

NORTHEAST ECONOMIC DEVELOPMENT, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

NORTHEAST ECONOMIC DEVELOPMENT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northeast Economic Development, Inc.

We have audited the accompanying financial statements of Northeast Economic Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Economic Development, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schumacher, Smejkal, Brockhaus & Herley, P.C.
SCHUMACHER, SMEJKAL, BROCKHAUS & HERLEY, P.C.
Certified Public Accountants

Norfolk, Nebraska
September 24, 2020

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NORTHEAST ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,547	\$ 2,097
Grant Receivable	20,000	20,150
Interest Receivable	3,488	-
Total Current Assets	<u>\$ 25,035</u>	<u>\$ 22,247</u>
ASSETS WITH DONOR RESTRICTIONS		
Cash and Cash Equivalents	<u>\$ 2,209,233</u>	<u>\$ 2,698,659</u>
NONCURRENT ASSETS		
Notes Receivable (Net of Allowance for Uncollectible Notes Receivable)	<u>\$ 5,923,943</u>	<u>\$ 4,478,084</u>
TOTAL ASSETS	<u>\$ 8,158,211</u>	<u>\$ 7,198,990</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable - Related Party	\$ 37,108	\$ 21,133
Current Portion of Notes Payable	83,427	103,720
Total Current Liabilities	<u>\$ 120,535</u>	<u>\$ 124,853</u>
LONG-TERM LIABILITIES		
Notes Payable (Net of Current Portion)	<u>\$ 1,029,878</u>	<u>\$ 1,113,627</u>
TOTAL LIABILITIES	<u>\$ 1,150,413</u>	<u>\$ 1,238,480</u>
NET ASSETS		
Net Assets With Donor Restrictions	\$ 7,023,359	\$ 5,959,396
Net Assets Without Donor Restrictions	(15,561)	1,114
Total Net Assets	<u>\$ 7,007,798</u>	<u>\$ 5,960,510</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,158,211</u>	<u>\$ 7,198,990</u>

THE ACCOMPANYING NOTES
ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NORTHEAST ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUE		
Revenue Without Donor Restrictions		
Annual Servicing Fees	\$ 14,818	\$ 15,640
Loan Closing Fees	22,410	3,982
Interest Income	212,035	213,723
Bad Debt Recovery	120,500	199,310
Miscellaneous	1,347	976
Total Revenue Without Donor Restrictions	<u>\$ 371,110</u>	<u>\$ 433,631</u>
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>\$ 720,357</u>	<u>\$ 174,677</u>
Total Revenue and Other Support Without Donor Restrictions	<u>\$ 1,091,467</u>	<u>\$ 608,308</u>
EXPENSES		
Expenses Without Donor Restrictions		
Program Services		
Donation	\$ 1,488	\$ 17,857
General and Administration	1,004,029	479,113
Management and General General and Administration	102,625	99,208
Total Expenses Without Donor Restrictions	<u>\$ 1,108,142</u>	<u>\$ 596,178</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ (16,675)</u>	<u>\$ 12,130</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grant Proceeds	\$ 1,782,780	\$ 537,036
Contributions	1,540	2,218
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>(720,357)</u>	<u>(174,677)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,063,963</u>	<u>\$ 364,577</u>
NET CHANGE IN NET ASSETS	\$ 1,047,288	\$ 376,707
NET ASSETS AT BEGINNING OF YEAR	<u>5,960,510</u>	<u>5,583,803</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,007,798</u>	<u>\$ 5,960,510</u>

THE ACCOMPANYING NOTES
ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NORTHEAST ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,047,288	\$ 376,707
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Provision for Bad Debt	790,422	300,452
Change in Grants Receivable	150	(15,093)
Change in Interest Receivable	3,488	-
Loans Made to Other Entities	(3,599,126)	(820,773)
Change in Accounts Payable - Related Party	15,975	3,513
Bad Debt Recovered	(120,500)	(199,310)
Collections on Loans to Other Entities	1,413,223	638,863
Loans Forgiven	63,146	33,010
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (385,934)</u>	<u>\$ 317,369</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>\$ (104,042)</u>	<u>\$ (102,329)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (489,976)	\$ 215,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,700,756</u>	<u>2,485,716</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,210,780</u>	<u>\$ 2,700,756</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 15,692</u>	<u>\$ 17,348</u>

