Mahoney
CPAS AND ADVISORS

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2025

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

TABLE OF CONTENTS

	Page
Independent Auditor’s Report	1
Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Consolidating Supplementary Information:	
Consolidating Statement of Financial Position	30
Consolidating Statement of Activities	31
Consolidating Statement of Cash Flows	32

Mahoney
CPAS AND ADVISORS

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, 2025, 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, 2025, 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 responsibilities 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 2024 consolidated financial statements were audited by us, and our report thereon, dated June 27, 2025, 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, 2024, 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)

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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 26, 2026 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, PA

June 26, 2026

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2025
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Current assets:		
Cash	$ 2,009,693	$ 2,329,579
Restricted cash	16,280,739	9,192,715
Contributions receivable - net, current portion	1,726,000	525,000
Grants receivable	554,890	690,444
Other receivables, net	851,173	704,607
Loans receivable - net, current portion	1,743,268	2,173,951
Prepaid expenses	116,700	91,617
Total current assets	23,282,463	15,707,913
Contributions receivable - net, less current portion	2,232,649	69,800
Loans receivable - net, less current portion	9,749,112	7,588,957
Note receivable	6,212,100	6,212,100
Rental properties, net	14,558,084	15,297,658
Property and equipment, net	702,574	736,030
Right of use asset, net	42,895	68,390
Investment in NEDU, LLC	549,631	204,239
Deposits	20,988	20,988
Total assets	$ 57,350,496	$ 45,906,075
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - operating	$ 549,602	$ 525,561
Accrued expenses	253,224	295,413
Tenant security deposits	130,281	103,069
Undisbursed loan funds	332,885	641,584
Current portion of lease liability	27,501	4,536
Current portion of loans payable	4,192,397	1,084,636
Refundable advances	131,250	35,223
Total current liabilities	5,617,140	2,690,022
Lease liability, less current portion	14,229	63,466
Accrued interest, long-term	122,059	65,358
Loans payable - net, less current portion	20,454,522	18,639,796
Total liabilities	26,207,950	21,458,642
Net assets:		
Net assets without donor restrictions - controlling interest	18,623,176	16,988,978
Net assets without donor restrictions - noncontrolling interests	1,742,103	1,935,676
Total net assets without donor restrictions	20,365,279	18,924,654
Net assets with donor restrictions	10,777,267	5,522,779
Total net assets	31,142,546	24,447,433
Total liabilities and net assets	$ 57,350,496	$ 45,906,075

See accompanying notes to the consolidated financial statements.

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	2025			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	2024
Revenues and support:				
Contributions	$ 2,164,428	$ 8,092,092	$ 10,256,520	$ 3,515,041
Government grants	1,748,814	1,250,000	2,998,814	3,773,540
Government grants - promise grant	12,357,330	-	12,357,330	4,670,456
Net assets released upon satisfaction of time and program restrictions	4,098,012	(4,098,012)	-	-
Other revenues:				
Loan interest income	626,852	-	626,852	509,125
Note interest income	62,121	-	62,121	62,121
Other interest income	386,654	-	386,654	436,965
Class fees	20,660	-	20,660	19,886
Property management fees	329,851	-	329,851	328,651
Contract income	787,746	-	787,746	246,535
Foreclosure recovery income	12,645	-	12,645	91,498
Loan origination fees	83,094	-	83,094	51,965
Rental revenues	392,646	-	392,646	289,061
Other	112,758	-	112,758	107,037
Total revenues and support	23,183,611	5,244,080	28,427,691	14,101,881
Expenses:				
Program services:				
Entrepreneur training	520,987	-	520,987	697,248
Lending	2,830,526	-	2,830,526	1,887,707
Technical assistance	1,047,609	-	1,047,609	2,142,233
Real estate	1,223,104	-	1,223,104	1,500,319
Promise grant	11,872,989	-	11,872,989	4,027,400
Total program services	17,495,215	-	17,495,215	10,254,907
Management and general	1,584,549	-	1,584,549	981,020
Fundraising	698,301	-	698,301	213,171
Total expenses	19,778,065	-	19,778,065	11,449,098
Change in net assets before real estate affiliates, subsidiaries, and capital campaign	3,405,546	5,244,080	8,649,626	2,652,783
Real estate affiliates activity:				
Midtown contributions	-	-	-	50,000
Real estate affiliates activity, net	-	-	-	50,000
Subsidiaries:				
Income:				
Rental revenues	1,470,845	-	1,470,845	1,314,693
Grant revenue	-	-	-	139,669
Loan forgiveness	-	-	-	93,611
Interest and other revenues	125,347	-	125,347	239,408
Expenses:				
Operating expenses	(2,187,281)	-	(2,187,281)	(2,095,982)
Property tax expense	(169,206)	-	(169,206)	(143,434)
Interest expense	(201,910)	-	(201,910)	(197,342)
Interest expense - amortization of finance fees	(33,394)	-	(33,394)	(17,161)
Depreciation expense	(969,322)	-	(969,322)	(931,462)
Income (loss) from subsidiaries	(1,964,921)	-	(1,964,921)	(1,598,000)
Capital campaign contributions	-	14,908	14,908	114,321
Capital campaign expenses	-	(4,500)	(4,500)	-
Capital campaign, net	-	10,408	10,408	114,321
Change in net assets	1,440,625	5,254,488	6,695,113	1,219,104
Net assets, beginning of year	18,924,654	5,522,779	24,447,433	23,228,329
Net assets, end of year	$ 20,365,279	$ 10,777,267	$ 31,142,546	$ 24,447,433

