



**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2023**



**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Neighborhood Development Center, Inc.  
Saint Paul, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Neighborhood Development Center, Inc. (a nonprofit organization) and its affiliates, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Neighborhood Development Center, Inc. and its affiliates as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Neighborhood Development Center, Inc. and its affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Prior Period Financial Statements***

The 2022 consolidated financial statements were audited by us, and our report thereon, dated June 28, 2023, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### ***Responsibilities of Management for the Financial Statements***

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

(Continued)

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 Neighborhood Development Center, Inc. and its affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditor's Responsibility 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Neighborhood Development Center, Inc. and its affiliates 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 Neighborhood Development Center, Inc. and its affiliates 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.

***Consolidating Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 30 through 32 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 28, 2024 on our consideration of Neighborhood Development Center, Inc. and its affiliates internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood Development Center, Inc. and its affiliates internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood Development Center, Inc. and its affiliates internal control over financial reporting and compliance.

June 28, 2024

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,791,629	\$ 5,517,252
Restricted cash	10,715,934	6,628,545
Contributions receivable - net, current portion	755,865	785,716
Grants receivable	455,098	709,433
Other receivables, net	142,133	346,966
Loans receivable, current portion	1,913,391	1,535,474
Prepaid expenses	61,657	72,765
Total current assets	16,835,707	15,596,151
Contributions receivable - net, less current portion	9,804	360,920
Loans receivable - net, less current portion	6,827,353	5,425,188
Note receivable	6,212,100	6,212,100
Rental properties, net	15,764,398	13,724,975
Property and equipment, net	30,342	31,625
Right of use asset, net	11,481	34,362
Deposit	20,872	20,872
Total assets	\$ 45,712,057	\$ 41,406,193
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable - operating	\$ 225,857	\$ 340,698
Accrued expenses	242,444	290,255
Tenant security deposits	86,779	76,697
Undisbursed loan funds	268,628	60,225
Current portion of lease liability	11,481	22,882
Current portion of loans payable	4,553,383	2,576,316
Refundable advances	412,458	90,348
Total current liabilities	5,801,030	3,457,421
Lease liability, less current portion	-	11,480
Accrued interest, long-term	78,765	246,628
Loans payable - net, less current portion	16,603,933	17,974,901
Total liabilities	22,483,728	21,690,430
Net assets:		
Net assets without donor restrictions - controlling interest	13,378,510	12,399,100
Net assets without donor restrictions - noncontrolling interests	2,121,361	1,722,388
Total net assets without donor restrictions	15,499,871	14,121,488
Net assets with donor restrictions	7,728,458	5,594,275
Total net assets	23,228,329	19,715,763
Total liabilities and net assets	\$ 45,712,057	\$ 41,406,193

See accompanying notes to the consolidated financial statements.

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	2023			2022
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 2,240,363	\$ 111,312	\$ 2,351,675	\$ 3,561,843
Government grants	1,365,333	4,219,431	5,584,764	6,038,484
Net assets released upon satisfaction of time and program restrictions	2,488,650	(2,488,650)	-	-
Other revenues:				
Loan interest income	474,891	-	474,891	391,522
Note interest income	62,121	-	62,121	62,121
Other interest income	218,361	-	218,361	9,778
Class fees	31,560	-	31,560	33,903
Property management fees	218,651	-	218,651	218,651
Contract income	192,995	-	192,995	494,465
Rental revenues	188,464	-	188,464	57,913
Loan forgiveness	-	-	-	47,240
Other	82,368	-	82,368	135,428
Total revenues and support	<u>7,563,757</u>	<u>1,842,093</u>	<u>9,405,850</u>	<u>11,051,348</u>
Expenses:				
Program services:				
Entrepreneur training	555,749	-	555,749	531,396
Lending and coronavirus relief grants	1,669,077	-	1,669,077	5,304,687
Technical assistance	1,645,800	-	1,645,800	2,748,165
Real estate	1,169,352	-	1,169,352	1,078,544
Promise grant	264,229	-	264,229	-
Total program services	<u>5,304,207</u>	<u>-</u>	<u>5,304,207</u>	<u>9,662,791</u>
Management and general	800,581	-	800,581	1,015,263
Fundraising	175,264	-	175,264	174,346
Total expenses	<u>6,280,052</u>	<u>-</u>	<u>6,280,052</u>	<u>10,852,400</u>
Change in net assets before real estate affiliates, subsidiaries, and capital campaign	<u>1,283,705</u>	<u>1,842,093</u>	<u>3,125,798</u>	<u>198,948</u>
Real estate affiliates activity:				
Midtown contributions and government grants	447,619	-	447,619	102,381
Midtown operating subsidy payments	(675,833)	-	(675,833)	(500,362)
Real estate affiliates activity, net	<u>(228,214)</u>	<u>-</u>	<u>(228,214)</u>	<u>(397,981)</u>
Subsidiaries:				
Income:				
Rental revenues	1,393,828	-	1,393,828	1,283,981
Grant revenue	755,635	-	755,635	73,202
Loan forgiveness	-	-	-	1,450,000
Interest and other revenues	1,469,572	-	1,469,572	1,412,478
Expenses:				
Operating expenses	(2,230,290)	-	(2,230,290)	(2,327,201)
Property tax expense	(138,495)	-	(138,495)	(115,804)
Interest expense	(253,049)	-	(253,049)	(204,576)
Interest expense - amortization of finance fees	(14,374)	-	(14,374)	(11,761)
Depreciation expense	(659,935)	-	(659,935)	(546,301)
Income from subsidiaries	<u>322,892</u>	<u>-</u>	<u>322,892</u>	<u>1,014,018</u>
Capital campaign contributions	-	292,090	292,090	67,518
Change in net assets	<u>1,378,383</u>	<u>2,134,183</u>	<u>3,512,566</u>	<u>882,503</u>
Net assets, beginning of year	<u>14,121,488</u>	<u>5,594,275</u>	<u>19,715,763</u>	<u>18,833,260</u>
Net assets, end of year	<u>\$ 15,499,871</u>	<u>\$ 7,728,458</u>	<u>\$ 23,228,329</u>	<u>\$ 19,715,763</u>

See accompanying notes to the consolidated financial statements.

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	2023											2022
	Program services						Total	Management and general		Fundraising	Eliminations	
	Entrepreneur training	Lending	Technical assistance	Real estate	Promise grant	Eliminations						
Salaries	\$ 311,979	\$ 410,696	\$ 776,739	\$ 753,625	\$ 133,938	\$ -	\$ 2,386,977	\$ 365,641	\$ 68,125	\$ -	\$ 2,820,743	\$ 2,638,538
Payroll taxes	26,101	34,359	64,990	63,057	12,875	-	201,382	28,908	5,696	-	235,986	214,839
Benefits and related	51,856	68,268	129,127	125,280	34,974	-	409,505	48,042	11,321	-	468,868	462,826
	389,936	513,323	970,856	941,962	181,787	-	2,997,864	442,591	85,142	-	3,525,597	3,316,203
Professional fees	92,923	11,604	193,639	44,617	62,380	-	405,163	48,481	31,710	-	485,354	389,796
Office expenses	22,488	35,872	58,887	56,236	20,062	-	193,545	148,643	23,005	-	365,193	373,901
Rent	56,778	74,747	141,389	364,691	-	(540,132)	97,473	90,898	12,394	(87,501)	113,264	46,319
Postage	-	-	36	-	-	-	36	1,423	193	-	1,652	2,820
Education and conferences	-	2,006	8,153	11,251	-	-	21,410	48,525	6,620	-	76,555	61,520
Project expenses	30,905	14,794	227,490	16,023	-	-	289,212	3,555	13,955	-	306,722	514,099
Payments to real estate affiliates	-	-	226,310	449,523	-	-	675,833	-	-	-	675,833	500,362
Travel	221	3,344	1,644	14,906	-	-	20,115	23,206	3,168	-	46,489	27,540
Subscriptions and dues	257	1,094	663	619	-	-	2,633	17,654	2,407	-	22,694	24,326
Insurance	8,233	10,839	20,502	19,891	-	-	59,465	13,281	1,811	-	74,557	65,989
Telephone	549	671	-	3,832	-	-	5,052	21,578	2,942	-	29,572	30,191
Depreciation	1,098	1,445	2,733	2,652	-	-	7,928	1,434	191	-	9,553	8,909
Equipment maintenance	-	-	13	403	-	-	416	11,894	1,622	-	13,932	26,736
Provision for receivable and loan losses	-	295,832	138,354	-	-	-	434,186	-	-	-	434,186	950,766
Interest	-	140,469	-	-	-	-	140,469	-	-	-	140,469	147,949
Emergency fund grants	-	623,718	-	-	-	-	623,718	-	-	-	623,718	3,920,744
Pass-thru grant to BFWA	-	-	-	-	-	-	-	-	-	-	-	890,855
Miscellaneous	459	2,639	1,215	1,209	-	-	5,522	4,420	603	-	10,545	53,737
Expenses of subsidiaries:												
Administrative	-	-	-	606,943	-	-	606,943	-	-	-	606,943	581,683
Building maintenance and operating	-	-	-	1,178,525	-	-	1,178,525	-	-	-	1,178,525	1,287,470
Utilities	-	-	-	444,822	-	-	444,822	-	-	-	444,822	458,048
Real estate taxes	-	-	-	138,495	-	-	138,495	-	-	-	138,495	115,804
Interest expense	-	-	-	253,049	-	-	253,049	-	-	-	253,049	204,576
Interest expense - amortization of finance fees	-	-	-	14,374	-	-	14,374	-	-	-	14,374	11,761
Depreciation	-	-	-	659,935	-	-	659,935	-	-	-	659,935	546,301
Total expenses	603,847	1,732,397	1,991,884	5,223,958	264,229	(540,132)	9,276,183	877,583	185,763	(87,501)	10,252,028	14,558,405
Less real estate operating subsidy payments	-	-	(226,310)	(449,523)	-	-	(675,833)	-	-	-	(675,833)	(500,362)
Less expenses of subsidiaries	-	-	-	(3,296,143)	-	-	(3,296,143)	-	-	-	(3,296,143)	(3,205,643)
Less eliminations	(48,098)	(63,320)	(119,774)	(308,940)	-	540,132	-	(77,002)	(10,499)	87,501	-	-
	<u>\$ 555,749</u>	<u>\$ 1,669,077</u>	<u>\$ 1,645,800</u>	<u>\$ 1,169,352</u>	<u>\$ 264,229</u>	<u>\$ -</u>	<u>\$ 5,304,207</u>	<u>\$ 800,581</u>	<u>\$ 175,264</u>	<u>\$ -</u>	<u>\$ 6,280,052</u>	<u>\$ 10,852,400</u>

