 granted during the year ended December 31, 2021, and no significant TDRs or impaired loans as of and for the year ended December 31, 2020.

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 \$602,000 and \$567,000 in debt forgiveness during 2021 and 2020, respectively, related to these mortgage loans.

As of December 31, 2021, 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>
2022	\$ 607,477
2023	607,477
2024	384,727
2025	217,435
2026	190,352
Thereafter	1,446,011
Total	<u>\$ 3,453,479</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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 uncollectable, 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.

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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Allowance for Loan Losses (continued)

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.

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

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Foreclosed Property (continued)

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.

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, ECDA, ECDNM, and the 13 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 \$638,000 was recorded at liquidation on August 31, 2020 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 liquidation, BIDCO utilized net operating loss carryforwards of \$6,228,681, resulting in ending net operating losses of \$2,001,698 being written off as of August 31, 2020.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Income Taxes (continued)

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 2017.

Subsequent Events

In connection with the preparation of the consolidated financial statements, management of the Company evaluated subsequent events through March 31, 2022, which was the date the consolidated financial statements were available to be issued.

NOTE 2 GRANT AND OTHER RECEIVABLES

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

	2021	2020
Grant Receivable in Less Than One Year	\$ 460,388	\$ 992,002
Grant Receivable in One to Five Years	40,000	520,388
Subtotal	500,388	1,512,390
Less: Adjustment to Reflect Grant Receivables at Fair Value at the Date of Grant, Based on 2.5% Discount Rate in 2021 and 2020	(2,608)	(29,441)
Total Grant Receivables	497,780	1,482,949
Other Receivables Due in Less Than One Year	388,325	530,338
Total Grant and Other Receivables	\$ 886,105	\$ 2,013,287

NOTE 3 FAIR VALUE MEASUREMENTS

At December 31, 2021 and 2020, 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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENT (CONTINUED)

The fair value measurements by input level follow:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investment Securities	\$ -	\$ 30,454,638	\$ -	\$ 30,454,638

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investment Securities	\$ -	\$ 21,200,478	\$ -	\$ 21,200,478

NOTE 4 INVESTMENT SECURITIES

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

	December 31, 2021	
	Amortized	
	Cost	Fair Value
Government Agencies	\$ 2,151,719	\$ 2,119,878
Residential Mortgage-Backed Securities	19,700,486	19,561,161
US Treasury Bonds	3,407,061	3,414,884
Municipal Bonds	5,449,425	5,358,715
Total	\$ 30,708,691	\$ 30,454,638

	December 31, 2020	
	Amortized	
	Cost	Fair Value
Government Agencies	\$ 1,666,485	\$ 1,669,450
Residential Mortgage-Backed Securities	12,192,125	12,556,873
US Treasury Bonds	2,242,829	2,312,766
Municipal Bonds	4,593,087	4,661,389
Total	\$ 20,694,526	\$ 21,200,478

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

	December 31, 2021	
	Amortized	
	Cost	Fair Value
US Treasury and Municipal Bonds and Government Agency Securities:		
Due After One Year Through Five Years	\$ 4,170,922	\$ 4,140,753
Due After Five Years Through Ten Years	6,837,283	6,752,724
Subtotal	11,008,205	10,893,477
Residential Mortgage-Backed Securities	19,700,486	19,561,161
Total	\$ 30,708,691	\$ 30,454,638

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 \$111,550,000 and \$111,912,000 at December 31, 2021 and 2020, respectively. These interest-only loans have seven-year repayment terms.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act provided economic relief to individuals and businesses through the Payroll Protection Program (PPP), which allowed financial institutions to grant forgivable, guaranteed Small Business Administration (SBA) loans. The PPP loans do not require payments until six months after funding, mature at 24 or 60 months and bear interest at 1.00%. During the years ended December 31, 2021 and 2020, the Company had approximately \$35,810,000 and \$80,970,000, respectively, of PPP loans outstanding reported in commercial loans. Management determined that the impact of deferring origination fees associated with the loans was not significant.

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

	<u>2021</u>	<u>2020</u>
Commercial Loans	\$ 157,948,334	\$ 205,876,669
Forgivable Mortgage Loans	3,770,671	4,351,583
Other Consumer Mortgage Loans	<u>422,077</u>	<u>447,473</u>
Subtotal	162,141,082	210,675,725
Allowance for Loan Losses	<u>3,840,984</u>	<u>2,031,491</u>
Total	<u>\$ 158,300,098</u>	<u>\$ 208,644,234</u>

The Company has sold loan participations to various other companies, which are secured by commercial property. These loan participations were sold without recourse and the Company performs all loan servicing functions on these loans. Loan participations sold and excluded from the commercial loan segment above, totaled approximately \$11,439,000 and \$24,966,000 at December 31, 2021 and 2020, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 LOANS, NET (CONTINUED)

The allowance for loan losses is as follows:

December 31, 2021					
	Balance - Beginning of Year	Charge-Offs	Recoveries	Provision (Credit) for Loan Losses	Balance - End of Year
Commercial	\$ 2,029,253	\$ (465,872)	\$ 173,392	\$ 2,102,101	\$ 3,838,874
Other Consumer Mortgage Loans	2,238	-	-	(128)	2,110
Total	<u>\$ 2,031,491</u>	<u>\$ (465,872)</u>	<u>\$ 173,392</u>	<u>\$ 2,101,973</u>	<u>\$ 3,840,984</u>

December 31, 2020					
	Balance - Beginning of Year	Charge-Offs	Recoveries	Credit for Loan Losses	Balance - End of Year
Commercial	\$ 2,146,821	\$ (70,000)	\$ 16,829	\$ (64,397)	\$ 2,029,253
Other Consumer Mortgage Loans	2,489	-	-	(251)	2,238
Total	<u>\$ 2,149,310</u>	<u>\$ (70,000)</u>	<u>\$ 16,829</u>	<u>\$ (64,648)</u>	<u>\$ 2,031,491</u>

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

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

December 31, 2021					
	Loans		Allowance		Net
	Individually	Collectively	Individually	Collectively	
Commercial	\$ 8,178,607	\$ 149,769,727	\$ 2,144,212	\$ 1,694,662	\$ 154,109,460
Other Consumer Mortgage Loans	-	422,077	-	2,110	419,967
Total	<u>\$ 8,178,607</u>	<u>\$ 150,191,804</u>	<u>\$ 2,144,212</u>	<u>\$ 1,696,772</u>	<u>\$ 154,529,427</u>

