



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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2021**



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

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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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, 2021, 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, 2021, 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. 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 2020 consolidated financial statements were audited by us, and our report thereon, dated September 29, 2021, 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, 2020, 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

(Continued)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 22, 2022 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

June 22, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 7,373,689	\$ 10,998,441
Restricted cash	8,172,784	3,298,043
Contributions receivable - net, current portion	1,716,867	4,214,919
Grants receivable	-	445,759
Other receivables, net	279,623	499,883
Loans receivable, current portion	1,722,516	2,911,235
Prepaid expenses	61,651	32,945
Total current assets	19,327,130	22,401,225
Contributions receivable - net, less current portion	115,923	1,673,634
Loans receivable - net, less current portion	5,435,638	3,353,663
Note receivable	6,212,100	6,212,100
Rental properties, net	12,897,516	5,505,201
Property and equipment, net	24,984	59,066
Deposit	20,872	20,872
Total assets	\$ 44,034,163	\$ 39,225,761
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - operating	\$ 204,547	\$ 263,482
Accounts payable - construction	1,195,146	1,005,079
Accrued expenses	349,841	283,607
Tenant security deposits	66,781	69,388
Undisbursed loan funds	58,969	29,081
Current portion of loans payable	1,834,722	1,093,285
Refundable advances	54,824	118,792
Total current liabilities	3,764,830	2,862,714
Accrued interest, long-term	255,074	232,136
Loans payable - net, less current portion	21,180,999	19,519,478
Total liabilities	25,200,903	22,614,328
Net assets:		
Net assets without donor restrictions - controlling interest	10,794,864	6,129,311
Net assets without donor restrictions - noncontrolling interests	1,651,625	1,653,607
Total net assets without donor restrictions	12,446,489	7,782,918
Net assets with donor restrictions	6,386,771	8,828,515
Total net assets	18,833,260	16,611,433
Total liabilities and net assets	\$ 44,034,163	\$ 39,225,761

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 1,136,843	\$ 1,331,388	\$ 2,468,231	\$ 9,236,227
Government grants	1,426,926	1,614,000	3,040,926	5,060,745
Net assets released upon satisfaction of time and program restrictions	5,658,532	(5,658,532)	-	-
Other revenues:				
Loan interest income	403,495	-	403,495	204,517
Note interest income	62,121	-	62,121	-
Other interest income	688	-	688	26,965
Class fees	34,116	-	34,116	20,975
Property management fees	218,651	-	218,651	30,400
Contract income	208,522	-	208,522	184,400
Loan administrative fees	180,432	-	180,432	325,504
Loan origination fees	-	-	-	25,255
Rental revenues	-	-	-	18,450
Paycheck Protection Program forgiveness	1,076,000	-	1,076,000	-
Other	195,559	-	195,559	136,447
Total revenues and support	10,601,885	(2,713,144)	7,888,741	15,269,885
Expenses:				
Program services:				
Entrepreneur training	547,407	-	547,407	407,374
Lending and coronavirus relief grants	2,440,911	-	2,440,911	3,653,857
Technical assistance	1,522,027	-	1,522,027	1,448,322
Real estate	1,064,381	-	1,064,381	959,077
Total program services	5,574,726	-	5,574,726	6,468,630
Management and general	995,026	-	995,026	897,673
Fundraising	145,571	-	145,571	142,588
Total expenses	6,715,323	-	6,715,323	7,508,891
Change in net assets before real estate affiliates, subsidiaries, and capital campaign	3,886,562	(2,713,144)	1,173,418	7,760,994
Real estate affiliates activity:				
Midtown contributions and government grants	20,000	-	20,000	619,534
Midtown operating subsidy payments	(177,429)	-	(177,429)	(191,558)
Real estate affiliates activity, net	(157,429)	-	(157,429)	427,976
Subsidiaries:				
Income:				
Rental revenues	910,387	-	910,387	891,943
Grant revenue	1,040,883	-	1,040,883	-
Interest and other revenues	1,199,578	-	1,199,578	746,819
Expenses:				
Operating expenses	(1,909,065)	-	(1,909,065)	(1,469,303)
Property tax expense	(79,557)	-	(79,557)	(111,754)
Interest expense	(71,164)	-	(71,164)	(19,316)
Interest expense - amortization of finance fees	(10,476)	-	(10,476)	-
Depreciation expense	(146,148)	-	(146,148)	(102,422)
Income (loss) from subsidiaries	934,438	-	934,438	(64,033)
Capital campaign contributions	-	296,947	296,947	1,604,362
Capital campaign expenses	-	(25,547)	(25,547)	(1,095)
Capital campaign, net	-	271,400	271,400	1,603,267
Gain on sale of air rights	-	-	-	810,000
Write-off of demolished buildings	-	-	-	(1,849,107)
Change in net assets	4,663,571	(2,441,744)	2,221,827	8,689,097
Net assets, beginning of year	7,782,918	8,828,515	16,611,433	7,922,336
Net assets, end of year	\$ 12,446,489	\$ 6,386,771	\$ 18,833,260	\$ 16,611,433