See accompanying notes to the consolidated financial statements.



**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 3,512,566	\$ 882,503
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	669,488	555,210
Interest expense - amortization of finance fees	14,374	11,761
Amortization of discount on contributions receivable	(27,247)	18,203
Provision for receivable and loan losses	434,186	950,766
Forgiveness of loans payable	-	(1,497,240)
Capital campaign contributions	(292,090)	(67,518)
Changes in operating assets and liabilities:		
Contributions receivable	408,214	667,951
Grants receivable	254,335	(709,433)
Other receivables	772,488	951,333
Loans receivable, net	(2,005,865)	(752,018)
Prepaid expenses	11,108	(11,114)
Accounts payable and accrued expenses	(681,005)	(748,023)
Refundable advances	323,381	38,788
Other liabilities	(206,863)	(61,380)
Net cash from operating activities	3,187,070	229,789
Cash flows from investing activities:		
Purchase of property, equipment, and rental properties	(2,709,119)	(2,718,958)
Net cash from investing activities	(2,709,119)	(2,718,958)
Cash flows from financing activities:		
Capital campaign contributions	292,090	67,518
Payment of finance fees	(27,000)	-
Borrowings on loans payable	2,553,866	-
Principal payments on loans payable	(1,935,141)	(979,025)
Net cash from financing activities	883,815	(911,507)
Net increase (decrease) in cash and restricted cash	1,361,766	(3,400,676)
Cash and restricted cash, beginning of year	12,145,797	15,546,473
Cash and restricted cash, end of year	\$ 13,507,563	\$ 12,145,797
Reconciliation to consolidated statement of financial position:		
Cash	\$ 2,791,629	\$ 5,517,252
Restricted cash	10,715,934	6,628,545
Total cash and restricted cash	\$ 13,507,563	\$ 12,145,797
Supplemental cash flow information:		
Cash paid for interest expense	\$ 471,874	\$ 360,970
Noncash investing activity:		
Property and equipment additions included in accounts payable	\$ 6,860	\$ 8,351

See accompanying notes to the consolidated financial statements.

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 1. ORGANIZATION

Neighborhood Development Center, Inc. (NDC) is a nonprofit organization. NDC conducts entrepreneur training and lending, makes working capital available to targeted businesses primarily in Saint Paul and Minneapolis and develops other innovative economic development initiatives in these same neighborhoods. The primary programs are:

**Entrepreneur training program** offers 12-week training sessions which guide participants in how to own and operate their own businesses. By the end of the training session, the participant will have developed a business plan and have had individual sessions with a professional training consultant. NDC works with neighborhood partners to enhance their capacity to create and conduct economic development initiatives within their own communities.

**Lending program** provides funds to start-up and existing businesses. NDC has a revolving loan fund. Loans are granted to businesses that meet certain geographical, income, and ethnic requirements. In addition, an emergency grant program was established in response to the pandemic & civil unrest. Emergency Grants are provided from a variety of sources to neighborhood entrepreneurs.

**Technical assistance program** offers ongoing support to businesses. This includes marketing, accounting, legal, mental wellness, technology, management advising, and other expert advice. Statewide programs are NDC's model outreach for training and technical assistance activities in greater Minnesota.

The Build from Within Alliance (BFWA) is a multi-city collaboration that is adopting NDC's approach to place-based, entrepreneur-focused economic development for low and very-low income people of color and immigrant communities. Work began in 2021 and BFWA established its own nonprofit status in January 2022 with a pass-thru grant of \$890,855.

**Real estate** development and property management for real estate projects in targeted neighborhoods. NDC owns, develops and manages business incubator spaces for neighborhood businesses. The goal is to provide long term affordable commercial real estate for neighborhood businesses.

**Promise Grant program** is the Minnesota state-funded program to provide working capital grants to eligible businesses in eligible services areas. Effective July 1, 2023 through June 30, 2027, NDC will develop, coordinate and administer the State of Minnesota through the Department of Employment and Economic Development (DEED) the Promise Grant program.

NDC's programs are supported primarily by contributions, government grants, contract services, interest income and rental revenues.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Accounting Standard Adopted** - Effective January 1, 2023, NDC adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires entities to utilize an “expected losses” model for estimating most credit losses. The adoption did not result in a significant change in amounts reported in the consolidated statement of activities and there was no cumulative-effect adjustment to net assets at the time of adoption.

**Consolidation Method** - The consolidated financial statements include the accounts of NDC and its controlled affiliates whereby NDC has 50% or greater ownership, or affiliates where NDC does not have ownership, but exercise control, such as by holding a majority of the board seats. All material intercompany transactions and balances have been eliminated in consolidation.

NDC has three wholly owned subsidiaries: Frogtown Entrepreneur Center, LLC (FEC), Neighborhood Commercial Spaces, LLC (NCS), and NDC REDI, LLC (REDI).

FEC owns one office building which is rented to participants in the entrepreneur training program.

NCS was formed to own and manage NDC’s real estate properties. NCS owns NDC REDI II, LLC (REDI II). NCS has a 50% interest in Midtown Global Market, LLC (Midtown). The remaining 50% of Midtown is held by the Cultural Wellness Center. Midtown owns and operates a retail market in the historic Sears building located in Minneapolis, Minnesota. In addition, NCS owns a house at 642 Sherburne in St. Paul which is rented to a non-profit for affordable emergency housing, and a lot at 507 Dale Street in St. Paul for future development. On May 17, 2021, NCS took ownership of property situated at 810 East Lake Street in Minneapolis for purposes of redeveloping the property, which had been damaged during the unrest experienced in the city during 2020. The property is to be redeveloped in line with the mission of NDC and acquisition of the property was financed on an interim basis through a series of loans made on favorable terms (See Note 11). NCS plans to put in place longer term financing as the redevelopment advances.

REDI (Bloom Lake project) and REDI II (Midtown project) were formed to assist with financing of commercial properties used by participants in the entrepreneur program.

NDC Entrepreneur Training Center (NDC ETC) is a nonprofit organization. NDC holds majority of the Board of Directors positions. NDC ETC was formed for the purposes of redeveloping property on the corner of Selby and Dale Avenues in St. Paul, Minnesota. The development was substantially complete in 2021 and houses the NDC administrative offices, the entrepreneur training center and a limited number of commercial spaces for rent by entrepreneurs participating in the entrepreneur training center program.