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, 2025
(With Comparative Totals for 2024)

	2025											
	Program services											
	Entrepreneur training	Lending	Technical assistance	Real estate	Promise grant	Eliminations	Total	Management and general	Fundraising	Eliminations	Total	2024
Salaries	$ 242,788	$ 1,026,207	$ 538,131	$ 641,882	$ 1,069,189	$ -	$ 3,518,197	$ 918,294	$ 447,313	$ -	$ 4,883,804	$ 4,236,483
Payroll taxes	18,953	80,891	52,245	49,888	-	-	201,977	78,127	36,136	-	316,240	279,238
Benefits and related	30,587	177,616	75,211	107,545	-	-	390,959	183,967	77,760	-	652,686	570,540
	292,328	1,284,714	665,587	799,315	1,069,189	-	4,111,133	1,180,388	561,209	-	5,852,730	5,086,261
Professional fees	48,065	148,439	251,655	98,652	117,953	-	664,764	80,055	38,062	-	782,881	729,472
Office expenses	21,657	82,059	43,330	111,264	141,448	-	399,758	72,753	37,519	-	510,030	537,296
Rent	38,603	169,652	87,894	297,608	9,200	(455,884)	147,073	155,875	74,110	(176,581)	200,477	245,300
Postage	-	-	31	-	-	-	31	2,534	1,053	-	3,618	2,962
Education and conferences	4,463	2,152	7,473	2,538	5,648	-	22,274	63,628	7,966	-	93,868	79,506
Project expenses	126,652	109,361	29,267	18,685	454,951	-	738,916	19,766	9,398	-	768,080	645,120
Travel	5,686	1,291	1,018	806	-	-	8,801	35,783	3,379	-	47,963	36,799
Subscriptions and dues	1,080	253	4,468	668	-	-	6,469	37,336	1,957	-	45,762	37,705
Insurance	4,319	18,980	9,833	11,809	-	-	44,941	17,438	8,291	-	70,670	69,292
Telephone	3,367	9,661	4,508	17,250	-	-	34,786	7,995	3,801	-	46,582	27,272
Depreciation	3,927	17,256	8,940	10,736	-	-	40,859	15,855	7,538	-	64,252	20,414
Equipment maintenance	479	2,104	1,090	7,252	-	-	10,925	1,933	919	-	13,777	20,519
Provision for receivable and loan losses	-	341,213	-	-	-	-	341,213	-	-	-	341,213	867,892
Interest	-	86,923	-	74,898	-	-	161,821	3,549	-	-	165,370	129,478
Emergency fund grants	-	679,746	-	-	-	-	679,746	-	-	-	679,746	392,386
Pass-thru grant expense	-	-	-	-	10,074,600	-	10,074,600	-	-	-	10,074,600	2,500,400
Miscellaneous	-	6,980	-	125	-	-	7,105	9,341	-	-	16,446	21,024
Expenses of subsidiaries:												
Administrative	-	-	-	663,590	-	-	663,590	-	-	-	663,590	540,907
Building maintenance and operating	-	-	-	1,165,379	-	-	1,165,379	-	-	-	1,165,379	1,169,839
Utilities	-	-	-	421,812	-	-	421,812	-	-	-	421,812	385,236
Real estate taxes	-	-	-	169,206	-	-	169,206	-	-	-	169,206	143,434
Interest expense	-	-	-	201,910	-	-	201,910	-	-	-	201,910	197,342
Interest expense - amortization of finance fees	-	-	-	33,394	-	-	33,394	-	-	-	33,394	17,161
Depreciation	-	-	-	969,322	-	-	969,322	-	-	-	969,322	931,462
Total expenses	550,626	2,960,784	1,115,094	5,076,219	11,872,989	(455,884)	21,119,828	1,704,229	755,202	(176,581)	23,402,678	14,834,479
Less expenses of subsidiaries	-	-	-	(3,624,613)	-	-	(3,624,613)	-	-	-	(3,624,613)	(3,385,381)
Less eliminations	(29,639)	(130,258)	(67,485)	(228,502)	-	455,884	-	(119,680)	(56,901)	176,581	-	-
	$ 520,987	$ 2,830,526	$ 1,047,609	$ 1,223,104	$ 11,872,989	$ -	$ 17,495,215	$ 1,584,549	$ 698,301	$ -	$ 19,778,065	$ 11,449,098