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021								
	Program services								
	Entrepreneur training	Lending and coronavirus relief grants	Technical assistance	Real estate	Total	Management and general	Fund-raising	Total	2020
Salaries	\$ 274,210	\$ 360,976	\$ 682,706	\$ 662,390	\$ 1,980,282	\$ 439,099	\$ 59,877	\$ 2,479,258	\$ 2,340,078
Payroll taxes	19,719	25,958	49,100	47,639	142,416	31,567	4,304	178,287	155,901
Benefits and related	52,505	69,122	130,742	126,848	379,217	84,054	11,462	474,733	429,695
	346,434	456,056	862,548	836,877	2,501,915	554,720	75,643	3,132,278	2,925,674
Professional fees	132,708	16,572	276,547	63,721	489,548	158,327	45,287	693,162	280,440
Office expenses	19,667	31,372	51,501	49,182	151,722	147,545	20,120	319,387	166,883
Rent	9,176	12,080	22,850	58,938	103,044	14,690	2,003	119,737	121,628
Postage	-	-	64	-	64	2,565	349	2,978	1,671
Education and conferences	-	531	2,159	2,979	5,669	12,849	1,753	20,271	5,839
Project expenses	26,994	12,922	198,703	13,996	252,615	3,105	12,189	267,909	460,110
Payments to real estate affiliates	-	-	59,414	118,015	177,429	-	-	177,429	191,558
Travel	63	954	469	4,253	5,739	6,621	904	13,264	11,216
Subscriptions and dues	352	1,501	910	849	3,612	24,210	3,301	31,123	26,293
Insurance	3,528	4,644	8,785	8,523	25,480	5,691	776	31,947	33,701
Telephone	845	1,034	-	5,905	7,784	33,252	4,534	45,570	32,692
Depreciation	7,250	9,544	18,050	17,513	52,357	9,462	1,261	63,080	64,778
Equipment maintenance	-	-	19	618	637	18,234	2,486	21,357	22,989
Provision for receivable and loan losses	-	167,615	78,390	-	246,005	-	-	246,005	614,290
Interest	-	132,832	-	-	132,832	-	-	132,832	143,600
Small business relief grants	-	-	-	-	-	-	-	-	2,330,000
Emergency fund grants	-	1,591,012	-	-	1,591,012	-	-	1,591,012	239,720
Miscellaneous	390	2,242	1,032	1,027	4,691	3,755	512	8,958	27,366
Expenses of subsidiaries:									
Administrative	-	-	-	479,368	479,368	-	-	479,368	171,885
Building maintenance and operating	-	-	-	1,092,882	1,092,882	-	-	1,092,882	1,008,610
Utilities	-	-	-	336,815	336,815	-	-	336,815	288,809
Real estate taxes	-	-	-	79,557	79,557	-	-	79,557	111,754
Interest expense	-	-	-	71,164	71,164	-	-	71,164	19,315
Interest expense - amortization of finance fees	-	-	-	10,476	10,476	-	-	10,476	-
Depreciation	-	-	-	146,148	146,148	-	-	146,148	102,422
Total expenses of subsidiaries	-	-	-	2,216,410	2,216,410	-	-	2,216,410	1,702,795
Total expenses	547,407	2,440,911	1,581,441	3,398,806	7,968,565	995,026	171,118	9,134,709	9,403,243
Less real estate operating subsidy payments	-	-	(59,414)	(118,015)	(177,429)	-	-	(177,429)	(191,558)
Less expenses of subsidiaries	-	-	-	(2,216,410)	(2,216,410)	-	-	(2,216,410)	(1,702,795)
Less capital campaign expenses	-	-	-	-	-	-	(25,547)	(25,547)	-
	\$ 547,407	\$ 2,440,911	\$ 1,522,027	\$ 1,064,381	\$ 5,574,726	\$ 995,026	\$ 145,571	\$ 6,715,323	\$ 7,508,891

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,221,827	\$ 8,689,097
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	209,228	167,200
Interest expense - amortization of finance fees	10,476	-
Amortization of discount on contributions receivable	(134,239)	44,575
Provision for receivable and loan losses	246,005	418,544
Forgiveness of loans payable	(1,076,000)	-
Investment in affiliates	-	503,313
Capital campaign contributions	(296,947)	(1,604,362)
Changes in operating assets and liabilities:		
Contributions receivable	4,200,002	(3,843,801)
Grants receivable	445,759	(445,759)
Other receivables	220,260	111,576
Loans receivable, net	(1,109,372)	(146,041)
Prepaid expenses	(28,707)	(13,182)
Accounts payable and accrued expenses	(1,522,735)	(221,986)
Refundable advances	(64,729)	106,343
Other liabilities	87,326	178,623
Net cash from operating activities	3,408,154	3,944,140
Cash flows from investing activities:		
Note receivable	-	(6,212,100)
Purchase of property, equipment, and rental properties	(5,923,594)	(3,085,350)
Net cash from investing activities	(5,923,594)	(9,297,450)
Cash flows from financing activities:		
Capital campaign contributions	296,947	1,604,362
Payment of finance fees	(89,000)	(118,626)
Borrowings on loans payable	4,320,190	14,574,914
Principal payments on loans payable	(762,708)	(1,516,685)
Net cash from financing activities	3,765,429	14,543,965
Net increase in cash and restricted cash	1,249,989	9,190,655
Cash and restricted cash, beginning of year	14,296,484	5,105,829
Cash and restricted cash, end of year	\$ 15,546,473	\$ 14,296,484
Reconciliation to consolidated statement of financial position:		
Cash	\$ 7,373,689	\$ 10,998,441
Restricted cash	8,172,784	3,298,043
Total cash and restricted cash	\$ 15,546,473	\$ 14,296,484
Supplemental cash flow information:		
Cash paid for interest expense	\$ 246,834	\$ 97,120
Noncash investing activity:		
Property and equipment additions included in accounts payable - construction	\$ 1,195,146	\$ -

See accompanying notes to consolidated financial statements.

NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 15-week training sessions which guide participants in how to own and operate their own business. 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 and coronavirus relief grants includes a profit-based 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 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 the 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 to establish BFWA as its own nonprofit in 2022.

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.

NDC's programs are supported primarily by contributions, government grants, rental revenues and fees for services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Method - The consolidated financial statements include the accounts of NDC and its controlled affiliates. All material intercompany transactions and balances have been eliminated in consolidation.

(Continued)

NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 810 East Lake Street in Minneapolis for future development.

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 is rehabilitating a building into an entrepreneur training center located in St. Paul. Construction was substantially complete in 2021.

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

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.

(Continued)

NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020, 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, 2021 and 2020, cash balances were approximately \$14,130,000 and \$13,195,000 in excess of the insured amount. NDC has not experienced any losses as a result of these deposits.

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 \$30,678 and \$68,921 at December 31, 2021 and 2020. 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, 2021 and 2020.

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.

(Continued)

NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 losses on existing loans that may become uncollectible, based on evaluations of the collectability of individual loans and prior loan loss experience. The evaluations take into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Loan write-offs are forwarded to a collection company for potential recovery.

Rental Properties - Rental properties are carried at cost, less impairment adjustments. 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.

Management assesses for impairment losses when conditions warrant. No impairment losses were recorded in 2021 or 2020.

Property and Equipment - Property and equipment is carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of 2 to 10 years. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

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 activities.

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, 2021 and 2020, there was \$54,824 and \$118,792 of refundable advances and \$- and \$445,759 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

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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 in accordance with the lease agreement. Rental revenues received in advance are recorded as deferred revenue. 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 2021 and 2020.

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 2021 or 2020. 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.

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3. RESTRICTED CASH

Cash is classified based on donor/grantor or other restrictions. As of December 31, 2021, restricted cash includes \$6,072,962 held by NDC for programs and loan funds, \$66,485 held by Midtown for security deposits and reserves, \$365,611 held by NCS for a construction escrow and reserve, and \$1,667,726 held by NDC ETC for construction an escrow and draws. As of December 31, 2020, restricted cash includes \$3,276,243 held by NDC for programs and loan funds plus \$21,800 held by Midtown for security deposits.

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:

	2021	2020
Business loans	\$ 7,399,236	\$ 6,757,484
Less State of MN - UIP participation	(12,312)	(12,312)
Total business loans	7,386,924	6,745,172
NEDU, LLC - affiliated real estate loans	635,927	635,927
TIF revenue note from City of Minneapolis	-	25,686
Total loans	8,022,851	7,406,785
Less allowance for uncollectible loans	(864,697)	(1,141,887)
	7,158,154	6,264,898
Less current portion	(1,722,516)	(2,911,235)
	\$ 5,435,638	\$ 3,353,663
Number of loans outstanding	232	228

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 2029 to 2035.

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**NEIGHBORHOOD DEVELOPMENT CENTER, INC.
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5. LOANS RECEIVABLE (Continued)

This table presents the allowance for loan losses by portfolio segment in 2021 and in total for 2020:

	Business loans	Affiliated real estate loans	2021 Total	2020 Total
Beginning balance	\$ 1,102,687	\$ 39,200	\$ 1,141,887	\$ 723,343
Loan loss provision	246,005	-	246,005	418,544
Loans charged off	(523,195)	-	(523,195)	-
Ending balance	<u>\$ 825,497</u>	<u>\$ 39,200</u>	<u>\$ 864,697</u>	<u>\$ 1,141,887</u>

This table presents the aging of loans by portfolio segment at December 31, 2021 and in total for 2020:

	Business loans	Affiliated real estate loans	2021 Total	2020 Total
Current	\$ 1,722,516	\$ -	\$ 1,722,516	\$ 2,911,235
30 + days	109,920	-	109,920	443,968
60 + days	41,072	-	41,072	30,458
90 + days	45,789	-	45,789	451,755
120 + days	5,479,939	-	5,479,939	2,945,754
Not currently due	-	635,927	635,927	635,927
Total	<u>\$ 7,399,236</u>	<u>\$ 635,927</u>	<u>\$ 8,035,163</u>	<u>\$ 7,419,097</u>

The TIF revenue note is due in semi-annual payments through 2023.