The interests of the noncontrolling investors have been included in net assets without donor restrictions and the change in net assets.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial Statement Presentation** - These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on NDC as a whole. For purposes of financial reporting, NDC classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of NDC are classified in the accompanying financial statements in the categories that follow:

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the board of directors.
- Net assets with donor restrictions are contributions restricted by donors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions on the consolidated statement of activities. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as net assets without donor restrictions.

**Comparative Total Column** - The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or by functionalized expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**Use of Estimates** - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates used in preparation of the consolidated financial statements are the allocation of expenses by function, the determination of the allowance for loan losses and the estimated useful lives of depreciable assets.

**Concentration of Credit Risk** - NDC maintains its cash in bank deposit accounts at five financial institutions. At December 31, 2023 and 2022, cash balances were approximately \$14,930,000 and \$11,330,000 in excess of the insured amount. NDC has not experienced any losses as a result of these deposits.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Contributions, Grants and Other Receivables** - Contributions, grants and other receivables are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. The allowance for other receivables was \$53,866 and \$18,350 at December 31, 2023 and 2022. Management determined that an allowance was not necessary for contributions and grants receivable.

**Note Receivable** - A note receivable is recorded at the amount management expects to collect. Management has determined no allowance was necessary at December 31, 2023 and 2022.

**Loans Receivable and Provision for Loan Losses** - Loans are stated at the amount of unpaid principal, reduced by loan participations and a provision for loan losses. Loans are recorded in the period they are closed. Undisbursed loan funds represent loans that have been closed but not yet disbursed. Interest rates on loans range up to 7.25%. Interest on loans is recorded when received.

The provision for loan losses is established through a charge to expense. Loans are charged to the provision for loan losses when management believes that the collectability of the entire principal balance is unlikely. The provision is an amount that management believes will be adequate to absorb possible credit losses on existing loans that may become uncollectible, based on evaluations of the collectability of the individual loans and prior credit loss experience. The evaluations take into consideration such factors as overall portfolio quality, review of specific problem loans, and current and projected economic conditions that may affect the borrowers' ability to pay. Loan write-offs are forwarded to a collection company for potential recovery.

**Leases** - NDC assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. NDC currently has two leases, which are classified as operating leases. The affiliate lease has been eliminated on the consolidated financial statements.

Right of use (ROU) assets represent NDC's right to use an underlying asset for the lease term, and lease liabilities represent NDC's obligation to make lease payments. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. NDC uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate.

Lease expense is recognized on a straight-line basis over the lease term.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Rental Properties** - Rental properties are carried at cost, less impairment adjustments. Costs for real estate taxes and insurance incurred to develop are capitalized only during periods in which the activities necessary to prepare a property for its intended use are underway. Depreciation is computed on the straight-line method over the estimated useful lives of 5 to 40 years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized.

**Property and Equipment** - Property and equipment is carried at cost. Depreciation is computed on the straight-line method over the estimated useful life of each asset. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

**Impairment** - Management reviews assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. No impairments were recorded in 2023 and 2022.

**Finance fees** - Finance fees are deferred and amortized over the term of the related debt using the straight-line method. Unamortized finance fees related to funded debt are reported on the consolidated statement of financial position as a deduction from the face amount of the related debt. Amortization is included with interest expense on the consolidated statement of functional expenses.

**Investments in Other Companies** - NDC owns a noncontrolling interest in an LLC. This investment is carried at cost. See Note 8.

**Forgivable Loans** - Forgivable loans are loan agreements that do not require repayment if NDC remains in compliance with the terms of the agreement through the maturity date. Forgivable loans are recorded as loans payable and recognized as revenue at the time the loan is forgiven.

**Refundable Advances and Government Grants Revenue** - Government grants are accounted for as contributions. Government grants are considered conditional based upon certain performance requirements and the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant, are incurred. Funds received but not yet earned are recorded as refundable advances. At December 31, 2023 and 2022, there was \$412,458 and \$90,348 of refundable advances. At December 31, 2023 and 2022, there was \$455,098 and \$690,097 of grants receivable. Expenditures under government grants are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give to NDC. Contributions are considered to be without restriction unless specifically restricted by the donor. Noncurrent contributions receivable are reflected in the consolidated financial statements at the present value of their net realizable value, using risk-free interest rates applicable to years in which the promises are to be received. Amortization of the discounts is recorded as contribution revenue.

**Other Revenue** - Rental revenues are recorded on a straight line basis over the term of the lease agreement. Rental revenues received in advance are recorded as deferred revenue. Adjustments related to rent related bad debts are presented as a reduction of rental revenues. Revenue for property management fees and other project service fees are recognized when services are provided.

**Loan Administrative and Origination Fees** - Loan administration and origination fees are recognized as revenue on closing of the loan because incremental direct costs incurred on each loan exceed the fees charged.

**Contributed Services** - Unpaid volunteers have made significant contributions of their time to NDC's programs. The fair value of this contributed time is reflected in these statements only if the services create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. No contributed services were recorded in 2023 and 2022.

**Functional Expenses** - The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services on the basis of employee time analysis as determined by management.

**Income Taxes** - NDC is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code; is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code; and is subject to income taxes only on net unrelated business income.

FEC, REDI, REDI II and NCS are not taxpaying entities, thus, no provision for income taxes has been recorded in the consolidated financial statements. All tax effects of the companies are passed through to the members.

NDC ETC is classified as a tax-exempt organization and separately files tax returns under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code; is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code; and is subject to income taxes only on net unrelated business income.

Management believes NDC did not have any uncertain tax positions or unrelated business income in 2023 or 2022. NDC is not currently under examination by any taxing jurisdiction. Federal and state tax authorities have the right to examine the current and prior three years of income tax returns.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**3. RESTRICTED CASH**

Cash is classified based on donor/grantor or other restrictions. As of December 31, 2023, restricted cash includes \$10,254,772 held by NDC for programs and loan funds, \$68,010 held by Midtown for security deposits and reserves, \$264,615 held by NCS for a construction escrow and interest reserve, and \$778 held by NDC ETC for construction an escrow and draws. As of December 31, 2022, restricted cash includes \$6,271,868 held by NDC for programs and loan funds, \$63,795 held by Midtown for security deposits and reserves, \$292,104 held by NCS for a construction escrow and reserve, and \$778 held by NDC ETC for construction escrow and draws.

**4. NOTE RECEIVABLE**

NDC entered into a note receivable agreement with Twain Investment Fund 465, LLC on May 21, 2020, in the amount of \$6,212,100 with interest at 1%. Interest only is due quarterly until July 15, 2027, when quarterly principal and interest payments of \$64,158 are due through May 21, 2055. The note is secured by a security interest in MMCDC New Markets Fund LV, LLC and Sunrise New Markets Fund XXXI, LLC (See Note 16).

**5. LOANS RECEIVABLE**

Loans receivable consist of the following:

	2023	2022
Business loans	\$ 9,632,151	\$ 7,729,688
Less State of MN - UIP participation	-	-
Total business loans	9,632,151	7,729,688
NEDU, LLC - affiliated real estate loans	635,927	635,927
Total loans	10,268,078	8,365,615
Less allowance for uncollectible loans	(1,527,334)	(1,404,953)
	8,740,744	6,960,662
Less current portion	(1,913,391)	(1,535,474)
	\$ 6,827,353	\$ 5,425,188
Number of loans outstanding	262	217

(Continued)



**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
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**5. LOANS RECEIVABLE (Continued)**

Business loans receivable represent fixed rate loans made to businesses primarily in specified areas of Saint Paul and Minneapolis. Most borrowers would likely fail to meet commercial credit standards. Terms of these loans range from five to ten years. Business loans are secured by business assets, vehicles, and personal guarantees. The affiliated real estate loans are secured and primarily payable upon maturity of the loan. The maturity dates range from 2024 to 2035.