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, 2025
(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 6,695,113	$ 1,219,104
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	1,033,575	951,876
Interest expense - amortization of finance fees	33,394	17,161
Amortization of discount on contributions receivable	(3,335)	(1,165)
Reduction of right of use asset	25,495	23,785
Provision for receivable and loan losses	341,213	867,892
Forgiveness of loans payable	-	(93,611)
Investment in affiliates	(345,392)	(204,239)
Capital campaign contributions	(14,908)	(114,321)
Changes in operating assets and liabilities:		
Contributions receivable	(3,360,514)	172,034
Grants receivable	135,554	(235,346)
Other receivables	(146,566)	(148,788)
Loans receivable, net	(2,379,384)	(1,517,100)
Prepaid expenses	(25,082)	(29,959)
Accounts payable and accrued expenses	64,310	(127,893)
Lease liability	(26,272)	(24,174)
Refundable advances	97,295	(375,964)
Other liabilities	27,528	16,584
Net cash from operating activities	2,152,024	395,876
Cash flows from investing activities:		
Purchase of property, equipment, and rental properties	(287,887)	(1,139,032)
Net cash from investing activities	(287,887)	(1,139,032)
Cash flows from financing activities:		
Capital campaign contributions	14,908	114,321
Borrowings on loans payable	5,300,000	1,100,000
Principal payments on loans payable	(410,907)	(2,456,434)
Net cash from financing activities	4,904,001	(1,242,113)
Net increase (decrease) in cash and restricted cash	6,768,138	(1,985,269)
Cash and restricted cash, beginning of year	11,522,294	13,507,563
Cash and restricted cash, end of year	$ 18,290,432	$ 11,522,294
Reconciliation to consolidated statements of financial position:		
Cash	$ 2,009,693	$ 2,329,579
Restricted cash	16,280,739	9,192,715
Total cash and restricted cash	$ 18,290,432	$ 11,522,294
Supplemental cash flow information:		
Cash paid for interest expense	$ 349,118	$ 338,956
Noncash investing activity:		
Property and equipment additions included in accounts payable	$ 31,310	$ 58,652
Right of use asset acquired in exchange for lease liability	$ -	$ 80,695

See accompanying notes to the consolidated financial statements.

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 advisory, and other expert advice. Statewide programs are NDC's model outreach for training and technical assistance activities in greater Minnesota.

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 Promise Grant program through the Department of Employment and Economic Development (DEED).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

(Continued)

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

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

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 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.

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.

Consolidated 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 consolidated 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.

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

- 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, 2024, 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 three financial institutions. At December 31, 2025 and 2024, cash balances were approximately $17,735,000 and $14,861,000 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 not collectible. The allowance for other receivables was $38,130 and $6,971 at December 31, 2025 and 2024. 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, 2025 and 2024.

(Continued)

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

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.

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 lives of 3 to 15 years. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized.

(Continued)

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

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 2025 and 2024.

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, 2025 and 2024, there were $131,250 and $35,223 of refundable advances. At December 31, 2025 and 2024, there were $554,890 and $690,444 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.

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.

(Continued)

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

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 December 31, 2025 and 2024.

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 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 2025 or 2024. 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.

3. **RESTRICTED CASH**

Cash is classified based on donor/grantor or other restrictions. As of December 31, 2025, restricted cash includes $15,949,100 held by NDC for programs and loan funds, $86,451 held by Midtown for security deposits and reserves, $94,479 held by NCS for a construction escrow and interest reserve, and $150,709 held by NDC ETC for construction escrow, programs and draws. As of December 31, 2024, restricted cash includes $8,756,004 held by NDC for programs and loan funds, $75,701 held by Midtown for security deposits and reserves, $181,033 held by NCS for a construction escrow and interest reserve, and $179,977 held by NDC ETC for construction escrow and draws.

(Continued)

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:

	2025	2024
Business loans	$ 12,390,351	$ 10,943,827
NEDU, LLC - affiliated real estate loans	635,927	635,927
Total loans	13,026,278	11,579,754
Less allowance for uncollectible loans	(1,533,898)	(1,816,846)
	11,492,380	9,762,908
Less current portion	(1,743,268)	(2,173,951)
	$ 9,749,112	$ 7,588,957
Number of loans outstanding	275	371

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 2026 to 2036.

This table presents the allowance for loan losses by portfolio segment in 2025 and in total for 2024:

	Business loans	Affiliated real estate loans	2025 Total	2024 Total
Beginning balance	$ 1,777,646	$ 39,200	$1,816,846	$ 1,527,334
Loan loss provision	341,213	-	341,213	867,892
Loans charged off	(624,161)	-	(624,161)	(578,380)
Ending balance	$ 1,494,698	$ 39,200	$1,533,898	$ 1,816,846

5. **LOANS RECEIVABLE (Continued)**

This table presents the aging of loans by portfolio segment at December 31, 2025 and in total for 2024:

	Business loans	Affiliated real estate loans	2025 Total	2024 Total
Current	$ 248,126	$ -	$ 248,126	$ 313,798
Principal maturities in 30 days	80,541	-	80,541	321,492
Principal maturities in 60 days	86,714	-	86,714	329,744
Principal maturities in 90 days	89,864	-	89,864	321,164
Principal maturities in 120 or more days	11,885,106	-	11,885,106	9,657,629
Not currently due	-	635,927	635,927	635,927
Total	$ 12,390,351	$ 635,927	$ 13,026,278	$ 11,579,754

This table and the accompanying explanations present informative data regarding the credit quality of loans receivable by portfolio segment at December 31, 2025 and in total for 2024:

Category	Business loans	Affiliated real estate loans	2025 Total	2024 Total
A	$ 10,228,049	$ 635,927	$ 10,863,976	$ 9,672,452
B	966,763	-	966,763	618,959
C	256,475	-	256,475	166,275
D	525,980	-	525,980	448,037
E	413,084	-	413,084	674,031
Total	$ 12,390,351	$ 635,927	$ 13,026,278	$ 11,579,754

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
E	Estimate almost no chance of collection (known default and /or write-off pending)	100

(Continued)

5. **LOANS RECEIVABLE (Continued)**

As of December 31, 2025, all loans are individually reviewed for impairment monthly, the Category D and E 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:

	2025	2024
Amounts receivable within one year	$ 1,726,000	$ 525,000
Amounts receivable in one to five years	2,410,000	80,000
	4,136,000	605,000
Less 2% discount to net present value	(177,351)	(10,200)
	3,958,649	594,800
Less current portion	(1,726,000)	(525,000)
Contributions receivable, long-term	$ 2,232,649	$ 69,800

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. In 2020, the campaign was on pause with the onset of the pandemic and civil unrest. In 2024, NDC relaunched the campaign with a goal of $1,000,000 additional funding, which is focused on repayment of the final debt on the building construction. Of the additional $1,000,000 funding, $129,229 has been raised, $80,000 is in contributions receivable, and $38,821 has been used for specified purposes at December 31, 2025.

8. **INVESTMENTS IN NEDU, LLC**

NDC has a noncontrolling 25% 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 $549,631 and $204,239 at December 31, 2025 and 2024. 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:

	2025	2024
Office equipment	$ 328,234	$ 322,352
Leasehold improvements	1,121,084	1,096,170
Computer software	25,283	25,283
	1,474,601	1,443,805
Less accumulated depreciation	(772,027)	(707,775)
	$ 702,574	$ 736,030

10. RENTAL PROPERTIES

Rental properties consist of the following:

	2025	2024
FEC:		
Land and land improvements	$ 18,000	$ 18,000
Building	752,485	752,485
Furniture and equipment	29,609	29,609
Less accumulated depreciation	(447,193)	(418,096)
Net FEC	352,901	381,998
NCS:		
Land	1,525,989	1,525,989
642 Sherburne building	129,298	129,298
810 Lake Street East lot – work in progress	348,692	234,208
2941 East Lake Street lot	700,000	700,000
Community Garden	348,185	348,185
Less accumulated depreciation	(44,887)	(27,166)
Net NCS	3,007,277	2,910,514
Midtown:		
Leasehold improvements	271,701	271,701
Tenant improvements – work in progress	9,343	11,217
Building and improvements	9,577,980	9,525,608
Less impairment	(5,111,288)	(5,111,288)
Less accumulated depreciation	(2,584,326)	(2,397,065)
Net Midtown	2,163,410	2,300,173

(Continued)

10. **RENTAL PROPERTIES (Continued)**

	2025	2024
NDC ETC:		
Land and land improvements	$ 812,472	$ 812,472
Building	8,561,903	8,568,350
Furniture and equipment	834,588	820,003
Tenant improvements	1,241,852	1,220,576
Building – work in progress	53,657	18,305
Less accumulated depreciation	(2,469,976)	(1,734,733)
Net NDC ETC	9,034,496	9,704,973
Total rental properties	$ 14,558,084	$ 15,297,658

11. **LOANS PAYABLE**

Loans payable consist of the following:

	2025	2024
NDC:		
HUD Small Business Revolving Loan Fund	$ 293,293	$ 293,293
SBA Loan Fund #3	113,687	250,110
SBA Loan Fund #4	614,815	746,561
SBA Loan Fund #5	294,654	-
City of Saint Paul	150,000	150,000
Otto Bremer Trust	800,000	900,000
The McKnight Foundation	1,000,000	1,000,000
Northwest Area Foundation	1,000,000	-
Venn Foundation	335,458	335,458
Sunrise Bank	813,878	827,202
Otto Bremer Trust	500,000	500,000
MMCDC – small business loan	350,000	350,000
MMCDC – real estate financing	321,221	345,289
U.S. Bancorp CDC	1,000,000	1,000,000
LSC Note	70,000	70,000
Opportunity Finance Network	500,000	500,000
DEED - Minnesota Expanding Opportunity Fund	600,000	600,000
African American Alliance	500,000	-
Ameriprise Bank	3,500,000	-
FEC:		
City of Saint Paul HRA 2023 Loan	94,930	94,930
City of Saint Paul 2023 Loan	404,175	404,175

11. **LOANS PAYABLE (Continued)**

		2025	2024
NCS:			
LISC Note A		$ 932,000	$ 932,000
LISC Note B		1,668,000	1,668,000
Lake Street Council		100,000	100,000
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 Star Loan		41,150	41,150
	Total outstanding	24,792,261	19,903,168
	Less unamortized finance fees	(145,342)	(178,736)
	Less current portion	(4,192,397)	(1,084,636)
	Noncurrent portion	$ 20,454,522	$ 18,639,796

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 #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 are 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 are due on August 24, 2030.