December 31, 2020					
	Loans		Allowance		Net
	Individually	Collectively	Individually	Collectively	
Commercial	\$ 882,934	\$ 204,993,735	\$ 126,284	\$ 1,902,969	\$ 203,847,416
Other Consumer Mortgage Loans	-	447,473	-	2,238	445,235
Total	<u>\$ 882,934</u>	<u>\$ 205,441,208</u>	<u>\$ 126,284</u>	<u>\$ 1,905,207</u>	<u>\$ 204,292,651</u>

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

December 31, 2021					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 151,177,387	\$ 453,178	\$ 6,237,241	\$ 80,528	\$ 157,948,334

December 31, 2020					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 190,032,063	\$ 9,795,275	\$ 5,927,854	\$ 121,477	\$ 205,876,669

As of December 31, 2021 and 2020, all other consumer and forgivable mortgage loans were performing.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 LOANS, NET (CONTINUED)

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

	December 31, 2021				
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 149,363,232	\$ 4,088,731	\$ 4,415,843	\$ 80,528	\$ 157,948,334
Forgivable Mortgage Loans	3,770,671	-	-	-	3,770,671
Other Consumer Mortgage Loans	422,077	-	-	-	422,077
Total	<u>\$ 153,555,980</u>	<u>\$ 4,088,731</u>	<u>\$ 4,415,843</u>	<u>\$ 80,528</u>	<u>\$ 162,141,082</u>

	December 31, 2020				
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 205,507,082	\$ 149,905	\$ -	\$ 219,682	\$ 205,876,669
Forgivable Mortgage Loans	4,351,583	-	-	-	4,351,583
Other Consumer Mortgage Loans	447,473	-	-	-	447,473
Total	<u>\$ 210,306,138</u>	<u>\$ 149,905</u>	<u>\$ -</u>	<u>\$ 219,682</u>	<u>\$ 210,675,725</u>

At December 31, 2021, substantially all of the Company's delinquent loans were extended under the PPP program. Once PPP loans are 60 days past due, the Company can submit a request for guaranty purchase from the SBA. At the time of guaranty purchase, SBA will pay accrued interest through the deferment period plus up to 120 days of additional interest due to payment default.

All loans on nonaccrual were greater than 90 days delinquent. Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2021 and 2020.

The following table present information related to impaired loans as of December 31:

	December 31, 2021				
	Average Principal Balance	Unpaid Principal Balance	Total Loans with No Specific Allowance	Total Loans with a Specific Allowance	Specific Allowance
Commercial Loans	<u>\$ 8,178,607</u>	<u>\$ 8,178,607</u>	<u>\$ 2,044,367</u>	<u>\$ 6,134,240</u>	<u>\$ 2,144,212</u>

	December 31, 2020				
	Average Principal Balance	Unpaid Principal Balance	Total Loans with No Specific Allowance	Total Loans with a Specific Allowance	Specific Allowance
Commercial Loans	<u>\$ 882,934</u>	<u>\$ 882,934</u>	<u>\$ 189,105</u>	<u>\$ 693,829</u>	<u>\$ 126,284</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 LOANS, NET (CONTINUED)

During 2021, the Company granted four TDRs totaling \$6,076,716 that modified the principal and interest rate of the impacted loans. The post-modification balances of the loans were substantially similar to the pre-modification balances. The loans do not have a specific reserve and are performing at December 31, 2021.

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

NOTE 6 INVESTMENT IN AFFILIATED COMPANIES

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

	<u>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 392,073	\$ 249,131
Property and Equipment	2,843,712	2,882,837
Other Assets	17,863	21,438
Total Assets	<u>\$ 3,253,648</u>	<u>\$ 3,153,406</u>
Liabilities and Members' Equity:		
Accounts Payable	\$ -	\$ 8,859
Deposits	28,267	30,256
Notes Payable to Related Entities	2,903,944	3,005,774
Retained Earnings (Deficit)	321,437	108,517
Total Liabilities and Members Equity	<u>\$ 3,253,648</u>	<u>\$ 3,153,406</u>
Results of Operations:		
Revenue	\$ 622,115	\$ 608,036
Interest Expense	26,124	2,383
Other Expenses	299,016	353,391
Net Earnings	<u>\$ 296,975</u>	<u>\$ 252,262</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 \$4,415,000 and \$5,627,500 relative to its obligation to reimburse certain operating expenses of HFCU in 2021 and 2020, 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 1.00% for \$550,000 each, both maturing in 2023, two fixed rate loans at 1.00% for \$825,000 and \$1,050,000 maturing in 2025 and 2027, three fixed rate loans at 1.00% for \$5,000,000 and \$5,000,000 maturing on December 31, 2026, a fixed rate loan at 1.00% for \$16,060,775 maturing on December 31, 2026, a fixed rate loan at 1.00% for \$1,000,000 maturing on April 29, 2026, two fixed rate loans at 1.00% for \$3,000,000 and \$2,000,000 maturing on December 30, 2026, and one fixed rate loan at 3% for \$3,000,000 maturing on December 17, 2028, and two variable rate loans aggregating \$1,375,000 with interest floors and caps from 5.00% – 10.90% (with effective rates of 5.00% at December 31, 2021), maturing in 2024 – 2025, with principal payments required each year until maturity. Interest income received from HFCU relative to the secondary capital loans was \$153,279 and \$102,781 for the years ended December 31, 2021 and 2020, respectively. No repayments are due on the above secondary capital loans until 2024 and thereafter.

The Company incurred \$3,950,000 and \$50,000 in 2021 and 2020, 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 \$-0- and \$3,077,312 in 2021 and 2020, respectively. The Company had deposit accounts with HFCU as of December 31, 2021 and 2020, totaling \$22,352,930 and \$5,825,453, respectively.

The Company has a mortgage and note payable to HFCU with an outstanding principal balance of \$760,853 and \$765,182, respectively at December 31, 2021 and 2020. See terms of note at Note 9.