This table presents the allowance for loan losses by portfolio segment in 2023 and in total for 2022:

	Business loans	Affiliated real estate loans	2023 Total	2022 Total
Beginning balance	\$ 1,365,753	\$ 39,200	\$ 1,404,953	\$ 864,697
Loan loss provision	434,186	-	434,186	950,766
Loans charged off	(311,805)	-	(311,805)	(410,510)
Ending balance	<u>\$ 1,488,134</u>	<u>\$ 39,200</u>	<u>\$ 1,527,334</u>	<u>\$ 1,404,953</u>

This table presents the aging of loans by portfolio segment at December 31, 2023 and in total for 2022:

	Business loans	Affiliated real estate loans	2023 Total	2022 Total
Current	\$ 1,913,391	\$ -	\$ 1,913,391	\$ 1,535,474
30 + days	322,999	-	322,999	259,203
60 + days	68,234	-	68,234	54,757
90 + days	37,804	-	37,804	30,337
120 + days	7,289,723	-	7,289,723	5,849,917
Not currently due	-	635,927	635,927	635,927
Total	<u>\$ 9,632,151</u>	<u>\$ 635,927</u>	<u>\$ 10,268,078</u>	<u>\$ 8,365,615</u>

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
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5. **LOANS RECEIVABLE (Continued)**

This table and the accompanying explanations present informative data regarding the credit quality of loans receivable by portfolio segment at December 31, 2023 and in total for 2022:

Category	Business loans	Affiliated real estate loans	2023 Total	2022 Total
A	\$ 7,974,457	\$ 635,927	\$ 8,610,384	\$ 6,349,363
B	218,867	-	218,867	666,020
C	705,544	-	705,544	761,162
D	328,197	-	328,197	486,618
F	405,086	-	405,086	102,452
Total	<u>\$ 9,632,151</u>	<u>\$ 635,927</u>	<u>\$ 10,268,078</u>	<u>\$ 8,365,615</u>

The following categories are used to assess the risk profile of the loan portfolio:

Category	Description of Creditworthiness	Allowance %
A	Estimated 95% chance of collection	5
B	Estimated 75% chance of collection	25
C	Estimated 50% chance of collection	50
D	Estimated 10% chance of collection	90
F	Estimate almost no chance of collection (known default and /or write-off pending)	100

As of December 31, 2023, all loans are individually reviewed for impairment monthly, the Category D and F loans are considered impaired and there have been no purchases, sales, or reclassifications of financing receivables.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(With Comparative Totals for 2022)

**6. CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists of the following:

	2023	2022
Amounts receivable within one year	\$ 756,834	\$ 806,714
Amounts receivable in one to five years	10,000	368,334
	766,834	1,175,048
Less 2% discount to net present value	(1,165)	(28,412)
	765,669	1,146,636
Less current portion	(755,865)	(785,716)
Contributions receivable, long-term	\$ 9,804	\$ 360,920

**7. CAPITAL CAMPAIGN**

NDC launched a capital campaign in 2018 to be used to construct a new facility for the purposes of community based entrepreneurial development. As of December 31, 2023, \$4,646,563 has been raised, \$75,000 is in contributions receivable, and \$4,047,761 has been used for specified purposes.

**8. INVESTMENTS IN NEDU, LLC**

NDC has a noncontrolling interest in NEDU, LLC. NDC holds a 25% (30% prior to 2015) interest in NEDU, LLC (the Frogtown Square project). The entity owns and operates commercial space in a mixed-use building located in Saint Paul, Minnesota. The investment is recorded at cost, which is \$- at December 31, 2023 and 2022. The investment is recorded using the cost method rather than the equity method because NDC is not able to significantly influence operations of the entity.

**9. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2023	2022
Office equipment	\$ 310,085	\$ 301,815
Leasehold improvements	382,335	382,335
Computer software	25,283	25,283
	717,703	709,433
Less accumulated depreciation	(687,361)	(677,808)
	\$ 30,342	\$ 31,625

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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For the Year Ended December 31, 2023  
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**10. RENTAL PROPERTIES**

Rental properties consist of the following:

	2023	2022
<b>FEC:</b>		
Land and land improvements	\$ 18,000	\$ 18,000
Building	752,485	730,800
Furniture and equipment	29,609	29,609
Less accumulated depreciation	(388,998)	(359,901)
Net FEC	411,096	418,508
<b>Midtown:</b>		
Leasehold improvements	271,701	269,568
Tenant improvements – work in progress	-	111,755
Building and improvements	9,330,026	8,196,421
Less impairment	(5,111,288)	(5,111,288)
Less accumulated depreciation	(2,220,540)	(2,107,287)
Net Midtown	2,269,899	1,359,169
<b>NCS:</b>		
Land	1,525,989	1,623,000
642 Sherburne building	129,298	129,298
810 Lake Street East lot – work in progress	234,208	67,341
2941 East Lake Street lot	700,000	-
Community Garden	202,208	-
Less accumulated depreciation	(10,133)	(6,245)
Net NCS	2,781,570	1,813,394
<b>NDC ETC:</b>		
Land and land improvements	812,472	812,472
Building	8,452,044	8,452,044
Furniture and equipment	820,003	820,003
Tenant improvements	549,804	536,615
Building – work in progress	693,438	25,000
Less accumulated depreciation	(1,025,928)	(512,230)
Net NDC ETC	10,301,833	10,133,904
 Total rental properties	 \$ 15,764,398	 \$ 13,724,975

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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**11. LOANS PAYABLE**

Loans payable consist of the following:	2023	2022
<b>NDC:</b>		
HUD Small Business Revolving Loan Fund	\$ 293,293	\$ 293,293
SBA Loan Fund #2	-	49,252
SBA Loan Fund #3	386,535	522,959
SBA Loan Fund #4	878,307	298,148
City of Saint Paul	150,000	150,000
Saint Paul Foundation	1,062,000	1,062,000
Minneapolis Foundation	-	250,000
Otto Bremer Trust	1,000,000	1,000,000
The McKnight Foundation	1,000,000	1,000,000
Northwest Area Foundation	1,000,000	1,000,000
Venn Foundation	335,458	335,458
Otto Bremer Trust	-	1,000,000
Sunrise Bank	829,920	829,920
Otto Bremer Trust	500,000	500,000
MMCDC – small business loan	350,000	350,000
MMCDC – real estate financing	368,834	390,000
U.S. Bancorp CDC	1,000,000	500,000
LSC Note	70,000	-
<b>FEC:</b>		
City of Saint Paul HRA 2023 Loan	139,454	-
City of Saint Paul 2023 Loan	453,262	-
City of Saint Paul HRA	-	39,986
Star Loan	-	48,007
Star Loan	-	194,619
City of Saint Paul HRA Real Estate Commercial Loan	-	38,403
City of Saint Paul HRA	-	73,001
<b>NCS:</b>		
LISC Note A	932,000	620,000
LISC Note B	1,668,000	1,280,000
Lake Steet Council	100,000	100,000
<b>NDC REDI, LLC:</b>		
Northwest Area Foundation	-	14,441

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**11. LOANS PAYABLE (Continued)**

	2023	2022
<b>NDC ETC:</b>		
City of Saint Paul HRA	\$ 125,000	\$ 125,000
MMCDC New Markets Fund LV, LLC Loan A	2,030,700	2,030,700
MMCDC New Markets Fund LV, LLC Loan B	819,300	819,300
Sunrise New Markets Fund XXXI, LLC Loan A	1,638,600	1,638,600
Sunrise New Markets Fund XXXI, LLC Loan B	4,181,400	4,181,400
City of Saint Paul Star Loan	41,150	-
Total outstanding	21,353,213	20,734,488
Less unamortized finance fees	(195,897)	(183,271)
Less current portion	(4,553,383)	(2,576,316)
Noncurrent portion	\$ 16,603,933	\$ 17,974,901

**NDC:**

**HUD Small Business Revolving Loan Fund - with the City of Minneapolis** - The City had previously loaned funds in the cumulative amount of \$500,000. During 2014 the previous loan plus accrued interest was adjusted to \$293,293 and the remaining amount (\$216,574) was forgiven by the City. The loan is noninterest bearing. The loan was repayable February 28, 2023. NDC must pay back the entire amount at the end of the contract (2023), with the exception of any defaulted loans. The loan is nonrecourse and unsecured. NDC is currently in negotiation with the City of Minneapolis on loan forgiveness or loan extension.

**Small Business Administration (SBA) Loan Fund #2** - Revolving fund for business loans with the SBA for \$1,250,000 dated June 7, 2013. Monthly payments of up to \$11,574 began in June 2014. Interest accrues at a maximum of .875% and may be reduced to zero percent if the average size of loans made is \$10,000 or less. Unpaid principal and interest was due on June 7, 2023. The loan was repaid in in May 2023.

**Small Business Administration (SBA) Loan Fund #3** - Revolving fund for business loans with the SBA for \$1,000,000 dated October 12, 2016. Monthly payments of up to \$9,259 began in October 2017. Interest accrues at a maximum of 1.25% and may be reduced to zero percent if the average size of loans made is \$10,000 or less. Unpaid principal and interest is due on October 12, 2026.