This table and the accompanying explanations present informative data regarding the credit quality of loans receivable by portfolio segment at December 31, 2021 and in total for 2020:

Category	Business loans	Affiliated real estate loans	2021 Total	2020 Total
A	\$ 7,043,389	\$ 635,927	\$ 7,679,316	\$ 7,036,075
B	215,644	-	215,644	230,708
C	109,010	-	109,010	102,925
D	31,193	-	31,193	49,389
F	-	-	-	-
Total	<u>\$ 7,399,236</u>	<u>\$ 635,927</u>	<u>\$ 8,035,163</u>	<u>\$ 7,419,097</u>

(Continued)

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5. LOANS RECEIVABLE (Continued)

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, 2021, 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.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following:

	2021	2020
Amounts receivable within one year	\$ 1,722,999	\$ 4,315,502
Amounts receivable in one to five years	120,000	1,717,499
	1,842,999	6,033,001
Less 2% discount to net present value	(10,209)	(144,448)
	1,832,790	5,888,553
Less current portion	(1,716,867)	(4,214,919)
Contributions receivable, long-term	<u>\$ 115,923</u>	<u>\$ 1,673,634</u>

(Continued)

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7. CAPITAL CAMPAIGN

NDC launched a \$8 million capital campaign in 2018, of which \$5.5 million will be used to construct a new facility for the purposes of community based entrepreneurial development and \$2.5 million will be used for the following:

Accelerated Program - six to eight-month immersion process that adds jobs and speeds up the development of the business, providing this to a business increases livable wages for new positions with the neighborhood.

Future Funding Program - will allow NDC to provide its programs with increasing affordable costs of education and training to more people at a minimum cost.

Opportunity Fund - allow access for new program opportunities as they arise and assist with loan loss reserve, which in turn, allows to provide entrepreneurs opportunities through high-risk loans.

As of December 31, 2021, \$4,579,045 has been raised, \$455,000 is in contributions receivable, and \$3,111,213 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, 2021 and 2020.

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.

(Continued)

**NEIGHBORHOOD DEVELOPMENT CENTER, INC.
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9. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	2021	2020
Office equipment	\$ 286,265	\$ 257,267
Leasehold improvements	382,335	382,335
Computer software	25,283	25,283
	693,883	664,885
Less accumulated depreciation	(668,899)	(605,819)
	\$ 24,984	\$ 59,066

10. **RENTAL PROPERTIES**

Rental properties consist of the following:

	2021	2020
FEC:		
Land and land improvements	\$ 18,000	\$ 18,000
Building	529,013	529,013
Furniture and equipment	23,576	23,576
Less accumulated depreciation	(342,410)	(328,944)
Net FEC	228,179	241,645
Midtown:		
Leasehold costs	98,594	98,594
Building and improvements	8,194,955	8,155,091
Less impairment	(5,111,288)	(5,111,288)
Less accumulated depreciation	(2,030,293)	(1,964,270)
Net Midtown	1,151,968	1,178,127
NCS:		
Land	1,623,000	-
642 Sherburne building	129,298	-
810 Lake Street East lot – work in progress	67,341	-
Less accumulated depreciation	(2,929)	-
Net NCS	\$ 1,816,710	\$ -

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10. **RENTAL PROPERTIES (Continued)**

	2021	2020
NDC ETC:		
Land and land improvements	\$ 784,959	\$ 407,900
Building	8,183,141	-
Furniture and equipment	796,289	-
Building – work in progress	-	3,677,529
Less accumulated depreciation	(63,730)	-
	9,700,659	4,085,429
 Total rental properties	 \$ 12,897,516	 \$ 5,505,201

During 2020, land and property held by NCS and FEC were sold to NDC ETC to develop and rehabilitate a building into an entrepreneur training center. NDC ETC demolished the existing building and wrote-off the carrying value of \$1,849,107 as presented on the consolidated statement of activities. In addition, NDC ETC sold the air rights of the building site for \$810,000 for the future development of the residential housing. Interest of \$110,146 and \$80,770 were capitalized on the NDC ETC building during 2021 and 2020.

11. **LOANS PAYABLE**

Loans payable consist of the following:	2021	2020
NDC:		
HUD Small Business Revolving Loan Fund	\$ 293,293	\$ 293,293
SBA Loan Fund #2	167,458	285,664
SBA Loan Fund #3	659,383	795,808
SBA Loan Fund #4	337,037	-
DEED Loan	268,277	268,277
City of Saint Paul	150,000	150,000
Saint Paul Foundation	1,062,000	1,062,000
Minneapolis Foundation	500,000	500,000
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	131,768
Otto Bremer Trust	1,200,000	1,200,000
Sunrise Bank	829,920	1,280,000
Otto Bremer Trust	500,000	500,000
BMO Harris Bank PPP Loan	-	549,500
MMCDC – small business loan	350,000	-
MMCDC – real estate financing	390,000	-
U.S. Bancorp CDC	500,000	-

(Continued)

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11. **LOANS PAYABLE (Continued)**

	2021	2020
FEC:		
City of Saint Paul HRA	\$ 39,986	\$ 39,986
Star Loan	48,007	50,599
Star Loan	194,619	205,129
City of Saint Paul HRA Real Estate Commercial Loan	38,403	38,403
City of Saint Paul HRA	73,001	77,381
NCS:		
LISC Note A	620,000	-
LISC Note B	1,280,000	-
Lake Steet Council	100,000	-
NDC REDI, LLC:		
Northwest Area Foundation	28,910	56,463
NDC ETC:		
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	1,450,000	1,450,000
Total outstanding	23,210,753	20,729,271
Less unamortized finance fees	(195,032)	(116,508)
Less current portion	(1,834,722)	(1,093,285)
Noncurrent portion	\$ 21,180,999	\$ 19,519,478

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 is 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.