The Company purchased from HFCU Paycheck Protection Program loans originated by HFCU totaling \$-0- and \$12,148,958 during the years ended December 31, 2021 and 2020, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Computer Equipment	\$ 4,984,669	\$ 4,518,109
Office Equipemnt and Other	871,164	992,433
Buildings and Improvements	2,178,978	2,027,655
Construction in Progress	215,625	171,625
Subtotal	8,250,436	7,709,822
Less: Accumulated Depreciation	(5,850,423)	(5,530,216)
Total	\$ 2,400,013	\$ 2,179,606

NOTE 9 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, 2021, were \$-0- and \$-0-, respectively. The outstanding balances under these loan facilities at December 31, 2020, were \$1,960,102 and \$-0-, 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.

The Company also entered into two loan facilities with banks to provide funding in amounts up to \$85,000,000 for each. The outstanding balances under these loan facilities at December 31, 2021 are \$1,646,704 and \$80,146,793. The proceeds of both facilities are to be used to provide Paycheck Protection Program Loans (see Note 5) and are secured by such outstanding loans. All remaining notes payable of the Company are unsecured except for collateral consisting of a first real estate mortgage on the corporate office facilities relative to the note payable to HFCU.

The Company recognized interest expense of \$30,443 and \$50,990 during 2021 and 2020, respectively, related to its mortgage and note payable to HFCU.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 NOTES PAYABLE (CONTINUED)

Notes payable consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
1% Notes Payable:		
Interest Due Quarterly and Maturing from 2020 through 2025	[a] \$ 6,999,417	\$ 6,999,417
Interest Due Quarterly and Maturing from 2025 through 2027	1,000,000	1,000,000
Interest Due Annually and Maturing from 2023 through 2030	[b] 1,800,000	1,800,000
Interest Due Quarterly and at Maturity, March 2031	[c] 5,000,000	2,000,000
1.5% Note Payable, Interest Due Quarterly and Maturing in 2026	560,775	
Notes Payable to Banks with Interest Due Quarterly:		
Interest Payable at 3% and Maturing in 2022	453,317	500,000
Interest Payable at 3.25% and Maturing from 2022 through 2025	[d] 1,000,000	1,000,000
0.35% Note Payable Secured by Pledged PPP Loans, Maturing as the Pledged Loans Mature	39,599,720	80,146,793
1.35% Note Payable with Interest Due Monthly, Maturing in 2024	999,944	999,944
2% Note Payable:		
Interest Due Quarterly and Maturing from 2031 to 2033	5,000,000	-
Interest Due Semi-Annually and Maturing in 2026	3,000,000	-
3% Notes Payable:		
Interest Due Monthly and Maturing in 2022	-	1,960,102
Interest Due Quarterly and Maturing in 2022	[f] 1,000,000	1,000,000
Interest Due Quarterly and Maturing in 2026	4,000,000	4,000,000
Interest Due Quarterly and Maturing in 2028	3,000,000	-
Interest Due Quarterly and Maturing in 2030	10,000,000	-
4.75% Mortgage Payable to HFCU with Monthly Installments of \$5,099, Including Interest at Prime Plus 1.5%, Payable Until Final Balloon in February 2031	760,853	765,183
Note Payable to Nonprofit Foundation Bearing Interest at 2% with Interest Due Quarterly, Maturing in 2026	[g] 250,000	250,000
Note Payable to Nonprofit Foundation Bearing Interest at 2% with Interest Due Quarterly and Maturing from 2026 through 2028	[h] 752,000	594,000
Interest Free Notes Payable:		
Nonprofit Foundation Maturing in 2021	-	150,000
Nonprofit Foundation Maturing in 2024	[i] 400,000	400,000
Nonprofit Foundation Maturing in 2025	250,000	250,000
Maturing in 2022 Secured by Pledged PPP Loans	520,012	1,646,704
Other Notes Payable, with Interest at 1% to 2.5%	[j] 110,000	160,000
3% Line of Credit with Interest Due Monthly, Maturing in 2026	2,000,000	2,000,000
Total Notes Payable	<u>\$ 88,456,038</u>	<u>\$ 107,622,143</u>

All notes payable without collateral described above represent unsecured notes.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 NOTES PAYABLE (CONTINUED)

During 2020, multiple bank and nonbank lenders modified their loan terms with the Company.

[a] – Quarterly interest payments on \$1,000,000 were waived from April 1, 2020 to March 31, 2022 and the maturity date was extended 5 years to March 31, 2030.

[b] – Maturity date on \$1,500,000 was extended 10 years to January 27, 2030

[c] – Interest payments were waived and cancelled for 6 months

[d] – Interest payments were deferred from April 28 – June 28, 2020 and maturity date was extended three months to December 3, 2025

[e] – Maturity date extended three months to September 2020

[f] – Interest payments deferred for 90 days

[g] – Interest rate was reduced from 2.5% to 2% and interest payments waived from July 1, 2020 to January 1, 2021 and maturity date extended 5 years to January 1, 2026

[h] – Interest payments were deferred from March to December 2020

[i] – Interest rate was reduced from 2.5% to 0% and \$100,000 was converted to a grant

[j] – Maturity date on \$25,000 was extended to October 31, 2023 and interest rate was reduced from 2% to 1%

Notes payable maturities at December 31, 2021, are as follows:

<u>Years Ending December 31.</u>	<u>Amount</u>
2022	\$ 43,659,233
2023	2,171,184
2024	3,485,545
2025	3,061,184
2026	7,811,184
Thereafter	<u>28,267,708</u>
Total	<u>\$ 88,456,038</u>

NOTE 10 NET ASSETS

Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Net Assets Subject to Expenditures for Specified Purpose:		
Development Finance Activities	\$ 16,871,662	\$ 18,033,938
Housing Initiative Activities	83,900	288,274
Other Program Activities	<u>81,725</u>	<u>395,161</u>
Subtotal	17,037,287	18,717,373
Net Assets Subject to Passage of Time:		
For Periods after December 31	60,000	80,000
Net Assets to be Maintained in Perpetuity:		
Revolving Loan Funds	<u>692,512</u>	<u>692,512</u>
Total Net Assets with Donor Restrictions	<u>\$ 17,789,799</u>	<u>\$ 19,489,885</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 NET ASSETS (CONTINUED)

Noncontrolling Interests

ECDI has issued 220 Class A units at \$25,000 per unit. The owners of the Class A units may elect three of the seven members of the management committee of ECDI. The Company, the sole Class B unit holder, appoints the other four members. The Company is the sole managing member of ECDA and elects three of the five board of directors of ECDNM. ECDA is the primary investing member of ECDNM. The Company is the sole managing member of 13 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 2021 and 2020. Dividends in arrears relative to the ECDI Class A units totaled \$114,775 at December 31, 2021 and 2020.