**Small Business Administration (SBA) Loan Fund #4** - Revolving fund for business loans with the SBA for \$1,000,000 dated August 24, 2020. Monthly payments of up to \$9,259 began in August 2021. Interest accrues at a maximum of 0.75% and may be reduced to zero percent if the average size of loans made is \$10,000 or less. Unpaid principal and interest is due on August 24, 2030.

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**11. LOANS PAYABLE (Continued)**

**City of Saint Paul** - An initial revolving loan payable to the City of Saint Paul in the amount of \$100,000 to be used to make loans to qualifying businesses within the City of Saint Paul under the HUD Section 3 program. The loan term was for two years beginning in April 2013 and subject to renewal. The loan was renewed and an additional \$50,000 was advanced by the City of Saint Paul in 2016. The loan will be forgiven once the project period is complete and closed out by the City of Saint Paul.

**Saint Paul Foundation** - Loan payable to the Saint Paul Foundation not to exceed \$1,063,837 dated February 19, 2014 with interest at 1.5%. Proceeds are to be used to make mid-market business loans in the East Metro area of Saint Paul. NDC has drawn \$1,062,000 as of December 31, 2023 and 2022. The loan is due on December 31, 2024.

**Minneapolis Foundation** - Two loans payable to the Minneapolis Foundation in the aggregate amount of \$500,000 dated April 1, 2017 with interest at 2.0%. Interest payments are due annually on April 1<sup>st</sup> of each year during the term of the loans. Proceeds are to be used to make loans to support minority owned business in Minneapolis. The loans are due on April 1, 2022, and April 1, 2023. One loan payable in the amount of \$250,000 was repaid April 1, 2022. The remaining loan payable in the amount of \$250,000 was repaid April 1, 2023.

**Otto Bremer Trust** - Loan payable to Otto Bremer Trust in the amount of \$1,000,000 dated December 14, 2018 with interest at 2.0%. Interest payments for the first four years are due annually on January 14<sup>th</sup> of each year. Beginning January 14, 2019, principal and interest are due annually. The loan matures on January 14, 2026.

**The McKnight Foundation** - Loan payable to The McKnight Foundation in the amount of \$1,000,000 dated December 27, 2019, with interest at 0.75%. Interest payments are due annually on December 31<sup>st</sup> of each year. Principal payment of \$500,000 is to be paid on or before December 27, 2028. The loan is due December 31, 2029.

**Northwest Area Foundation** - Loan payable to Northwest Area Foundation in the amount of \$1,000,000 dated March 1, 2019 with interest at 1%. Interest payments are due annually February 28<sup>th</sup> of each year. The loan is due on February 29, 2024. NDC is currently negotiating a loan extension.

**Venn Foundation** - Loan payable to the Venn Foundation in the amount of \$131,768 dated December 29, 2020 with interest at .5%. June 16, 2021 the loan was amended for an additional \$203,690. Interest and principal are due on December 29, 2025.

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**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
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**11. LOANS PAYABLE (Continued)**

**Otto Bremer Trust** - Loan payable to Otto Bremer Trust in the amount of \$1,200,000 dated February 21, 2020 with interest at 1.5%. An interest payment of \$18,000 is due on February 21, 2021 and the remaining principal and interest are due February 21, 2022. During February 2022, the loan was extended one year to February 21, 2023, and a principal payment of \$200,000 was made. The loan was repaid in February 2023.

**Sunrise Bank** - Loan payable to Sunrise Bank in the amount of \$2,000,000 dated May 21, 2020, with interest at 4.5%. Interest payments are due monthly through the term of the loan. Beginning December 31, 2020, a required annual principal payment of \$400,000 is due through December 31, 2024. NDC is currently negotiating repayment and loan extension.

**Otto Bremer Trust** - Loan payable to Otto Bremer Trust in the amount of \$500,000 dated December 18, 2020 with interest at 2%. Annual interest payments of \$10,000 are due through January 18, 2026 when the remaining principal and interest are due.

**MMCDC** - Loan payable to Midwest Minnesota Community Development Corporation (MMCDC) of up to \$1,000,000 in the initial amount of \$350,000 dated April 1, 2021, with interest at 5%. Quarterly interest payments are due through April 1, 2031.

**MMCDC** - Loan payable to Midwest Minnesota Community Development Corporation (MMCDC) of up to \$2,000,000 in the initial amount of \$390,000 dated December 27, 2021, with interest at 2%. Beginning February 1, 2022, monthly interest payments are due. Beginning February 1, 2023, monthly principal and interest payments of \$2,574 are due through January 1, 2032.

**U.S. Bancorp CDC** - Loan payable to U.S. Bancorp CDC of \$1,000,000 dated July 30, 2021, with interest at 2.35%. Initial \$500,000 to be funded no later than December 31, 2021, an additional \$500,000 disbursed no later than July 30, 2022. Interest only payments are due quarterly through the term of the loan. Principal and interest are due in full on July 30, 2024, and can be automatically extended for an additional three years based on terms set forth in the loan agreement.

**LSC Note** - Note payable to Lake Street Council (LSC) in the original amount of \$70,000 dated June 2, 2023, without interest. The loan will be forgiven upon issuance of a certificate of occupancy for the specified project, which is expected to be complete in 2025.

**FEC:**

**City of St. Paul HRA 2023 Loan** - Loan payable in the amount of \$139,454 dated April 1, 2023, without interest. Commencing January 1, 2030, monthly payments of \$894 are due through December 1, 2042.

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**11. LOANS PAYABLE (Continued)**

**City of St. Paul 2023 Loan** - Loan payable in the amount of \$453,262 dated August 1, 2023, without interest. Commencing January 1, 2030, monthly payments of \$2,906 are due through January 1, 2043.

**Star Loan** - Star loan with the City of Saint Paul in the original amount of \$86,500 with interest at 2%. Principal and interest were due December 31, 2017. During 2023, the loan was consolidated and refinanced by the City of St. Paul 2023 Loan.

**Star Loan** - Star loan with the City of Saint Paul in the original amount of \$154,500 with interest at 2%. Accrued interest of \$40,119 was added to the principal balance in 2010. Principal and interest were due December 31, 2017. During 2023, the loan was consolidated and refinance by the City of St. Paul 2023 Loan.

**City of Saint Paul HRA** - Loan payable in the original amount of \$49,000 with interest at 6.5%. Principal and interest were due December 31, 2017. During 2023, the loan was consolidated and refinanced by the City of St. Paul HRA 2023 Loan.

**City of Saint Paul HRA Real Estate Commercial Loan** - Loan payable in the original amount of \$65,000 with interest at 4%. Principal and interest were due December 31, 2017. During 2023, the loan was consolidated and refinanced by the City of St. Paul HRA 2023 Loan.

**City of Saint Paul HRA** - Loan payable in the original amount of \$124,000 with interest at 5%. Principal and interest were due December 31, 2017. During 2023, the loan was consolidated and refinanced by the City of St. Paul HRA 2023 Loan.

**NCS:**

**LISC Note A** - Loan payable to Local Initiatives Support Corporation (LISC) in the original amount of \$620,000 dated May 17, 2021, without interest. On October 6, 2023, the loan terms were amended, increasing the loan amount to \$932,000. The loan is due in full on June 1, 2026.

**LISC Note B** - Loan payable to Local Initiatives Support Corporation (LISC) in the original amount of \$1,280,000 dated May 17, 2021, with interest at 4.5%. Monthly interest only payments are due through the term of the loan. On October 6, 2023, the loan terms were amended, increasing the loan amount to \$1,668,000, and adjusting the interest rate to 4.72%. Principal and interest are due in full on June 1, 2026.

**Lake Steet Council** - Loan payable to Lake Street Council in the original amount of \$100,000 dated May 12, 2021, without interest. The loan will be forgiven upon satisfaction of site plan approval and issuance of a certificate of occupancy for the project, which is expected to be complete in 2025.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

11. **LOANS PAYABLE (Continued)**

**NDC REDI, LLC:**

**Northwest Area Foundation** - Note payable in the original amount of \$408,000. Payable with interest at 2% from receipts under the tax increment (TIF) limited revenue note with the City of Minneapolis (Note 4). Payments were due August 1 and February 1 each year through August 1, 2023. The amount of the payment was equal to the lesser of 1) the available tax increment, or 2) the amount necessary to pay the accrued interest and unpaid principal. The note was repaid in full in 2023.