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 is due on June 7, 2023.

(Continued)

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11. **LOANS PAYABLE (Continued)**

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.

DEED Loan - Loan payable to the Minnesota Department of Employment and Economic Development (DEED) under the Emerging Entrepreneurs Fund (EEF) in the amount of \$366,000 dated May 25, 2012 with no interest. Proceeds are to be used to fund eligible loans. NDC is not obligated to repay the portion of the loan that NDC is unable to recover from eligible borrowers. The total balance drawn at December 31, 2021 and 2020 was \$268,277. The loan is due on May 25, 2022. Management is negotiating final payoff amount with the lender which is expected to be made in June 2022.

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, 2021. 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 1st 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 paid in full April 1, 2022.

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 14th of each year. Beginning January 14, 2019, principal and interest are due annually. The loan matures on January 14, 2026.

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11. LOANS PAYABLE (Continued)

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 31st 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 28th of each year. The loan is due on February 29, 2024.

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.

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.

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. In August 2020, a principal payment of \$720,000 was made.

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.

BMO Harris Bank PPP Loan - Unsecured \$549,500 note payable to BMO Harris Bank with interest at 1.0%. The note is funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion was eligible for forgiveness if NDC used the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. The loan was forgiven in May 2021.

BMO Harris Bank PPP Loan - Unsecured \$26,500 note payable to BMO Harris Bank with interest at 1.0%. The note is funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion was eligible for forgiveness if NDC used the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. The loan was forgiven in October 2021.

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11. LOANS PAYABLE (Continued)

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 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 extended for an additional three years based on terms set forth in the loan agreement.

FEC:

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. NDC is currently in negotiation with the City of Saint Paul to extend the loan to December 31, 2022. Secured by the property.

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. NDC is currently in negotiation with the City of Saint Paul to extend the loan to December 31, 2022. Secured by the property.

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. NDC is currently in negotiation with the City of Saint Paul to extend the loan to December 31, 2022. Secured by the property.

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. NDC is currently in negotiation with the City of Saint Paul to extend the loan to December 31, 2022. Secured by the property.

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. NDC is currently in negotiation with the City of Saint Paul to extend the loan to December 31, 2022. Secured by the property.

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11. **LOANS PAYABLE (Continued)**

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. 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. 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 2023.

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 are due August 1 and February 1 each year through August 1, 2023. The amount of the payment is equal to the lesser of 1) the available tax increment, or 2) the amount necessary to pay the accrued interest and unpaid principal.

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.

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11. LOANS PAYABLE (Continued)

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.

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 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 due on December 31, 2020 and has been extended to December 31, 2022. The loan will be forgiven upon satisfaction of completion of improvements on the project and issuance of a certificate of occupancy by the City of Saint Paul which is expected 2022.

Maturities of loans payable are as follows:

2022	\$ 1,834,722
2023	2,167,859
2024	1,867,233
2025	1,610,771
2026	1,452,576
Thereafter	12,727,592
Expected to be forgiven in 2022 and 2023	1,550,000
	\$ 23,210,753

(Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 \$66,949 and \$58,311 in 2021 and 2020.

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 2021 or 2020.

13. LEASE PAYABLE

NDC leased office space from Western Bank under a lease that expired December 31, 2021. NDC also paid a pro rata portion of operating expenses. Rent expense was \$84,800 and \$84,280 during 2021 and 2020.

NDC also leases office space from Dayton's Bluff Construction Training Center under a lease that expires June 30, 2024. In addition to base rent, NDC also pays a pro rata portion of operating costs. Rent expense was \$34,937 and \$37,348 during 2021 and 2020.

Future minimum lease payments are \$22,984 for 2022 and 2023, and \$11,492 for 2024.

14. NET ASSETS

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

	2021	2020
Loan programs	\$ 4,007,934	\$ 1,742,500
Technical assistance	1,024,152	30,500
Capital campaign	909,523	1,827,902
General operating support - time	445,162	4,261,311
Various other programs	-	966,302
	\$ 6,386,771	\$ 8,828,515

(Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

14. NET ASSETS (Continued)

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

	2021	2020
Noncontrolling interests (other owners):		
Beginning of year	\$ 1,653,607	\$ 1,543,171
Change in net assets	(1,982)	110,436
End of year	1,651,625	1,653,607
Controlling interest (NDC):		
Beginning of year	6,129,311	2,327,253
Change in net assets	4,665,553	3,802,058
End of year	10,794,864	6,129,311
	\$12,446,489	\$ 7,782,918

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 of the FEC and Midtown properties as of December 31, 2021:

	FEC	NCS	Midtown	Total
2022	\$ 52,127	\$ 13,800	\$ 715,748	\$ 781,675
2023	1,932	3,450	512,888	518,270
2024	-	-	302,082	302,082
2025	-	-	157,513	157,513
2026	-	-	81,847	81,847
Thereafter	-	-	321,375	321,375
	\$ 54,059	\$ 17,250	\$ 2,091,453	\$ 2,162,762

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

16. NEW MARKETS TAX CREDIT

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).

(Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

16. NEW MARKETS TAX CREDIT (Continued)

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:

	2021	2020
Cash	\$ 3,000,000	\$ 990,000
Contributions receivable	35,000	35,000
Other receivables, net	75,000	100,000
	\$ 3,110,000	\$ 1,125,000

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.

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

(Continued)

NEIGHBORHOOD DEVELOPMENT CENTER, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

17. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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, 2021 and 2020. See Notes 5 and 8. Interest income on this loan was \$12,720 in 2021 and 2020.

NDC performs property management services for FEC, NCS, Midtown, and NEDU, LLC. Property management fees from related entities were \$218,651 and \$30,400 in 2021 and 2020.

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.

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, 2022 and is secured by accounts receivable. There was no outstanding balance of advances at December 31, 2021 and 2020.

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.

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 \$1,614,000 and \$1,003,464 in 2021 (39% and 24% of government grants revenue in 2021) from Community Development Financial Institutions Fund and Department of Employment and Economic Development (DEED), respectively. In 2020, NDC received \$549,386 (34% of government grants revenue in 2020) from DEED. The awards have been recorded as government grants revenue.

(Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

A nationwide public health emergency began developing in 2020. The state of Minnesota enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. NDC adjusted their operations in response to these measures. The future impact of these issues is unknown and therefore no estimate can be made at this time.

20. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 22, 2022, the date on which the 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, 2021

	Neighborhood Development Center	Frogtown Entrepreneur Center	NDC REDI, LLC	NDC REDI II, LLC	NCS	Midtown	NDC ETC	Eliminations	Consolidated
ASSETS									
Current assets:									
Cash	\$ 7,217,713	\$ 47,540	\$ 3,529	\$ 2,868	\$ 9,279	\$ 92,760	\$ -	\$ -	\$ 7,373,689
Restricted cash	6,072,962	-	-	-	365,611	66,485	1,667,726	-	8,172,784
Contributions receivable - net, current portion	1,716,867	-	-	-	-	-	-	-	1,716,867
Other receivables, net	715,475	937	-	-	1,150	35,218	545,519	(1,018,676)	279,623
Loans receivable, current portion	1,722,516	-	-	-	-	-	-	-	1,722,516
Prepaid expenses	52,797	3,881	-	-	688	4,285	-	-	61,651
Total current assets	<u>17,498,330</u>	<u>52,358</u>	<u>3,529</u>	<u>2,868</u>	<u>376,728</u>	<u>198,748</u>	<u>2,213,245</u>	<u>(1,018,676)</u>	<u>19,327,130</u>
Contributions receivable - net, less current portion	115,923	-	-	-	-	-	-	-	115,923
Loans receivable - net, less current portion	5,435,638	-	-	-	-	-	-	-	5,435,638
Note receivable	6,212,100	-	-	-	-	-	-	-	6,212,100
Rental properties, net	-	228,179	-	-	1,816,710	1,151,968	9,700,659	-	12,897,516
Property and equipment, net	24,984	-	-	-	-	-	-	-	24,984
Investments in affiliates	129,319	-	-	-	-	-	-	(129,319)	-
Deposit	-	-	-	-	-	20,872	-	-	20,872
Total assets	<u>\$ 29,416,294</u>	<u>\$ 280,537</u>	<u>\$ 3,529</u>	<u>\$ 2,868</u>	<u>\$ 2,193,438</u>	<u>\$ 1,371,588</u>	<u>\$ 11,913,904</u>	<u>\$ (1,147,995)</u>	<u>\$ 44,034,163</u>
LIABILITIES, MEMBERS' EQUITY AND NET ASSETS									
Current liabilities:									
Accounts payable - operating	\$ 606,543	\$ 2,040	\$ -	\$ -	\$ 165,634	\$ 109,459	\$ 43,760	\$ (722,889)	\$ 204,547
Accounts payable - construction	-	-	-	-	-	-	1,490,933	(295,787)	1,195,146
Accrued expenses	315,709	-	-	-	-	1,401	32,731	-	349,841
Tenant security deposits	2,500	5,546	-	-	-	58,735	-	-	66,781
Undisbursed loan funds	58,969	-	-	-	-	-	-	-	58,969
Current portion of loans payable	1,411,796	394,016	28,910	-	-	-	-	-	1,834,722
Refundable advances	54,824	-	-	-	-	-	-	-	54,824
Total current liabilities	<u>2,450,341</u>	<u>401,602</u>	<u>28,910</u>	<u>-</u>	<u>165,634</u>	<u>169,595</u>	<u>1,567,424</u>	<u>(1,018,676)</u>	<u>3,764,830</u>
Accrued interest, long-term	103,658	115,576	-	-	35,840	-	-	-	255,074
Loans payable - net, less current portion	9,131,031	-	-	-	1,970,533	-	10,079,435	-	21,180,999
Total liabilities	<u>11,685,030</u>	<u>517,178</u>	<u>28,910</u>	<u>-</u>	<u>2,172,007</u>	<u>169,595</u>	<u>11,646,859</u>	<u>(1,018,676)</u>	<u>25,200,903</u>
Net assets:									
Net assets without donor restrictions - controlling interest	11,344,493	-	-	-	-	-	-	(549,629)	10,794,864
Net assets without donor restrictions - noncontrolling interests	-	-	-	-	-	1,651,625	-	-	1,651,625
Members' equity	-	(236,641)	(25,381)	2,868	21,431	(449,632)	267,045	420,310	-
Total net assets without donor restrictions and members' equity	<u>11,344,493</u>	<u>(236,641)</u>	<u>(25,381)</u>	<u>2,868</u>	<u>21,431</u>	<u>1,201,993</u>	<u>267,045</u>	<u>(129,319)</u>	<u>12,446,489</u>
Net assets with donor restrictions	6,386,771	-	-	-	-	-	-	-	6,386,771
Total net assets	<u>17,731,264</u>	<u>(236,641)</u>	<u>(25,381)</u>	<u>2,868</u>	<u>21,431</u>	<u>1,201,993</u>	<u>267,045</u>	<u>(129,319)</u>	<u>18,833,260</u>
Total liabilities and net assets	<u>\$ 29,416,294</u>	<u>\$ 280,537</u>	<u>\$ 3,529</u>	<u>\$ 2,868</u>	<u>\$ 2,193,438</u>	<u>\$ 1,371,588</u>	<u>\$ 11,913,904</u>	<u>\$ (1,147,995)</u>	<u>\$ 44,034,163</u>