THE ACCOMPANYING NOTES
ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

NATURE OF ENTITY: Northeast Economic Development, Inc. (NED, Inc.) was incorporated on March 13, 2000 as a nonprofit public benefit corporation. NED, Inc. operates under a Board of Directors along with staff contracted through Northeast Nebraska Economic Development District. The area served by NED, Inc. includes sixteen counties in northeast Nebraska. The purpose is to provide community and economic development services including housing and business development, with grants received from various federal and state agencies. The administration of these grants is NED, Inc.'s primary source of operating revenues.

BASIS OF ACCOUNTING: The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

CASH AND CASH EQUIVALENTS: NED, Inc. considers all short-term investments with maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use by grant and donor imposed restrictions.

ACCOUNTS RECEIVABLE: The accounts receivable arise in the normal course of business. Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. NED, Inc. provides for losses on accounts receivable using the allowance method. It is the policy of management to review the outstanding accounts receivable on a monthly basis for delinquent accounts, and to charge off uncollectible accounts receivable when management determines the receivable will not be collected. NED, Inc. considers all accounts receivable to be collectible and, accordingly, no allowance for doubtful accounts has been established. No interest or other fees are charged on outstanding accounts receivable balances.

PROPERTY AND EQUIPMENT: NED, Inc. capitalizes all costs in excess of \$2,000 for property and equipment, including the costs which substantially increase the useful lives of property and equipment. Contributed property and equipment are recorded at fair value at the time of donation. Expenditures for maintenance and repairs are charged to operations as incurred.

Property and equipment are carried at cost or fair value, depending on the method of acquisition, less accumulated depreciation. Depreciation is computed using annual rates which are sufficient to amortize the cost of depreciable property and equipment under the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 to 20 years
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When NED, Inc. retires or otherwise disposes of property and equipment, the cost and related accumulated depreciation are removed from the general ledger accounts and the resulting gains or losses, if any, are included in operations as income.

NOTES RECEIVABLE: Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The loan is considered to be in default after being delinquent for three months. On a quarterly basis, by the Board's approval, delinquent loans are written-off if no new repayment terms can be agreed upon with the recipient of the loan.

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, CONTINUED

ESTIMATES: The preparation of 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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES: NED, Inc. is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. NED, Inc. has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The entity's federal Form 990 for 2016, 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

NET ASSETS: Net assets are displayed in two components as follows:

Without Donor Restrictions – This component consists of net assets that do not meet the definition of “with donor restrictions.”

With Donor Restrictions – This component consists of net assets that are specifically restricted by outside parties or donors for specific purposes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as without donor restrictions.

FAIR VALUE MEASUREMENTS: NED, Inc. has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820-10, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 defines fair value as the exchange price which would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs and establishes a fair value hierarchy which prioritizes the valuation inputs into three levels. The three levels of the fair value hierarchy are as follows:

Level 1: Level 1 inputs are (unadjusted) quoted prices in active markets for identical assets or liabilities which NED, Inc. has the ability to access at the measurement date.

Level 2: Level 2 inputs are inputs other than (unadjusted) quoted prices included within Level 1 which are observable for an asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for an asset or liability.

INTEREST EXPENSE: NED, Inc. expenses interest costs incurred on financed debt. Interest costs expensed were \$15,692 and \$17,348 for the years ending June 30, 2020 and 2019, respectively.

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS: As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, savings accounts, and money market funds.

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES, CONTINUED

SUBSEQUENT EVENTS: Subsequent events were evaluated through September 24, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – DOWN PAYMENT ASSISTANCE LOANS RECEIVABLE

NED, Inc. is operating a Down Payment Loan Fund, which has been funded to date with state and federal grants. For loans closed prior to March 2009 no debt service is required of the borrower until the note to the primary lender for the purchase of the property is repaid. Thirty days after the final payment to the primary lender, the first of sixty equal monthly payments to repay NED, Inc. is due. For loans closed after March 2009, no debt service is required of the borrower until transfer of title of the property. At that time the full amount of the down payment assistance loan is due. The loans bear a 0.00% interest rate and are secured by a second lien position against the home being purchased.