11. **LOANS PAYABLE (Continued)**

Small Business Administration (SBA) Loan Fund #5 - Revolving fund for business loans with the SBA for $1,000,000 dated October 28, 2024. Monthly payments of up to $10,383 began in October 2025. Interest accrues at a maximum of 3.875% and may be reduced to 2.625% if the average size of loans made is $10,000 or less. Unpaid principal and interest are due on October 27, 2034. As of December 31, 2025, $700,000 remains to be drawn on the loan.

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.

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 through January 14, 2026. On January 14, 2026, the loan was amended requiring quarterly payments and extending the maturity date to January 14, 2029.

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 under the Program-Related Investments program in the amount of $1,000,000 dated November 1, 2025 with interest at 1%. Interest payments are due annually on October 31st of each year. Unpaid principal and interest are due on October 31, 2035.

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 were due on December 29, 2025. The loan was paid in full during January 2026.

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 throughout the term of the loan. Beginning December 31, 2020, a required annual principal payment of $400,000 is due through December 31, 2024. On January 1, 2025, the loan was amended, changing the interest rate to 7% and extending the maturity date to May 21, 2027. Interest payments are due monthly throughout the term of the loan. Additionally, $75,000 annual principal payments are due before December 31, 2025 and December 31, 2026.

(Continued)

11. **LOANS PAYABLE (Continued)**

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. On January 14, 2026, the loan was amended requiring quarterly payments and extending the maturity date to January 18, 2029.

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, 2024, 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%. Interest only payments are due quarterly throughout the term of the loan. Principal and interest are due in full on December 21, 2027.

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 2027.

Opportunity Finance Network - Loan payable to Opportunity Finance Network of $500,000 dated April 12, 2024, with interest at 3%. Interest only payments are due quarterly throughout the term of the loan. The principal amount of the loan outstanding shall be repaid by the borrower in three annual installments beginning April 12, 2032. Principal and interest due in full on April 12, 2034.

DEED - Minnesota Expanding Opportunity Fund - Loan payable to Minnesota Department of Employment and Economic Development through the Minnesota Expanding Opportunity Fund Program in the amount of $600,000 dated July 16, 2024, with interest at 0.50%. Interest only payments are due annually beginning February 15, 2025. Starting February 15, 2035, annual installments of $200,000, plus interest are due until February 15, 2036 when all remaining principal and interest are due.

African American Alliance - Loan payable to African American Alliance of $500,000 dated October 30, 2025, with interest at 2%. Interest only payments are due quarterly for the first two years followed by fixed principal of $42,000 plus interest for the remaining three years. Any outstanding principal and interest are due on October 30, 2030.

11. **LOANS PAYABLE (Continued)**

Ameriprise Bank - Loan payable to Ameriprise Bank of $3,500,000 dated October 31, 2025, with interest at 3%. Interest only payments are due quarterly throughout the term of the loan. On maturity date October 31, 2030 and on each subsequent anniversary of the date of the loan, the Lender is obligated to extend the Loan's maturity for one year so long as NDC continues to satisfactorily perform all its obligations under the loan agreement.

Groundbreak - Loan payable to Groundbreak Coalition Neighborhood Development Loan Pool, LLC of $500,000 dated June 3, 2025, with interest at 2%. Interest only payments are due quarterly throughout the term of the loan. All outstanding principal and interest are due on the ten-year anniversary of the disbursement date of the loan. As of December 31, 2025, NDC has not drawn on the loan.

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. On September 18, 2024 $44,524 of the principal was forgiven.

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. On September 18, 2024 $49,087 of the principal was forgiven.

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 Street 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 2027.

11. **LOANS PAYABLE (Continued)**

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.

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.

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11. **LOANS PAYABLE (Continued)**

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.

Maturities of loans payable when fully funded are as follows:

2026	$ 4,192,397
2027	2,286,284
2028	853,084
2029	1,727,085
2030	4,134,887
Thereafter	12,478,524
Expected to be forgiven	320,000
Unfunded commitments	(1,200,000)
	$ 24,792,261

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 $110,587 and $111,241 in 2025 and 2024.

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 2025 or 2024.