The changes in noncontrolling interest are as follows:

	Balance - January 1, 2021	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2021
ECD Investments Consolidated	\$ (367,467)	\$ -	\$ -	\$ (32,645)	\$ (400,112)
ECD Associates Consolidated	1,208,767	-	(82,223)	52,423	1,178,967
Hope New Markets 5	5,741,702	-	(98,174)	(1,989,443)	3,654,085
Hope New Markets 6	10,721,241	-	-	72,842	10,794,083
Hope New Markets 7	7,721,228	-	(77,592)	77,592	7,721,228
Hope New Markets 8	7,699,605	-	(217,783)	217,784	7,699,606
Hope New Markets 9	8,712,231	-	(336,090)	310,237	8,686,378
Hope New Markets 10	7,779,327	-	(212,399)	212,399	7,779,327
Hope New Markets 11	8,403,408	-	-	45,451	8,448,859
Hope New Markets 12	9,659,227	-	(81,333)	81,344	9,659,238
Hope New Markets 13	7,690,838	-	(96,390)	96,390	7,690,838
Hope New Markets 14	6,694,622	-	(59,791)	59,791	6,694,622
Hope New Markets 15	13,387,896	-	(100,790)	100,790	13,387,896
Hope New Markets 16	6,688,180	-	(50,652)	50,653	6,688,181
Hope New Markets 17	9,661,974	-	(96,240)	96,240	9,661,974
Total	<u>\$ 111,402,779</u>	<u>\$ -</u>	<u>\$ (1,509,457)</u>	<u>\$ (548,152)</u>	<u>\$ 109,345,170</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 NET ASSETS (CONTINUED)

	Balance - January 1, 2020	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2020
ECD Investments Consolidated	\$ 165,759	\$ -	\$ -	\$ (533,226)	\$ (367,467)
ECD Associates Consolidated	1,239,010	-	(81,954)	51,711	1,208,767
Hope New Markets 1	5,795,137	(5,820,000)	(36,046)	60,909	-
Hope New Markets 2	7,729,316	(7,760,000)	(59,596)	90,280	-
Hope New Markets 3	4,708,478	(4,850,000)	(24,878)	166,400	-
Hope New Markets 4	5,790,911	(5,820,000)	(72,405)	101,494	-
Hope New Markets 5	5,769,995	-	(98,172)	69,879	5,741,702
Hope New Markets 6	10,662,714	-	-	58,527	10,721,241
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	7,779,327	-	(212,399)	212,399	7,779,327
Hope New Markets 11	8,360,166	-	-	43,242	8,403,408
Hope New Markets 12	9,659,216	-	(81,333)	81,344	9,659,227
Hope New Markets 13	7,690,838	-	(96,390)	96,390	7,690,838
Hope New Markets 14	6,694,622	-	(59,791)	59,791	6,694,622
Hope New Markets 15	13,376,362	-	(100,790)	112,324	13,387,896
Hope New Markets 16	-	7,000,000	(14,916)	(296,904)	6,688,180
Hope New Markets 17	-	10,000,000	(64,497)	(273,529)	9,661,974
Total	<u>\$ 119,554,915</u>	<u>\$ (7,250,000)</u>	<u>\$ (1,608,779)</u>	<u>\$ 706,643</u>	<u>\$ 111,402,779</u>

NOTE 11 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:

	2021	2020
Cash and Cash Equivalents	\$ 20,884,637	\$ 24,446,074
Grants Receivables	460,388	992,002
Investment Securities	30,454,638	21,200,478
Loans Receivable	632,615	968,223
Loan Guarantees Receivable from SBA	35,735,697	80,970,308
Interest Receivable	108,190	219,877
Financial Assets, at Year End	<u>\$ 88,276,165</u>	<u>\$ 128,796,962</u>
Less Those Not Available for General Expenditures within One Year, Due to:		
Restricted by Donors	(17,789,799)	(19,489,885)
Lines of Credit Secured by Loan Guarantees Receivable from SBA	<u>(35,735,697)</u>	<u>(80,970,308)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	<u>\$ 34,750,669</u>	<u>\$ 28,336,769</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Company's liquidity management policy has structured its financial assets to be available for its general expenditures and other obligations that come due. The Company invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Company also could draw upon available loan facilities as discussed in Note 9.

NOTE 12 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 \$131,719 in 2021 and \$115,579 in 2020.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Off-Consolidated Statement of Financial Condition Activities

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

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

The Company's maximum exposure to credit loss in the event of nonperformance by the other party for loan commitments (including unused lines of credit) was approximately \$6,658,000 and \$1,620,000 at December 31, 2021 and 2020, 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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Credit Enhancement Loans

As of December 31, 2021, 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 \$11,520,000 and \$6,779,000 as of December 31, 2021 and 2020.

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 \$440,133 and \$385,309 as of December 31, 2021 and 2020, respectively.

Concentrations

Contributions totaling \$7,520,750 and \$20,200,000 were received from two donors in each of the years ended December 31, 2021 and 2020, representing 25% and 45% of total revenue, respectively. Should these contribution levels decrease, the Company may be adversely affected.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 FUNCTIONAL CLASSIFICATION OF EXPENSES

A summary of 2021 expenses summarized by functional and natural classification follows. Costs are either charged directly to program activities or supporting services based on specific identification or are allocated among the programs and supporting services benefited. The expenses that are allocated include office supplies, telephone and utilities expense, which are allocated on the basis of time and effort incurred for program activities compared to time and effort incurred for supporting services.