**NDC ETC:**

**City of Saint Paul HRA** - Loan payable to the City of Saint Paul Housing and Redevelopment Authority (HRA) in the amount of \$125,000 dated May 21, 2020, with interest at 1%. Monthly principal and interest payments of \$575 will commence on June 1, 2027 through June 1, 2040 when the loan is due in full.

**MMCDC New Markets Fund LV, LLC loan A dated May 21, 2020** - Loan in the original amount of \$2,030,700 with interest at 1.5101%. Monthly interest only payments are due on July 5, 2020 and on each October 5, January 5, and April 5 through July 5, 2027. Beginning on October 5, 2027, principal and interest payments of \$19,876 are due on each January 5, April 5, July 5, and October 5. Beginning on January 5, 2041, principal and interest payments of \$25,544 are due on each January 5, April 5, July 5, and October 5. The loan is due in full on May 21, 2055. The note is secured by the NDC ETC property.

**MMCDC New Markets Fund LV, LLC loan B dated May 21, 2020** - Loan in the original amount of \$819,300 with interest at 1.5101%. Monthly interest only payments are due on July 5, 2020 and on each October 5, January 5, and April 5 through July 5, 2027. Beginning on October 5, 2027, principal and interest payments of \$7,939 are due on each January 5, April 5, July 5, and October 5. Beginning on January 5, 2041, principal and interest payments of \$10,306 are due on each January 5, April 5, July 5, and October 5. The loan is due in full on May 21, 2055. The note is secured by the NDC ETC property.

**Sunrise New Markets Fund XXXI, LLC loan A dated May 21, 2020** - Loan in the original amount of \$1,638,600 with interest at 1.5101%. Monthly interest only payments are due on July 5, 2020 and on each October 5, January 5, and April 5 through July 5, 2027. Beginning on October 5, 2027, principal and interest payments of \$15,879 are due on each January 5, April 5, July 5, and October 5. Beginning on January 5, 2041, principal and interest payments of \$20,612 are due on each January 5, April 5, July 5, and October 5. The loan is due in full on May 21, 2055. The note is secured by the NDC ETC property.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**11. LOANS PAYABLE (Continued)**

**Sunrise New Markets Fund XXXI, LLC loan B dated May 21, 2020** - Loan in the original amount of \$4,181,400 with interest at 1.5101%. Monthly interest only payments are due on July 5, 2020 and on each October 5, January 5, and April 5 through July 5, 2027. Beginning on October 5, 2027, principal and interest payments of \$40,519 are due on each January 5, April 5, July 5, and October 5. Beginning on January 5, 2041, principal and interest payments of \$52,598 are due on each January 5, April 5, July 5, and October 5. The loan is due in full on May 21, 2055. The note is secured by the NDC ETC property.

**City of St. Paul Star Loan** - Loan payable to the City of Saint Paul in the original amount of \$41,150 without interest. Commencing September 30, 2027, month payments of \$264 are due through November 30, 2040.

**City of Saint Paul** - Loan payable to the City of Saint Paul in the amount of \$1,450,000 dated August 15, 2018 with no interest. The loan was transferred from NCS on May 17, 2020 for acquisition costs for a property at the corner of University and Dale in Saint Paul, Minnesota. The loan was originally due on December 31, 2020, however was extended to December 31, 2022 during the transfer. The loan was forgiven upon completion of improvements on the project and issuance of a certificate of occupancy by the City of Saint Paul during 2022.

Maturities of loans payable are as follows:

2024	\$	4,553,383
2025		703,628
2026		4,145,433
2027		187,454
2028		345,097
Thereafter		11,098,218
Expected to be forgiven		320,000
	\$	21,353,213

**12. RETIREMENT PLAN**

NDC sponsors a 401(k) employee retirement plan (the Plan). The plan covers all employees after a specified period of service and attainment of minimum age requirements. NDC makes matching contributions to the Plan equal to the sum of 100% of each employee's deferred contribution up to 3% of the employee's compensation, plus 50% of each employee's deferred contribution that exceeds 3% up to 5% of the employee's compensation. Contributions to the plan were \$76,220 and \$70,861 in 2023 and 2022.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**12. RETIREMENT PLAN (Continued)**

The Plan allows for discretionary additional matching contributions of each employee’s compensation and discretionary nonelective contributions in amounts determined at the sole discretion of the employer. No discretionary additional matching contributions or nonelective contributions were made in 2023 or 2022.

**13. LEASE PAYABLE**

NDC leases office space from Dayton’s Bluff Construction Training Center under an operating lease that expires June 30, 2024. In addition to base rent, NDC also pays a pro rata portion of operating costs. Rent expense was \$46,929 and \$38,140 during 2023 and 2022, including \$23,948 and \$15,155 of operating costs (variable rent) in 2023 and 2022. The remaining lease term is 18 months at December 31, 2023 and the discounts rate used in the calculation was 0.47%.

Future minimum lease payment is \$11,492 in 2024.

**14. NET ASSETS**

Net assets with donor restrictions available for use in future periods:

	2023	2022
Loan programs	\$ 1,704,294	\$ 1,119,869
Technical assistance	976,337	417,800
Capital campaign	245,790	598,802
General operating support - time	935,971	841,250
Lake street projects	2,067,565	2,225,000
BLOC program	128,905	391,554
809 Building	1,552,214	-
St. Paul EMRP	117,382	-
	\$ 7,728,458	\$ 5,594,275

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

14. **NET ASSETS (Continued)**

The following table presents changes in controlling and noncontrolling interests in net assets without donor restrictions:

	2023	2022
Noncontrolling interests (other owners):		
Beginning of year	\$ 1,722,388	\$ 1,651,625
Change in net assets	398,973	70,763
End of year	2,121,361	1,722,388
Controlling interest (NDC):		
Beginning of year	12,399,100	10,794,864
Change in net assets	979,410	1,604,236
End of year	13,378,510	12,399,100
	\$15,499,871	\$14,121,488

15. **MINIMUM FUTURE RENTALS RECEIVABLE**

The following is a schedule of estimated minimum future base rentals to be received on non-cancelable leases from tenants as of December 31, 2023:

	NDC	FEC	Midtown	Total
2024	\$ 189,645	\$ 62,961	\$ 524,541	\$ 777,147
2025	179,925	19,208	443,839	642,972
2026	125,664	17,490	333,524	476,678
2027	61,160	-	141,472	202,632
2028	24,500	-	93,344	117,844
Thereafter	-	-	161,510	161,510
	\$ 580,894	\$ 99,659	\$ 1,698,230	\$ 2,378,783

These leases are classified as operating leases. Minimum rents above do not include operating cost reimbursements.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**16. NEW MARKETS TAX CREDIT FINANCING**

NDC funded the purchase of the NDC Entrepreneurial Training Center through an investment and ownership structure which qualifies for the New Markets Tax Credit (NMTC). The NMTC program provides for a credit against federal income tax for taxpayers who hold a “Qualified Equity Investment” (QEI Investment).

The NMTC is equal to thirty-nine percent (39%) of the QEI Investment and is claimed over a seven-year period (5% in each of the first three years and 6% in each of the following four years).

Twain Investment Fund 465, LLC (NMTC Investor) made an equity investment of \$3,000,000 in MMCDC New Markets Fund LV, LLC (MMCDC). MMCDC used the equity to make loans totaling \$2,850,000 to NDC ETC.

The NMTC Investor made an equity investment of \$6,000,000 in Sunrise New Markets Fund XXXI, LLC (SNMF). SNMF used the equity to make loans totaling \$5,820,000 to NDC ETC.

The QEI Investments of \$9,000,000 produced NMTC’s of \$3,510,000. The NMTC’s are subject to recapture during the seven-year compliance period ending in December 2027.

As a part of this financing arrangement, NDC ETC has entered into a put and call option agreement to take place at the end of the seven-year compliance period. Under the agreement, the sole Member of the NMTC Investor can exercise a put option to sell its interest in the NMTC Investor to NDC ETC for \$1,000 plus expenses. If the option is not exercised, then the agreement allows NDC ETC to exercise a call option to purchase the NMTC Investor’s interest at an appraised fair market value.

**17. LIQUIDITY AND AVAILABILITY OF RESOURCES**

NDC’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

	2023	2022
Cash	\$ 2,700,000	\$ 4,000,000
Contributions receivable	692,000	965,000
Other receivables, net	55,000	135,000
	\$ 3,447,000	\$ 5,100,000

As part of the NDC’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 17. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

NDC has a line of credit of \$250,000 as discussed in Note 19 and could be drawn upon for unanticipated liquidity need.