13. **LEASE PAYABLE**

NDC leases office space from Dayton's Bluff Construction Training Center under an operating lease that expired June 30, 2024. On July 26, 2024, NDC signed a new lease agreement with Dayton's Bluff Construction Training Center for three years expiring on June 30, 2027. In addition to base rent, NDC also pays a pro rata portion of operating costs. Rent expense was $55,375 and $46,597 during 2025 and 2024, including $27,588 and $20,740 of operating costs (variable rent) in 2025 and 2024. The remaining lease term is 18 months at December 31, 2025 and the discount rate used in the calculation was 4.58%.

Future minimum lease payments are $28,730 in 2026 and $14,365 in 2027.

(Continued)

14. NET ASSETS

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

	2025	2024
Loan programs	$ 1,183,636	$ 1,208,201
Technical assistance	268,986	555,611
Capital campaign	246,452	281,469
General operating support - time	1,176,305	1,120,057
Lake street projects	1,033,716	1,385,481
BLOC program	128,905	128,905
809 Building	589,813	738,150
St. Paul EMRP	46,209	104,905
RUCKUS Innovation Center	1,812,500	-
Mihalio Legacy Fund	15,000	-
Finnovation Lab	4,275,745	-
	$ 10,777,267	$ 5,522,779

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

	2025	2024
Noncontrolling interests (other owners):		
Beginning of year	$ 1,935,676	$ 2,121,361
Distributions – NEDU, LLC	345,392	204,239
Change in net assets	(538,965)	(389,924)
End of year	1,742,103	1,935,676
Controlling interest (NDC):		
Beginning of year	16,988,978	13,378,510
Change in net assets	1,634,198	3,610,468
End of year	18,623,176	16,988,978
	$20,365,279	$18,924,654

(Continued)

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, 2025:

	NDC	FEC	Midtown	Total
2026	$ 208,392	$ 67,974	$ 763,061	$ 1,039,427
2027	66,358	15,950	536,605	618,913
2028	30,152	-	390,782	420,934
2029	31,057	-	210,052	241,109
2030	29,250	-	74,911	104,161
	$ 365,209	$ 83,924	$ 1,975,411	$ 2,424,544

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

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.

(Continued)

16. **NEW MARKETS TAX CREDIT FINANCING (Continued)**

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:

	2025	2024
Cash	$ 2,000,000	$ 2,300,000
Contributions receivable	561,000	200,000
Other receivables, net	851,000	75,000
	$ 3,412,000	$ 2,575,000

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.

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, 2025 and 2024. See Notes 5 and 8. Interest income on this loan was $12,720 in 2025 and 2024.

NDC performs property management services for FEC, NCS, Midtown, and NEDU, LLC. Property management fees from related entities were $329,851 and $328,651 in 2025 and 2024.

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, 2025 and 2024. Restricted cash held for the Community Advantage SBA loan loss reserve was approximately $15,000 at December 31, 2025 and 2024.

Line of Credit - NDC has a line of credit for up to $250,000 at American National Bank. The line of credit has an interest rate floor of 6.50%. The line of credit matures September 26, 2026 and is secured by accounts receivable. There was no outstanding balance of advances at December 31, 2025 and 2024.

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 $13,254,604 and $7,690,919 in 2025 and 2024 (86% and 90%) of government grants revenue from the Department of Employment and Economic Development (DEED). The awards have been recorded as government grants revenue.

In 2025, NDC received a contribution from one donor who represented 45% of total contributions.

Conditional contributions and grants - NDC has conditional promises to give totaling $69,916,438 and $36,852,227 at December 31, 2025 and 2024, which consists of government grants and contributions with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services. At December 31, 2025 and 2024 $69,619,946 and $35,196,973 of the conditional promises to give are from the Promise Grant. Conditional promises to give are recognized in the financial statements when conditions have been met. The remaining contributions are expected to be recognized by 2027.

(Continued)

20. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 26, 2026, 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, 2025