	<u>2020</u>	<u>2019</u>
Principal Balances	\$ 2,127,499	\$ 2,196,173
Allowance for Uncollectible Loans	<u>(2,123,089)</u>	<u>(2,172,355)</u>
Loans Receivable, Net	<u>\$ 4,410</u>	<u>\$ 23,818</u>

A loan loss reserve was not established for \$4,410 and \$23,818 in down payment assistance loans due to the fact that these loans were paid off shortly after the years ended June 30, 2020 and 2019, respectively. A loan loss reserve of 100.00% of the balance due has been established based upon the experience of other entities with similar types of loans.

NOTE 3 – REGIONAL REHABILITATION LOANS RECEIVABLE

NED, Inc. is operating a Regional Rehabilitation Loan Fund, which has been funded to date with state and federal grants. The loans are due in equal monthly installments for periods of up to twenty years at annual interest rates ranging from 0.00% to 2.00%.

	<u>2020</u>	<u>2019</u>
Principal Balances	\$ 1,101,119	\$ 1,108,370
Allowance for Uncollectible Loans	<u>(299,088)</u>	<u>(333,656)</u>
Loans Receivable, Net	<u>\$ 802,031</u>	<u>\$ 774,714</u>

A loan loss reserve of 100.00% of \$157,554 and \$196,942 in regional rehabilitation loans has been established for the years ended June 30, 2020 and 2019, respectively, due to the fact that these loans are forgivable over a period of time. A loan loss reserve of 15.00% of the balance due has been established based upon the experience of management with similar types of loans.

NOTE 4 – BUSINESS REVOLVING LOANS RECEIVABLE

NED, Inc. is operating a Business Revolving Loan Fund, which has been funded to date from contributions from Northeast Nebraska Economic Development District, and with state and federal grants. The non-forgivable loans are due in equal monthly installments over a period of seven to twenty years at an annual interest rate of 4.00% to 5.50%.

	<u>2020</u>	<u>2019</u>
Principal Balances	\$ 6,520,591	\$ 4,328,885
Allowance for Uncollectible Loans	<u>(1,403,089)</u>	<u>(649,333)</u>
Loans Receivable, Net	<u>\$ 5,117,502</u>	<u>\$ 3,679,552</u>

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 4 – BUSINESS REVOLVING LOANS RECEIVABLE, CONTINUED

A loan loss reserve of 15.00% of the balance due has been established based upon the experience of management with similar types of loans.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and Equipment are comprised of the following amounts:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 2,250	\$ 2,250
Less: Accumulated Depreciation	<u>(2,250)</u>	<u>(2,250)</u>
	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was \$0 and \$0 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 – GRANT PROCEEDS

A portion of the grant proceeds received during the current fiscal year were Nebraska Affordable Housing Trust Funds and were received from the Nebraska Department of Economic Development. The purpose of the funds is to provide housing rehabilitation and down payment assistance for low to medium income families. The remaining grant proceeds received during the current fiscal year were federal funds received under the HOME Down Payment Assistance program. The purpose of these funds is to provide down payment assistance and housing rehabilitation loans for low to medium income families.

Restricted grant proceeds are presented as unrestricted in the financial statements due to the fact that the restrictions are generally met in the same period that the funds are received (i.e., funds are loaned immediately upon receipt).

NOTE 7 – LONG-TERM DEBT

NED, Inc. has received an Evergreen loan of \$205,000 from the Nebraska Enterprise Fund to be used in a revolving loan fund. The loan matures on December 15, 2020, and has a fixed interest rate of 2.00%. Beginning January 1, 2016, 60 monthly payments of \$3,593 including both principal and interest are due on the loan. The loan is collateralized by all cash and notes receivable related to NED, Inc.'s revolving loan fund.

NED, Inc. has received a loan of \$250,000 from the U.S. Department of Agriculture (USDA) Intermediary Relending Program. The loan matures on November 1, 2037, and has a fixed interest rate of 1.00%. Beginning November 1, 2011, 27 annual payments of \$10,613 including both principal and interest are due on the loan. The loan is collateralized by all cash and notes receivable related to the USDA Intermediary Relending Program.