	Program Activities					Supporting Services			Total Expenses
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication	Supporting Subtotal	
Salaries, Employee Taxes, and Benefits	\$ 1,653,950	\$ 8,896	\$ 487,250	\$ 681,304	\$ 2,831,400	\$ 2,333,579	\$ 362,647	\$ 2,696,226	\$ 5,527,626
Bank Fees	18,332	-	-	-	18,332	20,310	-	20,310	38,642
Conferences and Employee Training	504	350	1,686	2,291	4,831	7,556	425	7,981	12,812
Contractual Services	870,512	5	96,787	466,048	1,433,352	2,007,864	15,669	2,023,533	3,456,885
Dues, Fees, and Memberships	9,513	1,293	11,534	14,880	37,220	46,051	6,064	52,115	89,335
Equipment, Furnitures, and Fixtures	188,413	1,443	81,910	114,885	386,651	508,357	65,781	574,138	960,789
Forgiveness of Mortgage Loan Debt	210,220	391,291	-	-	601,511	-	-	-	601,511
HFCU Operational Support	4,441,500	-	-	-	4,441,500	-	-	-	4,441,500
Insurance	20,303	-	-	-	20,303	90,223	-	90,223	110,526
Miscellaneous	410,895	1,599	109,049	53,669	575,212	287,441	7,806	295,247	870,459
Office Supplies	15,596	117	7,194	17,258	40,165	45,802	4,734	50,536	90,701
Pass Through Grants	4,197,213	-	-	341,313	4,538,526	1,237,500	-	1,237,500	5,776,026
Professional Fees	289	4	1,125	1,247	2,665	17,666	291	17,957	20,622
Rent and Employee Parking	17,054	12	796	6,714	24,576	2,989	636	3,625	28,201
Repairs and Maintenance	38,952	242	13,876	31,006	84,076	47,880	9,831	57,711	141,787
Service Fees	16,227	68,318	-	-	84,545	-	-	-	84,545
Staff Recruitment and Relocation	-	-	-	-	-	1,577	-	1,577	1,577
Telephone and Utilities	151,310	1,453	-	100,423	253,186	250,969	53,843	304,812	557,998
Travel	43,933	349	73,626	7,975	125,883	47,951	3,237	51,188	177,071
Interest	292,263	-	128	-	292,391	661,297	-	661,297	953,688
Provision for Loan Losses	2,102,100	(127)	-	-	2,101,973	-	-	-	2,101,973
Depreciation and Amortization	-	-	-	-	-	320,207	-	320,207	320,207
Total	\$ 14,699,079	\$ 475,245	\$ 884,961	\$ 1,839,013	\$ 17,898,298	\$ 7,935,219	\$ 530,964	\$ 8,466,183	\$ 26,364,481

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

A summary of 2020 expenses summarized by functional and natural classification follows.

	Program Activities						Supporting Services		Total Expenses
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication	Supporting Subtotal	
Salaries, Employee Taxes, and Benefits	\$ 1,249,024	\$ 21,401	\$ 531,991	\$ 669,195	\$ 2,471,611	\$ 1,773,798	\$ 320,559	\$ 2,094,357	\$ 4,565,968
Bank Fees	326	-	-	-	326	14,986	-	14,986	15,312
Conferences and Employee Training	960	-	75	5,828	6,863	8,123	584	8,707	15,570
Contractual Services	986,122	318	106,774	987,228	2,080,442	409,081	3,247	412,328	2,492,770
Dues, Fees, and Memberships	4,727	-	13,805	8,815	27,347	32,258	2,237	34,495	61,842
Equipment, Furnitures, and Fixtures	109,740	2,940	48,544	72,747	233,971	303,060	29,099	332,159	566,130
Forgiveness of Mortgage Loan Debt	133,797	433,458	-	-	567,255	-	-	-	567,255
HFCU Operational Support	5,677,500	-	-	-	5,677,500	-	-	-	5,677,500
Insurance	41,309	-	-	-	41,309	137,886	-	137,886	179,195
Miscellaneous	257,418	-	-	632	258,050	656,416	-	656,416	914,466
Office Supplies	51,645	1,167	8,155	22,816	83,783	50,664	5,356	56,020	139,803
Pass Through Grants	149,109	-	-	6,100	155,209	-	-	-	155,209
Professional Fees	1,655	31	1,999	-	3,685	6,922	-	6,922	10,607
Rent and Employee Parking	11,142	-	-	7,656	18,798	1,271	-	1,271	20,069
Repairs and Maintenance	57,592	1,273	24,834	32,781	116,480	81,690	14,464	96,154	212,634
Service Fees	107,901	93,535	5,641	88,010	295,087	108,840	2,715	111,555	406,642
Staff Recruitment and Relocation	-	-	-	-	-	9,238	-	9,238	9,238
Telephone and Utilities	170,277	2,881	68,748	83,795	325,701	214,853	41,675	256,528	582,229
Travel	36,890	615	4,331	11,397	53,233	30,916	2,393	33,309	86,542
Interest	117,809	-	-	-	117,809	336,963	-	336,963	454,772
Provision for Loan Losses	(64,396)	(251)	-	-	(64,647)	-	-	-	(64,647)
Depreciation and Amortization	-	-	-	-	-	370,551	-	370,551	370,551
Total	\$ 9,100,547	\$ 557,368	\$ 814,897	\$ 1,997,000	\$ 12,469,812	\$ 4,547,516	\$ 422,329	\$ 4,969,845	\$ 17,439,657