See independent auditor's report.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Neighborhood Development Center	Frogtown Entrepreneur Center	NDC REDI, LLC	NDC REDI II, LLC	NCS	Midtown	NDC ETC	Eliminations	Consolidated
Revenues and support:									
Contributions	\$ 2,468,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,468,231
Government grants	3,040,926	-	-	-	-	-	-	-	3,040,926
Other revenues:									
Loan interest income	403,495	-	-	-	-	-	-	-	403,495
Note interest income	62,121	-	-	-	-	-	-	-	62,121
Other interest income	688	-	-	-	-	-	-	-	688
Class fees	34,116	-	-	-	-	-	-	-	34,116
Property management fees	218,651	-	-	-	-	-	-	-	218,651
Contract income	208,522	-	-	-	-	-	-	-	208,522
Loan administrative fees	180,432	-	-	-	-	-	-	-	180,432
Paycheck Protection Program forgiveness	1,076,000	-	-	-	-	-	-	-	1,076,000
Other	195,559	-	-	-	-	-	-	-	195,559
Total revenues and support	<u>7,888,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,888,741</u>
Expenses:									
Program services:									
Entrepreneur training	547,407	-	-	-	-	-	-	-	547,407
Lending and coronavirus relief grants	2,440,911	-	-	-	-	-	-	-	2,440,911
Technical assistance	1,522,027	-	-	-	-	-	-	-	1,522,027
Real estate	1,064,381	-	-	-	-	-	-	-	1,064,381
Total program services	<u>5,574,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,574,726</u>
Management and general	995,026	-	-	-	-	-	-	-	995,026
Fundraising	145,571	-	-	-	-	-	-	-	145,571
Total expenses	<u>6,715,323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,715,323</u>
Change in net assets before subsidiaries and capital campaign	<u>1,173,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,173,418</u>
Real estate affiliates activity:									
Midtown contributions and government grants	20,000	-	-	-	-	-	-	-	20,000
Midtown operating subsidy payments	(177,429)	-	-	-	-	-	-	-	(177,429)
Real estate affiliates activities, net	<u>(157,429)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,429)</u>
Subsidiaries:									
Income:									
Rental revenues	-	65,530	-	-	9,775	835,082	-	-	910,387
Grant revenue	-	-	-	-	18,468	-	1,022,415	-	1,040,883
Interest and other revenues	-	60,972	506	-	-	1,120,551	17,549	-	1,199,578
Expenses:									
Operating expenses	-	(52,698)	-	(60)	(13,407)	(1,832,946)	(9,954)	-	(1,909,065)
Property tax expense	-	(13,800)	-	-	(5,128)	(60,629)	-	-	(79,557)
Interest expense	-	(12,813)	(2,493)	-	(35,840)	-	(20,018)	-	(71,164)
Interest expense - amortization of finance fees	-	-	-	-	(4,533)	-	(5,943)	-	(10,476)
Depreciation expense	-	(13,466)	-	-	(2,929)	(66,024)	(63,729)	-	(146,148)
Equity in earnings of subsidiaries	1,093,427	-	-	-	-	-	-	(1,093,427)	-
Earnings (loss) from subsidiaries	<u>1,093,427</u>	<u>33,725</u>	<u>(1,987)</u>	<u>(60)</u>	<u>(33,594)</u>	<u>(3,966)</u>	<u>940,320</u>	<u>(1,093,427)</u>	<u>934,438</u>
Capital campaign contributions	296,947	-	-	-	-	-	-	-	296,947
Capital campaign expenses	(25,547)	-	-	-	-	-	-	-	(25,547)
Capital campaign, net	<u>271,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,400</u>
Change in net assets	<u>2,380,816</u>	<u>33,725</u>	<u>(1,987)</u>	<u>(60)</u>	<u>(33,594)</u>	<u>(3,966)</u>	<u>940,320</u>	<u>(1,093,427)</u>	<u>2,221,827</u>
Net assets, beginning of year	15,405,473	(270,366)	(23,394)	2,928	-	1,205,959	(673,275)	964,108	16,611,433
Capital contributions	-	-	-	-	55,025	-	-	(55,025)	-
Capital distributions	(55,025)	-	-	-	-	-	-	55,025	-
Net assets, end of year	<u>\$ 17,731,264</u>	<u>\$ (236,641)</u>	<u>\$ (25,381)</u>	<u>\$ 2,868</u>	<u>\$ 21,431</u>	<u>\$ 1,201,993</u>	<u>\$ 267,045</u>	<u>\$ (129,319)</u>	<u>\$ 18,833,260</u>

See independent auditor's report.