NDC adopted a consolidated annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month.

### 18. TRANSACTIONS WITH AFFILIATES

NDC has a \$635,927 loan receivable due from NEDU, LLC (an affiliated entity) at December 31, 2023 and 2022. See Notes 5 and 8. Interest income on this loan was \$12,720 in 2023 and 2022.

NDC performs property management services for FEC, NCS, Midtown, and NEDU, LLC. Property management fees from related entities were \$218,651 in 2023 and 2022.

### 19. CONTINGENCIES, COMMITMENTS AND CONCENTRATIONS

**Governmental Compliance** - Governmental program activities are subject to financial and compliance regulations. To the extent that any expenditure is disallowed, or other compliance features are not met, a liability to the grantor agency could result.

Certain Community Advantage SBA program requirements include maintaining a minimum loan loss reserve of \$5,315 at December 31, 2023 and 2022. Restricted cash held for the Community Advantage SBA loan loss reserve was approximately \$15,000 at December 31, 2023 and 2022.

**Line of Credit** - NDC has a line of credit for up to \$250,000 at American National Bank. The line of credit bears interest at the prime rate plus 0.75%. The line of credit matures September 26, 2024 and is secured by accounts receivable. There was no outstanding balance of advances at December 31, 2023 and 2022.

**Midtown** - An agreement with U.S. Bancorp Community Development Corporation, BMO Harris Bank, and Wells Fargo Community Development Corporation to convert debt to an equity investment requires an allocation of annual profits of the Midtown Global Market project.

(Continued)

# NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 19. CONTINGENCIES, COMMITMENTS AND CONCENTRATIONS (Continued)

The agreement states that if annual profits exceed \$100,000 for any of the ten years beginning May 25, 2015, the profits will be allocated as follows:

- First, up to \$50,000 annually to an operating reserve until the balance reaches \$250,000,
- Second, up to \$100,000 annually to a replacement reserve until the balance reaches \$500,000,
- Finally, to be distributed equally between NCS / Powderhorn Phillips Cultural Wellness Center, and 50% between the three banks.

**Concentrations** - NDC received \$718,457 and \$1,614,000 in 2023 and 2022 (13% and 27%) of government grants revenue from the Department of Employment and Economic Development (DEED), \$1,898,487 and \$2,306,953 in 2023 and 2022 (34% and 38%) from Small Business Association (SBA), and \$2,831,695 in 2023 (51%) from Community Development Financial Institutions Fund. The awards have been recorded as government grants revenue.

### 20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2024, the date on which the consolidated financial statements were available for issue and identified no further significant events or transactions to disclose.



## **SUPPLEMENTARY INFORMATION**

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2023

	Neighborhood Development Center	Frogtown Entrepreneur Center	NDC REDI, LLC	NDC REDI II, LLC	NCS	Midtown	NDC ETC	Eliminations	Consolidated
<b>ASSETS</b>									
Current assets:									
Cash	\$ 2,660,914	\$ 42,477	\$ -	\$ 2,737	\$ 6,089	\$ 15,966	\$ 63,446	\$ -	\$ 2,791,629
Restricted cash	10,254,772	-	-	-	254,615	68,010	138,537	-	10,715,934
Contributions receivable - net, current portion	755,865	-	-	-	-	-	-	-	755,865
Grants receivable	455,098	-	-	-	-	-	-	-	455,098
Other receivables, net	405,253	432	-	-	5,342	42,968	101,940	(413,802)	142,133
Loans receivable, current portion	1,913,391	-	-	-	-	-	-	-	1,913,391
Prepaid expenses	48,315	5,316	-	-	564	4,112	3,350	-	61,657
Total current assets	16,493,608	48,225	-	2,737	266,610	131,056	307,273	(413,802)	16,835,707
Contributions receivable - net, less current portion	9,804	-	-	-	-	-	-	-	9,804
Loans receivable - net, less current portion	6,827,353	-	-	-	-	-	-	-	6,827,353
Note receivable	6,212,100	-	-	-	-	-	-	-	6,212,100
Rental properties, net	-	411,095	-	-	2,781,571	2,269,900	10,301,832	-	15,764,398
Property and equipment, net	30,342	-	-	-	-	-	-	-	30,342
Straight-line rent adjustment	-	-	-	-	-	-	30,943	(30,943)	-
Right of use asset, net	9,847,677	-	-	-	-	-	-	(9,836,196)	11,481
Investments in affiliates	1,995,422	-	-	-	-	-	-	(1,995,422)	-
Deposit	-	-	-	-	-	20,872	-	-	20,872
Total assets	\$ 41,416,306	\$ 459,320	\$ -	\$ 2,737	\$ 3,048,181	\$ 2,421,828	\$ 10,640,048	\$ (12,276,363)	\$ 45,712,057
<b>LIABILITIES, MEMBERS' EQUITY AND NET ASSETS</b>									
Current liabilities:									
Accounts payable - operating	\$ 143,824	\$ 5,878	\$ -	\$ -	\$ 248,401	\$ 222,485	\$ 19,071	\$ (413,802)	\$ 225,857
Accrued expenses	205,178	-	-	-	-	-	37,266	-	242,444
Tenant security deposits	22,903	5,996	-	-	-	57,880	-	-	86,779
Undisbursed loan funds	268,628	-	-	-	-	-	-	-	268,628
Current portion of lease liability	254,013	-	-	-	-	-	-	(242,532)	11,481
Current portion of loans payable	4,553,383	-	-	-	-	-	-	-	4,553,383
Refundable advances	412,458	-	-	-	-	-	-	-	412,458
Total current liabilities	5,860,387	11,874	-	-	248,401	280,365	56,337	(656,334)	5,801,030
Lease liability, less current portion	9,842,452	-	-	-	-	-	-	(9,842,452)	-
Accrued interest, long-term	73,483	-	-	-	5,282	-	-	-	78,765
Loans payable - net, less current portion	4,670,964	592,716	-	-	2,659,746	-	8,680,507	-	16,603,933
Total liabilities	20,447,286	604,590	-	-	2,913,429	280,365	8,736,844	(10,498,786)	22,483,728
Net assets:									
Net assets without donor restrictions - controlling interest	13,240,562	-	-	-	-	-	-	137,948	13,378,510
Net assets without donor restrictions - noncontrolling interests	-	-	-	-	-	2,121,361	-	-	2,121,361
Members' equity	-	(145,270)	-	2,737	134,752	20,102	1,903,204	(1,915,525)	-
Total net assets without donor restrictions and members' equity	13,240,562	(145,270)	-	2,737	134,752	2,141,463	1,903,204	(1,777,577)	15,499,871
Net assets with donor restrictions	7,728,458	-	-	-	-	-	-	-	7,728,458
Total net assets	20,969,020	(145,270)	-	2,737	134,752	2,141,463	1,903,204	(1,777,577)	23,228,329
Total liabilities and net assets	\$ 41,416,306	\$ 459,320	\$ -	\$ 2,737	\$ 3,048,181	\$ 2,421,828	\$ 10,640,048	\$ (12,276,363)	\$ 45,712,057

See independent auditor's report.