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Investments, LLC Consolidated	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
ASSETS						
Cash and Cash Equivalents	\$ 38,543	\$ 188,612	\$ 19,786,385	\$ 871,097	\$ -	\$ 20,884,637
Restricted Cash	-	-	10,760,353	-	-	10,760,353
Grant and Other Receivables	408	-	875,697	10,000	-	886,105
Contract Revenue Receivable	-	-	-	108,190	-	108,190
Due from Affiliates	746,213	-	2,642,342	-	(1,858,127)	1,530,428
Other Loans, Net of Allowance	320,472	3,059,046	46,582,115	108,338,465	-	158,300,098
Investment Securities	-	-	30,454,638	-	-	30,454,638
Investment in Affiliated Company	-	1,187,725	-	-	-	1,187,725
Investment in Subsidiary	-	-	1,763,598	-	(1,763,598)	-
Investment in Secondary Capital of HFCU	-	-	35,060,775	2,975,000	-	38,035,775
Property and Equipment, Net	-	366,948	2,033,065	-	-	2,400,013
Other Assets	-	50,000	390,175	-	-	440,175
Total Assets	<u>\$ 1,105,636</u>	<u>\$ 4,852,331</u>	<u>\$ 150,349,143</u>	<u>\$ 112,302,752</u>	<u>\$ (3,621,725)</u>	<u>\$ 264,988,137</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 15,000	-	\$ 3,092,424	\$ 282,000	\$ (823,878)	\$ 2,565,546
Due to Affiliates	-	1,034,249	-	-	(1,034,249)	-
Deferred Revenue	-	-	7,046,214	-	-	7,046,214
Notes Payable	1,500,000	-	86,956,038	-	-	88,456,038
Total Liabilities	<u>1,515,000</u>	<u>1,034,249</u>	<u>97,094,676</u>	<u>282,000</u>	<u>(1,858,127)</u>	<u>98,067,798</u>
NET ASSETS						
Noncontrolling Interests	(400,112)	-	-	109,745,282	-	109,345,170
Without Donor Restrictions	(9,252)	3,818,082	35,464,668	2,275,470	(1,763,598)	39,785,370
With Donor Restrictions	-	-	17,789,799	-	-	17,789,799
Total Net Assets (Deficit)	<u>(409,364)</u>	<u>3,818,082</u>	<u>53,254,467</u>	<u>112,020,752</u>	<u>(1,763,598)</u>	<u>166,920,339</u>
Total Liabilities and Net Assets	<u>\$ 1,105,636</u>	<u>\$ 4,852,331</u>	<u>\$ 150,349,143</u>	<u>\$ 112,302,752</u>	<u>\$ (3,621,725)</u>	<u>\$ 264,988,137</u>

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Investments, LLC	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
REVENUES AND GAINS						
Grants and Contributions	-	\$ 107,724	\$ 15,408,516	-	-	\$ 15,516,240
In-Kind Contributions	-	-	-	-	-	-
Interest, Dividends, and Related Fees:						
Loans and Other Investments	4,728	8,333	1,258,831	1,813,173	(10,148)	3,074,917
Investment Income, Net	-	-	1,549	-	-	1,549
Other Gains	-	80,117	-	-	-	80,117
Contract Services Revenue	611	64,832	7,576,952	172,500	(417,500)	7,397,395
Total Revenues and Gains	<u>5,339</u>	<u>261,006</u>	<u>24,245,848</u>	<u>1,985,673</u>	<u>(427,648)</u>	<u>26,070,218</u>
EXPENSES						
Program Expenses:						
Development Finance	39,523	229,333	12,449,241	2,398,482	(417,500)	14,699,079
Housing Initiative	-	-	475,245	-	-	475,245
Policy and Advocacy	-	-	884,961	-	-	884,961
Other Programs	-	-	1,839,013	-	-	1,839,013
Total Program Expenses	<u>39,523</u>	<u>229,333</u>	<u>15,648,460</u>	<u>2,398,482</u>	<u>(417,500)</u>	<u>17,898,298</u>
General and Administration Expense	-	-	7,935,219	-	-	7,935,219
Fundraising and Communication	-	-	530,964	-	-	530,964
Total Expenses	<u>39,523</u>	<u>229,333</u>	<u>24,114,643</u>	<u>2,398,482</u>	<u>(417,500)</u>	<u>26,364,481</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	<u>(34,184)</u>	<u>31,673</u>	<u>131,205</u>	<u>(412,809)</u>	<u>(10,148)</u>	<u>(294,263)</u>
Noncontrolling Interests in Subsidiaries' Net Loss	<u>32,645</u>	<u>-</u>	<u>-</u>	<u>515,507</u>	<u>-</u>	<u>548,152</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	<u>(1,539)</u>	<u>31,673</u>	<u>131,205</u>	<u>102,698</u>	<u>(10,148)</u>	<u>253,889</u>
Net Assets Contributable to Controlling Interests - Beginning of Year	<u>(7,713)</u>	<u>3,786,409</u>	<u>53,123,262</u>	<u>2,182,916</u>	<u>(1,763,594)</u>	<u>57,321,280</u>
Dividends Paid to Controlling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,144)</u>	<u>10,144</u>	<u>-</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	<u>(9,252)</u>	<u>3,818,082</u>	<u>53,254,467</u>	<u>2,275,470</u>	<u>(1,763,598)</u>	<u>57,575,169</u>
Net Assets of Noncontrolling Interests	<u>(400,112)</u>	<u>-</u>	<u>-</u>	<u>109,745,282</u>	<u>-</u>	<u>109,345,170</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (409,364)</u>	<u>\$ 3,818,082</u>	<u>\$ 53,254,467</u>	<u>\$ 112,020,752</u>	<u>\$ (1,763,598)</u>	<u>\$ 166,920,339</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Associates, LLC Consolidated	Hope New Markets 5 LLC	Hope New Markets 6 LLC	Hope New Markets 7 LLC	Hope New Markets 8 LLC	Hope New Markets 9 LLC
ASSETS						
Cash and Cash Equivalents	\$ 468,576	\$ 10,600	\$ 168,788	\$ 10,800	\$ 60,251	\$ 900
Grant and Other Receivables	-	-	-	-	-	-
Contract Revenue Receivable	-	-	9,726	-	17,175	-
Other Loans, Net of Allowance	-	3,814,194	10,616,650	7,721,200	7,682,400	8,686,350
Secondary Capital of HFCU	2,975,000	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	<u>\$ 3,443,576</u>	<u>\$ 3,824,794</u>	<u>\$ 10,795,164</u>	<u>\$ 7,732,000</u>	<u>\$ 7,759,826</u>	<u>\$ 8,687,250</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ -	\$ 170,343	\$ -	\$ 10,000	\$ 59,451	\$ -
Due to Affiliates	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>170,343</u>	<u>-</u>	<u>10,000</u>	<u>59,451</u>	<u>-</u>
NET ASSETS						
Noncontrolling Interests	1,178,967	3,654,085	10,794,083	7,721,228	7,699,606	8,686,378
Without Donor Restrictions	2,264,609	366	1,081	772	769	872
Total Net Assets	<u>3,443,576</u>	<u>3,654,451</u>	<u>10,795,164</u>	<u>7,722,000</u>	<u>7,700,375</u>	<u>8,687,250</u>
Total Liabilities and Net Assets	<u>\$ 3,443,576</u>	<u>\$ 3,824,794</u>	<u>\$ 10,795,164</u>	<u>\$ 7,732,000</u>	<u>\$ 7,759,826</u>	<u>\$ 8,687,250</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS

	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
Cash and Cash Equivalents	\$ 800	\$ 144,743	\$ 1,039	\$ 800	\$ 700	\$ 1,400
Grant and Other Receivables	-	10,000	-	-	-	-
Contract Revenue Receivable	58,105	656	7,680	8,407	6,441	-
Other Loans, Net of Allowance	7,721,200	8,336,494	9,651,500	7,682,400	6,688,150	13,387,835
Secondary Capital of HF CU	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	<u>\$ 7,780,105</u>	<u>\$ 8,491,893</u>	<u>\$ 9,660,219</u>	<u>\$ 7,691,607</u>	<u>\$ 6,695,291</u>	<u>\$ 13,389,235</u>

LIABILITIES AND NET ASSETS

LIABILITIES						
Accounts Payable and Accrued Expenses	\$ -	\$ 42,191	\$ 15	\$ -	\$ -	\$ -
Due to Affiliates	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>42,191</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS						
Noncontrolling Interests	7,779,327	8,448,859	9,659,238	7,690,838	6,694,622	13,387,896
Without Donor Restrictions	778	843	966	769	669	1,339
Total Net Assets	<u>7,780,105</u>	<u>8,449,702</u>	<u>9,660,204</u>	<u>7,691,607</u>	<u>6,695,291</u>	<u>13,389,235</u>
Total Liabilities and Net Assets	<u>\$ 7,780,105</u>	<u>\$ 8,491,893</u>	<u>\$ 9,660,219</u>	<u>\$ 7,691,607</u>	<u>\$ 6,695,291</u>	<u>\$ 13,389,235</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 16 LLC	Hope New Markets 17 LLC	Combined
ASSETS			
Cash and Cash Equivalents	\$ 700	\$ 1,000	\$ 871,097
Grant and Other Receivables	-	-	10,000
Contract Revenue Receivable	-	-	108,190
Other Loans, Net of Allowance	6,688,151	9,661,941	108,338,465
Secondary Capital of HFCU	-	-	2,975,000
Other Assets	-	-	-
Total Assets	<u>\$ 6,688,851</u>	<u>\$ 9,662,941</u>	<u>\$ 112,302,752</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ 282,000
Due to Affiliates	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>282,000</u>
NET ASSETS			
Noncontrolling Interests	6,688,181	9,661,974	109,745,282
Without Donor Restrictions	670	967	2,275,470
Total Net Assets	<u>6,688,851</u>	<u>9,662,941</u>	<u>112,020,752</u>
Total Liabilities and Net Assets	<u>\$ 6,688,851</u>	<u>\$ 9,662,941</u>	<u>\$ 112,302,752</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD	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
REVENUES AND GAINS						
Interest, Dividends, and Related Fees:						
Loans and Other Investments	\$ 155,950	\$ (27,036)	\$ 112,954	\$ 77,600	\$ 237,804	\$ 310,268
Contract Services Revenue	-	10,000	10,000	30,000	10,000	32,500
Total Revenues and Gains	<u>155,950</u>	<u>(17,036)</u>	<u>122,954</u>	<u>107,600</u>	<u>247,804</u>	<u>342,768</u>
EXPENSES						
Program Expenses:						
Development Finance	772	1,972,606	50,104	30,000	30,000	32,500
Total Expenses	<u>772</u>	<u>1,972,606</u>	<u>50,104</u>	<u>30,000</u>	<u>30,000</u>	<u>32,500</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME						
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	155,178	(1,989,642)	72,850	77,600	217,804	310,268
	<u>(52,424)</u>	<u>1,989,443</u>	<u>(72,842)</u>	<u>(77,592)</u>	<u>(217,783)</u>	<u>(310,237)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST						
Net Assets Attributable to Controlling Interest - Beginning of Year	102,754	(199)	8	8	21	31
Dividends Paid to Controlling Interests	2,171,855	575	1,073	772	770	875
	<u>(10,000)</u>	<u>(10)</u>	<u>-</u>	<u>(8)</u>	<u>(22)</u>	<u>(34)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR						
Net Assets of Noncontrolling Interests	2,264,609	366	1,081	772	769	872
	<u>1,178,967</u>	<u>3,654,085</u>	<u>10,794,083</u>	<u>7,721,228</u>	<u>7,699,606</u>	<u>8,686,378</u>
NET ASSETS - END OF YEAR						
	<u>\$ 3,443,576</u>	<u>\$ 3,654,451</u>	<u>\$ 10,795,164</u>	<u>\$ 7,722,000</u>	<u>\$ 7,700,375</u>	<u>\$ 8,687,250</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

REVENUES AND GAINS

Interest, Dividends, and Related Fees:

	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
Loans and Other Investments	\$ 232,420	\$ 87,956	\$ 106,352	\$ 116,400	\$ 77,297	\$ 135,800
Contract Services Revenue	10,000	10,000	10,000	10,000	10,000	10,000
Total Revenues and Gains	<u>242,420</u>	<u>97,956</u>	<u>116,352</u>	<u>126,400</u>	<u>87,297</u>	<u>145,800</u>

EXPENSES

Program Expenses:

Development Finance	30,000	52,500	35,000	30,000	27,500	45,000
Total Expenses	<u>30,000</u>	<u>52,500</u>	<u>35,000</u>	<u>30,000</u>	<u>27,500</u>	<u>45,000</u>

CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME

Noncontrolling Interests in Subsidiaries' Net (Income) Loss

	212,420	45,456	81,352	96,400	59,797	100,800
	<u>(212,399)</u>	<u>(45,451)</u>	<u>(81,344)</u>	<u>(96,390)</u>	<u>(59,791)</u>	<u>(100,790)</u>

CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST

Net Assets Attributable to Controlling Interest - Beginning of Year

	778	838	966	769	669	1,339
Dividends Paid to Controlling Interests	<u>(21)</u>	<u>-</u>	<u>(8)</u>	<u>(10)</u>	<u>(6)</u>	<u>(10)</u>

NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR

Net Assets of Noncontrolling Interests

	778	843	966	769	669	1,339
	<u>7,779,327</u>	<u>8,448,859</u>	<u>9,659,238</u>	<u>7,690,838</u>	<u>6,694,622</u>	<u>13,387,896</u>

NET ASSETS - END OF YEAR

	\$ 7,780,105	\$ 8,449,702	\$ 9,660,204	\$ 7,691,607	\$ 6,695,291	\$ 13,389,235
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HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 16 LLC	Hope New Markets 17 LLC	Combined
REVENUES AND GAINS			
Interest, Dividends, and Related Fees:			
Loans and Other Investments	\$ 68,158	\$ 121,250	\$ 1,813,173
Contract Services Revenue	10,000	10,000	172,500
Total Revenues and Gains	78,158	131,250	1,985,673
EXPENSES			
Program Expenses:			
Development Finance	27,500	35,000	2,398,482
Total Expenses	27,500	35,000	2,398,482
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	50,658	96,250	(412,809)
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	(50,653)	(96,240)	515,507
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	5	10	102,698
Net Assets Attributable to Controlling Interest - Beginning of Year	670	967	2,182,916
Dividends Paid to Controlling Interests	(5)	(10)	(10,144)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	670	967	2,275,470
Net Assets of Noncontrolling Interests	6,688,181	9,661,974	109,745,282
NET ASSETS - END OF YEAR	\$ 6,688,851	\$ 9,662,941	\$ 112,020,752

**HOPE ENTERPRISE CORPORATION
ECD INVESTMENTS, LLC
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, BIDCO, Inc.	ECD Investments, LLC	Eliminations	ECD Investments, LLC Consolidated
ASSETS				
Cash and Cash Equivalents		\$ 38,543	\$ -	\$ 38,543
Loans, Net of Allowance for Loan Losses of \$20,144		320,472	-	320,472
Due from Parent		746,213	-	746,213
Other Receivables		408	-	408
		<u>408</u>	<u>-</u>	<u>408</u>
Total Assets	<u>\$ -</u>	<u>\$ 1,105,636</u>	<u>\$ -</u>	<u>\$ 1,105,636</u>
LIABILITIES AND CAPITAL				
LIABILITIES				
Accounts Payable and Accrued Expenses		\$ 15,000	\$ -	\$ 15,000
Other Long-Term Debt		1,500,000	-	1,500,000
Total Liabilities	<u>-</u>	<u>1,515,000</u>	<u>-</u>	<u>1,515,000</u>
CAPITAL				
Class A Members' Capital		(6,001,180)		(6,001,180)
Class B Members' Capital		501,000		501,000
Class C Members' Capital		5,125,000		5,125,000
Accumulated Losses - Class A Members' Capital		(34,184)	-	(34,184)
Retained Earnings (Deficit)		-	-	-
Total Capital	<u>-</u>	<u>(409,364)</u>	<u>-</u>	<u>(409,364)</u>
Total Liabilities and Capital	<u>\$ -</u>	<u>\$ 1,105,636</u>	<u>\$ -</u>	<u>\$ 1,105,636</u>

**HOPE ENTERPRISE CORPORATION
ECD INVESTMENTS, LLC
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD Investments, BIDCO, Inc.	ECD Investments, LLC	Eliminations	ECD Investments, LLC Consolidated
REVENUES				
Interest, Dividends, and Related Fees:				
Loans and Other Investments		\$ 4,728	\$ -	\$ 4,728
Contract Services Revenue		611	-	611
Other Gains (Losses)		-	-	-
Total Revenues and Gains	-	5,339	-	5,339
EXPENSES				
Program Expenses:				
Development Finance		39,523	-	39,523
Total Expenses	-	39,523	-	39,523
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS	\$ -	\$ (34,184)	\$ -	\$ (34,184)

**HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING BALANCE SHEET
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD New Markets, LLC	ECD Associates, LLC	Eliminations	ECD Associates, LLC Consolidated
ASSETS				
Cash and Cash Equivalents	\$ 178,059	\$ 290,517	\$ -	\$ 468,576
Investment in Subsidiary	-	3,505,000	(3,505,000)	-
Secondary Capital of HFCU	2,975,000	-	-	2,975,000
Total Assets	<u>\$ 3,153,059</u>	<u>\$ 3,795,517</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,443,576</u>
LIABILITIES AND CAPITAL				
CAPITAL				
Managing Members	100	1,000	-	1,100
Investor Members	11,849,050	2,944,228	(3,505,000)	11,288,278
Retained Earnings (Deficit)	(8,696,091)	850,289	-	(7,845,802)
Total Capital	<u>3,153,059</u>	<u>3,795,517</u>	<u>(3,505,000)</u>	<u>3,443,576</u>
Total Liabilities and Capital	<u>\$ 3,153,059</u>	<u>\$ 3,795,517</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,443,576</u>

**HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	ECD New Markets, LLC	ECD Associates, LLC	Eliminations	ECD Associates, LLC Consolidated
REVENUES				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	\$ 155,950	\$ 98,725	\$ (98,725)	\$ 155,950
Total Revenues and Gains	<u>155,950</u>	<u>98,725</u>	<u>(98,725)</u>	<u>155,950</u>
EXPENSES				
Program Expenses:				
Development Finance	361	411	-	772
Total Expenses	<u>361</u>	<u>411</u>	<u>-</u>	<u>772</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	155,589	98,314	(98,725)	155,178
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(19,381)</u>	<u>(33,043)</u>	<u>-</u>	<u>(52,424)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	136,208	65,271	(98,725)	102,754
Net Assets Attributable to Controlling Interest - Beginning of Year	3,541,024	2,135,831	(3,505,000)	2,171,855
Dividends Paid to Controlling Interest	<u>(98,725)</u>	<u>(10,000)</u>	<u>98,725</u>	<u>(10,000)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	3,578,507	2,191,102	(3,505,000)	2,264,609
Net Assets of Noncontrolling Interests	<u>(425,448)</u>	<u>1,604,415</u>	<u>-</u>	<u>1,178,967</u>
NET ASSETS - END OF YEAR	<u>\$ 3,153,059</u>	<u>\$ 3,795,517</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,443,576</u>

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