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

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	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	\$ 2,380,816	\$ 33,725	\$ (1,987)	\$ (60)	\$ (33,594)	\$ (3,966)	\$ 940,320	\$ (1,093,427)	\$ 2,221,827
Adjustments to reconcile the change in net assets to net cash from operating activities:									
Depreciation	63,080	13,466	-	-	2,929	66,024	63,729	-	209,228
Interest expense - amortization of finance fees	-	-	-	-	4,533	-	5,943	-	10,476
Amortization of discount on contributions receivable	(134,239)	-	-	-	-	-	-	-	(134,239)
Provision for receivable and loan losses	246,005	-	-	-	-	-	-	-	246,005
Forgiveness of loans payable	(1,076,000)	-	-	-	-	-	-	-	(1,076,000)
Investment in affiliates	(1,148,452)	-	-	-	55,025	-	-	1,093,427	-
Capital campaign contributions	(296,947)	-	-	-	-	-	-	-	(296,947)
Changes in operating assets and liabilities:									
Contributions receivable	4,200,002	-	-	-	-	-	-	-	4,200,002
Grants receivable	445,759	-	-	-	-	-	-	-	445,759
Other receivables	(278,094)	8,498	-	-	2,100	14,599	(545,519)	1,018,676	220,260
Loans receivable, net	(1,135,059)	-	25,687	-	-	-	-	-	(1,109,372)
Prepaid expense	(30,645)	(2,797)	-	-	(688)	5,423	-	-	(28,707)
Accounts payable and accrued expenses	426,619	(2,292)	-	-	3,121	29,812	(961,319)	(1,018,676)	(1,522,735)
Deferred revenue	(58,438)	-	-	-	-	(5,530)	(761)	-	(64,729)
Other liabilities	84,529	(29,626)	-	-	35,840	(3,417)	-	-	87,326
Net cash from operating activities	<u>3,688,936</u>	<u>20,974</u>	<u>23,700</u>	<u>(60)</u>	<u>69,266</u>	<u>102,945</u>	<u>(497,607)</u>	<u>-</u>	<u>3,408,154</u>
Cash flows from investing activities:									
Purchase of property, equipment, and rental properties	(28,998)	-	-	-	(1,666,705)	(39,865)	(4,188,026)	-	(5,923,594)
Net cash from investing activities	<u>(28,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,666,705)</u>	<u>(39,865)</u>	<u>(4,188,026)</u>	<u>-</u>	<u>(5,923,594)</u>
Cash flows from financing activities:									
Capital campaign contributions	296,947	-	-	-	-	-	-	-	296,947
Payment of finance fees	-	-	-	-	(34,000)	-	(55,000)	-	(89,000)
Borrowings on loans payable	2,320,190	-	-	-	2,000,000	-	-	-	4,320,190
Principal payments on loans payable	(717,673)	(17,482)	(27,553)	-	-	-	-	-	(762,708)
Net cash from financing activities	<u>1,899,464</u>	<u>(17,482)</u>	<u>(27,553)</u>	<u>-</u>	<u>1,966,000</u>	<u>-</u>	<u>(55,000)</u>	<u>-</u>	<u>3,765,429</u>
Net increase (decrease) in cash and restricted cash	5,559,402	3,492	(3,853)	(60)	368,561	63,080	(4,740,633)	-	1,249,989
Cash and restricted cash, beginning of year	<u>7,731,273</u>	<u>44,048</u>	<u>7,382</u>	<u>2,928</u>	<u>6,329</u>	<u>96,165</u>	<u>6,408,359</u>	<u>-</u>	<u>14,296,484</u>
Cash and restricted cash, end of year	<u>\$ 13,290,675</u>	<u>\$ 47,540</u>	<u>\$ 3,529</u>	<u>\$ 2,868</u>	<u>\$ 374,890</u>	<u>\$ 159,245</u>	<u>\$ 1,667,726</u>	<u>\$ -</u>	<u>\$ 15,546,473</u>
Reconciliation to consolidated statement of financial position:									
Cash	\$ 7,217,713	\$ 47,540	\$ 3,529	\$ 2,868	\$ 9,279	\$ 92,760	\$ -	\$ -	\$ 7,373,689
Restricted cash	<u>6,072,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,611</u>	<u>66,485</u>	<u>1,667,726</u>	<u>-</u>	<u>8,172,784</u>
Total cash and restricted cash	<u>\$ 13,290,675</u>	<u>\$ 47,540</u>	<u>\$ 3,529</u>	<u>\$ 2,868</u>	<u>\$ 374,890</u>	<u>\$ 159,245</u>	<u>\$ 1,667,726</u>	<u>\$ -</u>	<u>\$ 15,546,473</u>

See independent auditor's report.