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	Neighborhood Development Center	Frogtown Entrepreneur Center	NDC REDI, LLC	NDC REDI II, LLC	NCS	Midtown	NDC ETC	Eliminations	Consolidated
<b>Revenues and support:</b>									
Contributions	\$ 2,351,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,351,675
Government grants	5,584,764	-	-	-	-	-	-	-	5,584,764
<b>Other revenues:</b>									
Loan interest income	474,891	-	-	-	-	-	-	-	474,891
Note interest income	62,121	-	-	-	-	-	-	-	62,121
Other interest income	218,361	-	-	-	-	-	-	-	218,361
Class fees	31,560	-	-	-	-	-	-	-	31,560
Property management fees	218,651	-	-	-	-	-	-	-	218,651
Contract income	192,995	-	-	-	-	-	-	-	192,995
Rental revenues	188,464	-	-	-	-	-	-	-	188,464
Other	82,368	-	-	-	-	-	-	-	82,368
<b>Total revenues and support</b>	<b>9,405,850</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,405,850</b>
<b>Expenses:</b>									
<b>Program services:</b>									
Entrepreneur training	603,847	-	-	-	-	-	-	(48,098)	555,749
Lending and coronavirus relief grants	1,732,397	-	-	-	-	-	-	(63,320)	1,669,077
Technical assistance	1,765,574	-	-	-	-	-	-	(119,774)	1,645,800
Real estate	1,478,292	-	-	-	-	-	-	(308,940)	1,169,352
Promise act	264,229	-	-	-	-	-	-	-	264,229
<b>Total program services</b>	<b>5,844,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(540,132)</b>	<b>5,304,207</b>
Management and general	877,583	-	-	-	-	-	-	(77,002)	800,581
Fundraising	185,763	-	-	-	-	-	-	(10,499)	175,264
<b>Total expenses</b>	<b>6,907,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(627,633)</b>	<b>6,280,052</b>
<b>Change in net assets before real estate affiliates and capital campaign</b>	<b>2,498,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>627,633</b>	<b>3,125,798</b>
<b>Real estate affiliates activity:</b>									
Midtown contributions and government grants	447,619	-	-	-	-	-	-	-	447,619
Midtown operating subsidy payments	(675,833)	-	-	-	-	-	-	-	(675,833)
<b>Real estate affiliates activities, net</b>	<b>(228,214)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(228,214)</b>
<b>Subsidiaries:</b>									
<b>Income:</b>									
Rental revenues	-	68,895	-	-	13,800	1,311,133	518,709	(518,709)	1,393,828
Grant revenue	-	-	-	-	206,490	-	549,145	-	755,635
Interest and other revenues	-	2,750	-	-	-	1,432,752	34,070	-	1,469,572
<b>Expenses:</b>									
Operating expenses	-	(64,317)	-	(71)	(10,639)	(1,774,868)	(380,395)	-	(2,230,290)
Property tax expense	-	(12,707)	-	-	(9,324)	(57,820)	(58,644)	-	(138,495)
Interest expense	-	(70,486)	(583)	-	(49,784)	-	(132,196)	-	(253,049)
Interest expense - amortization of finance fees	-	-	-	-	(9,413)	-	(4,961)	-	(14,374)
Depreciation expense	-	(29,097)	-	-	(3,887)	(113,252)	(513,699)	-	(659,935)
Equity in earnings of subsidiaries	191,765	-	-	-	-	-	-	(191,765)	-
<b>Earnings (loss) from subsidiaries</b>	<b>191,765</b>	<b>(104,962)</b>	<b>(583)</b>	<b>(71)</b>	<b>137,243</b>	<b>797,945</b>	<b>12,029</b>	<b>(710,474)</b>	<b>322,892</b>
<b>Capital campaign contributions</b>	<b>292,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>292,090</b>
<b>Change in net assets</b>	<b>2,753,806</b>	<b>(104,962)</b>	<b>(583)</b>	<b>(71)</b>	<b>137,243</b>	<b>797,945</b>	<b>12,029</b>	<b>(82,841)</b>	<b>3,512,566</b>
<b>Net assets, beginning of year</b>	<b>18,363,321</b>	<b>(77,286)</b>	<b>(10,912)</b>	<b>2,808</b>	<b>(59,491)</b>	<b>1,343,518</b>	<b>1,848,541</b>	<b>(1,694,736)</b>	<b>19,715,763</b>
Capital contributions	-	36,978	11,495	-	57,000	-	42,634	(148,107)	-
Capital distributions	(148,107)	-	-	-	-	-	-	148,107	-
<b>Net assets, end of year</b>	<b>\$ 20,969,020</b>	<b>\$ (145,270)</b>	<b>\$ -</b>	<b>\$ 2,737</b>	<b>\$ 134,752</b>	<b>\$ 2,141,463</b>	<b>\$ 1,903,204</b>	<b>\$ (1,777,577)</b>	<b>\$ 23,228,329</b>

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**NEIGHBORHOOD DEVELOPMENT CENTER, INC.  
AND AFFILIATES**

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	Neighborhood Development Center	Frogtown Entrepreneur Center	NDC REDI, LLC	NDC REDI II, LLC	NCS	Midtown	NDC ETC	Eliminations	Consolidated
Cash flows from operating activities:									
Change in net assets	\$ 2,753,806	\$ (104,962)	\$ (583)	\$ (71)	\$ 137,243	\$ 797,945	\$ 12,029	\$ (82,841)	\$ 3,512,566
Adjustments to reconcile the change in net assets to net cash from operating activities:									
Depreciation	9,553	29,097	-	-	3,887	113,252	513,699	-	669,488
Interest expense - amortization of finance fees	-	-	-	-	9,413	-	4,961	-	14,374
Amortization of discount on contributions receivable	(27,247)	-	-	-	-	-	-	-	(27,247)
Amortization of right of use asset	121,421	-	-	-	-	-	-	(121,421)	-
Provision for receivable and loan losses	434,186	-	-	-	-	-	-	-	434,186
Straight-line rent adjustment	-	-	-	-	-	-	(12,498)	12,498	-
Investment in affiliates	(339,871)	36,978	11,495	-	57,000	-	42,634	191,764	-
Capital campaign contributions	(292,090)	-	-	-	-	-	-	-	(292,090)
Changes in operating assets and liabilities:									
Contributions receivable	408,214	-	-	-	-	-	-	-	408,214
Grants receivable	254,335	-	-	-	-	-	-	-	254,335
Other receivables	170,191	1,680	-	-	(59)	4,858	182,016	413,802	772,488
Loans receivable, net	(2,005,865)	-	-	-	-	-	-	-	(2,005,865)
Prepaid expense	15,519	(714)	-	-	120	(467)	(3,350)	-	11,108
Accounts payable and accrued expenses	(303,875)	(296)	-	-	67,675	91,813	(122,520)	(413,802)	(681,005)
Refundable advances	322,110	-	-	-	-	-	1,271	-	323,381
Other liabilities	(55,935)	(127,714)	-	-	(22,429)	(785)	-	-	(206,863)
Net cash from operating activities	<u>1,464,452</u>	<u>(165,931)</u>	<u>10,912</u>	<u>(71)</u>	<u>252,850</u>	<u>1,006,616</u>	<u>618,242</u>	<u>-</u>	<u>3,187,070</u>
Cash flows from investing activities:									
Purchase of property, equipment, and rental properties	(8,270)	(21,684)	-	-	(965,204)	(1,023,983)	(689,978)	-	(2,709,119)
Net cash from investing activities	<u>(8,270)</u>	<u>(21,684)</u>	<u>-</u>	<u>-</u>	<u>(965,204)</u>	<u>(1,023,983)</u>	<u>(689,978)</u>	<u>-</u>	<u>(2,709,119)</u>
Cash flows from financing activities:									
Capital campaign contributions	292,090	-	-	-	-	-	-	-	292,090
Payment of finance fees	-	-	-	-	(27,000)	-	-	-	(27,000)
Borrowings on loans payable	1,220,000	592,716	-	-	700,000	-	41,150	-	2,553,866
Principal payments on loans payable	(1,526,684)	(394,016)	(14,441)	-	-	-	-	-	(1,935,141)
Net cash from financing activities	<u>(14,594)</u>	<u>198,700</u>	<u>(14,441)</u>	<u>-</u>	<u>673,000</u>	<u>-</u>	<u>41,150</u>	<u>-</u>	<u>883,815</u>
Net increase (decrease) in cash and restricted cash	1,441,588	11,085	(3,529)	(71)	(39,354)	(17,367)	(30,586)	-	1,361,766
Cash and restricted cash, beginning of year	<u>11,474,098</u>	<u>31,392</u>	<u>3,529</u>	<u>2,808</u>	<u>300,058</u>	<u>101,343</u>	<u>232,569</u>	<u>-</u>	<u>12,145,797</u>
Cash and restricted cash, end of year	<u>\$ 12,915,686</u>	<u>\$ 42,477</u>	<u>\$ -</u>	<u>\$ 2,737</u>	<u>\$ 260,704</u>	<u>\$ 83,976</u>	<u>\$ 201,983</u>	<u>\$ -</u>	<u>\$ 13,507,563</u>
Reconciliation to consolidated statement of financial position:									
Cash	\$ 2,660,914	\$ 42,477	\$ -	\$ 2,737	\$ 6,089	\$ 15,966	\$ 63,446	\$ -	\$ 2,791,629
Restricted cash	10,254,772	-	-	-	254,615	68,010	138,537	-	10,715,934
Total cash and restricted cash	<u>\$ 12,915,686</u>	<u>\$ 42,477</u>	<u>\$ -</u>	<u>\$ 2,737</u>	<u>\$ 260,704</u>	<u>\$ 83,976</u>	<u>\$ 201,983</u>	<u>\$ -</u>	<u>\$ 13,507,563</u>

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