	Neighborhood Development Center	Frogtown Entrepreneur Center	NCS	Midtown	NDC ETC	Eliminations	Consolidated
			ASSETS				
Current assets:							
Cash	$ 1,750,730	$ 30,169	$ 185,188	$ 43,606	$ -	$ -	$ 2,009,693
Restricted cash	15,949,100	-	94,479	86,451	150,709	-	16,280,739
Contributions receivable - net, current portion	1,726,000	-	-	-	-	-	1,726,000
Grants receivable	554,890	-	-	-	-	-	554,890
Other receivables, net	1,208,703	-	-	45,188	3,211	(405,929)	851,173
Loans receivable - net, current portion	1,743,268	-	-	-	-	-	1,743,268
Prepaid expenses	81,302	4,647	945	25,898	3,908	-	116,700
Total current assets	23,013,993	34,816	280,612	201,143	157,828	(405,929)	23,282,463
Contributions receivable - net, less current portion	2,232,649	-	-	-	-	-	2,232,649
Loans receivable - net, less current portion	9,749,112	-	-	-	-	-	9,749,112
Note receivable	6,212,100	-	-	-	-	-	6,212,100
Rental properties, net	-	352,901	3,007,277	2,163,410	9,034,496	-	14,558,084
Property and equipment, net	702,574	-	-	-	-	-	702,574
Straight-line rent adjustment	-	-	-	-	37,624	(37,624)	-
Right of use asset, net	9,428,823	-	-	-	-	(9,385,928)	42,895
Investments in affiliates	1,441,420	-	-	-	-	(1,441,420)	-
Investment in NEDU, LLC	549,631	-	-	-	-	-	549,631
Deposits	116	-	-	20,872	-	-	20,988
Total assets	$ 53,330,418	$ 387,717	$ 3,287,889	$ 2,385,425	$ 9,229,948	$ (11,270,901)	$ 57,350,496
			LIABILITIES, MEMBERS' EQUITY AND NET ASSETS				
Current liabilities:							
Accounts payable - operating	$ 406,673	$ 4,153	$ 261,858	$ 205,787	$ 77,059	$ (405,928)	$ 549,602
Accrued expenses	253,224	-	-	-	-	-	253,224
Tenant security deposits	48,139	5,821	-	76,321	-	-	130,281
Undisbursed loan funds	332,885	-	-	-	-	-	332,885
Current portion of lease liability	284,105	-	-	-	-	(256,604)	27,501
Current portion of loans payable	1,592,397	-	2,600,000	-	-	-	4,192,397
Refundable advances	131,250	-	-	-	-	-	131,250
Total current liabilities	3,048,673	9,974	2,861,858	282,108	77,059	(662,532)	5,617,140
Lease liability, less current portion	9,616,868	-	-	-	-	(9,602,639)	14,229
Accrued interest, long-term	76,362	-	5,892	-	39,805	-	122,059
Loans payable - net, less current portion	11,164,609	499,105	84,146	-	8,706,662	-	20,454,522
Total liabilities	23,906,512	509,079	2,951,896	282,108	8,823,526	(10,265,171)	26,207,950
Net assets:							
Net assets without donor restrictions - controlling interest	18,646,639	-	-	-	-	(23,463)	18,623,176
Net assets without donor restrictions - noncontrolling interests	-	-	-	1,742,103	-	-	1,742,103
Members' equity	-	(121,362)	335,993	361,214	406,422	(982,267)	-
Total net assets without donor restrictions and members' equity	18,646,639	(121,362)	335,993	2,103,317	406,422	(1,005,730)	20,365,279
Net assets with donor restrictions	10,777,267	-	-	-	-	-	10,777,267
Total net assets	29,423,906	(121,362)	335,993	2,103,317	406,422	(1,005,730)	31,142,546
Total liabilities and net assets	$ 53,330,418	$ 387,717	$ 3,287,889	$ 2,385,425	$ 9,229,948	$ (11,270,901)	$ 57,350,496

See independent auditor's report.

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

	Neighborhood Development Center	Frogtown Entrepreneur Center	NCS	Midtown	NDC ETC	Eliminations	Consolidated
Revenues and support:							
Contributions	$ 10,256,520	$ -	$ -	$ -	$ -	$ -	$ 10,256,520
Government grants	2,998,814	-	-	-	-	-	2,998,814
Government grants - promise grant	12,357,330	-	-	-	-	-	12,357,330
Other revenues:							
Loan interest income	626,852	-	-	-	-	-	626,852
Note interest income	62,121	-	-	-	-	-	62,121
Other interest income	386,654	-	-	-	-	-	386,654
Class fees	20,660	-	-	-	-	-	20,660
Property management fees	329,851	-	-	-	-	-	329,851
Contract income	787,746	-	-	-	-	-	787,746
Foreclosure recovery income	12,645	-	-	-	-	-	12,645
Loan origination fees	83,094	-	-	-	-	-	83,094
Rental revenues	392,646	-	-	-	-	-	392,646
Other	112,758	-	-	-	-	-	112,758
Total revenues and support	28,427,691	-	-	-	-	-	28,427,691
Expenses:							
Program services:							
Entrepreneur training	550,626	-	-	-	-	(29,639)	520,987
Lending	2,960,784	-	-	-	-	(130,258)	2,830,526
Technical assistance	1,115,094	-	-	-	-	(67,485)	1,047,609
Real estate	1,451,606	-	-	-	-	(228,502)	1,223,104
Promise grant	11,872,989	-	-	-	-	-	11,872,989
Total program services	17,951,099	-	-	-	-	(455,884)	17,495,215
Management and general	1,704,229	-	-	-	-	(119,680)	1,584,549
Fundraising	755,202	-	-	-	-	(56,901)	698,301
Total expenses	20,410,530	-	-	-	-	(632,465)	19,778,065
Change in net assets before real estate affiliates and capital campaign	8,017,161	-	-	-	-	632,465	8,649,626
Subsidiaries:							
Income:							
Rental revenues	-	79,994	6,171	1,384,680	523,543	(523,543)	1,470,845
Interest and other revenues	-	(223)	-	125,570	-	-	125,347
Expenses:							
Operating expenses	-	(63,824)	(127,219)	(1,640,851)	(355,387)	-	(2,187,281)
Property tax expense	-	(19,858)	(20,666)	(69,284)	(59,398)	-	(169,206)
Interest expense	-	-	(69,717)	-	(132,193)	-	(201,910)
Interest expense - amortization of finance fees	-	-	(12,200)	-	(21,194)	-	(33,394)
Depreciation expense	-	(29,097)	(17,721)	(187,261)	(735,243)	-	(969,322)
Equity in earnings of subsidiaries	(597,383)	-	-	-	-	597,383	-
Earnings (loss) from subsidiaries	(597,383)	(33,008)	(241,352)	(387,146)	(779,872)	73,840	(1,964,921)
Capital campaign contributions	14,908	-	-	-	-	-	14,908
Capital campaign expenses	(4,500)	-	-	-	-	-	(4,500)
Capital campaign, net	10,408	-	-	-	-	-	10,408
Change in net assets	7,430,186	(33,008)	(241,352)	(387,146)	(779,872)	706,305	6,695,113
Net assets, beginning of year	22,450,570	(88,354)	346,975	2,263,983	1,186,294	(1,712,035)	24,447,433
Capital contributions	-	-	456,850	226,480	-	(683,330)	-
Capital distributions	(456,850)	-	(226,480)	-	-	683,330	-
Net assets, end of year	$ 29,423,906	$ (121,362)	$ 335,993	$ 2,103,317	$ 406,422	$ (1,005,730)	$ 31,142,546

See independent auditor's report.

NEIGHBORHOOD DEVELOPMENT CENTER, INC.
AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	Neighborhood Development Center	Frogtown Entrepreneur Center	NCS	Midtown	NDC ETC	Eliminations	Consolidated
Cash flows from operating activities:							
Change in net assets	$ 7,430,186	$ (33,008)	$ (241,352)	$ (387,146)	$ (779,872)	$ 706,305	$ 6,695,113
Adjustments to reconcile the change in net assets to net cash from operating activities:							
Depreciation	64,253	29,097	17,721	187,261	735,243	-	1,033,575
Interest expense - amortization of finance fees	-	-	12,200	-	21,194	-	33,394
Amortization of discount on contributions receivable	(3,335)	-	-	-	-	-	(3,335)
Reduction of right of use asset	251,770	-	-	-	-	(226,275)	25,495
Provision for receivable and loan losses	341,213	-	-	-	-	-	341,213
Straight-line rent adjustment	-	-	-	-	(247)	247	-
Investment in affiliates	(204,860)	-	230,370	226,480	-	(597,382)	(345,392)
Capital campaign contributions	(14,908)	-	-	-	-	-	(14,908)
Changes in operating assets and liabilities:							
Contributions receivable	(3,360,514)	-	-	-	-	-	(3,360,514)
Grants receivable	135,554	-	-	-	-	-	135,554
Other receivables	(198,721)	1,603	-	(9,100)	12,920	46,732	(146,566)
Loans receivable, net	(2,379,384)	-	-	-	-	-	(2,379,384)
Prepaid expense	(1,385)	1,315	(224)	(24,498)	(290)	-	(25,082)
Accounts payable and accrued expenses	34,551	1,858	15,887	13,464	45,282	(46,732)	64,310
Lease liability	(143,377)	-	-	-	-	117,105	(26,272)
Refundable advances	96,027	-	-	-	1,268	-	97,295
Other liabilities	16,962	(500)	316	10,750	-	-	27,528
Net cash from operating activities	2,064,032	365	34,918	17,211	35,498	-	2,152,024
Cash flows from investing activities:							
Purchase of property, equipment, and rental properties	(30,797)	-	(154,760)	(37,564)	(64,766)	-	(287,887)
Net cash from investing activities	(30,797)	-	(154,760)	(37,564)	(64,766)	-	(287,887)
Cash flows from financing activities:							
Capital campaign contributions	14,908	-	-	-	-	-	14,908
Borrowings on loans payable	5,300,000	-	-	-	-	-	5,300,000
Principal payments on loans payable	(410,907)	-	-	-	-	-	(410,907)
Net cash from financing activities	4,904,001	-	-	-	-	-	4,904,001
Net increase (decrease) in cash and restricted cash	6,937,236	365	(119,842)	(20,353)	(29,268)	-	6,768,138
Cash and restricted cash, beginning of year	10,762,594	29,804	399,509	150,410	179,977	-	11,522,294
Cash and restricted cash, end of year	$ 17,699,830	$ 30,169	$ 279,667	$ 130,057	$ 150,709	$ -	$ 18,290,432
Reconciliation to consolidating statement of financial position:							
Cash	$ 1,750,730	$ 30,169	$ 185,188	$ 43,606	$ -	$ -	$ 2,009,693
Restricted cash	15,949,100	-	94,479	86,451	150,709	-	16,280,739
Total cash and restricted cash	$ 17,699,830	$ 30,169	$ 279,667	$ 130,057	$ 150,709	$ -	$ 18,290,432

See independent auditor's report.