NED, Inc. has received a second loan of \$750,000, from the U.S. Department of Agriculture (USDA) Intermediary Relending Program. The loan matures on December 27, 2040, and has a fixed interest rate of 1.00%. Beginning December 27, 2014, 30 annual payments of \$31,838 including both principal and interest are due on the loan. The loan is collateralized by all cash and notes receivable related to the USDA Intermediary Relending Program.

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 7 – LONG-TERM DEBT, CONTINUED

NED, Inc. has received a loan of \$500,000 from the U.S. Department of Agriculture (USDA) Rural Microentrepreneur Assistance Program. The loan matures on December 27, 2030, and has a fixed interest rate of 2.00%. Beginning December 27, 2012, 216 monthly payments of \$2,828 including both principal and interest are due on the loan. The loan is collateralized by all cash and notes receivable related to the USDA Rural Microentrepreneur Assistance Program.

Long-term debt activity for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Evergreen Loan	\$ 63,267	\$ -	\$ 42,238	\$ 21,029	\$ 21,029
RMAP Loan	347,288	-	27,421	319,867	27,762
IRP Loan 1	182,778	-	8,785	173,993	8,871
IRP Loan 2	<u>624,014</u>	<u>-</u>	<u>25,598</u>	<u>598,416</u>	<u>25,765</u>
Total	<u>\$1,217,347</u>	<u>\$ -</u>	<u>\$ 104,042</u>	<u>\$ 1,113,305</u>	<u>\$ 83,427</u>

Payments on the loans are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 83,427	\$ 14,023	\$ 97,450
2022	63,304	12,989	76,293
2023	64,226	12,068	76,294
2024	65,163	11,131	76,294
2025	66,114	10,180	76,294
2026-2030	345,404	36,065	381,469
2031-2035	210,794	16,753	227,547
2036-2040	183,781	6,806	190,587
2041-2045	<u>31,092</u>	<u>314</u>	<u>31,406</u>
Total	<u>\$ 1,113,305</u>	<u>\$ 120,329</u>	<u>\$ 1,233,634</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

NED, Inc. is affiliated with the Northeast Nebraska Economic Development District (the District) as evidenced by their common control of management. NED, Inc. contracts with the District for general management, grant administration services, and lead inspection administration services. The District staff manages the day-to-day operations of NED, Inc.

NED, Inc. paid the District management and administration fees in the amount of \$231,108 and \$221,214 for the years ended June 30, 2020 and 2019, respectively. NED had payables to the District for these fees in the amount of \$37,109 and \$21,133 as of June 30, 2020 and 2019, respectively. NED, Inc. received granted regional revolving loan funds from the District for community economic development activities in the amount of \$58,607 and \$0 for the years ended June 30, 2020 and 2019, respectively. The District also donated housing funds in the amount of \$1,540 and \$1,868 to NED, Inc. for the years ended June 30, 2020 and 2019, respectively.

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 9 – FAIR VALUE MEASUREMENTS

The estimated fair values for NED, Inc.'s financial assets and liabilities measured on a recurring basis as of June 30, 2020 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Certificates of Deposit	\$ -	\$ 109,587	\$ -	\$ 109,587
Total Financial Assets	<u>\$ -</u>	<u>\$ 109,587</u>	<u>\$ -</u>	<u>\$ 109,587</u>

The estimated fair values for NED, Inc.'s financial assets and liabilities measured on a recurring basis as of June 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets:				
Certificates of Deposit	\$ -	\$ 108,390	\$ -	\$ 108,390
Total Financial Assets	<u>\$ -</u>	<u>\$ 108,390</u>	<u>\$ -</u>	<u>\$ 108,390</u>

All of NED, Inc.'s Level 2 financial assets and liabilities have been valued using a market approach, in which the fair values are calculated using (unadjusted) quoted prices for similar assets or liabilities in markets which are not active. There are no changes in the valuation techniques for NED, Inc. during the current fiscal year.

NOTE 10 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in various financial institutions located in the northeast Nebraska geographical region. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC).

The total cash held by NED, Inc. includes monies that are not covered by insurance provided by the federal government in the amount of \$0 and \$109,853, for the years ended June 30, 2020 and 2019, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 11 – COVID-19 AND MANAGEMENT'S PLAN

On January 30, 2020 the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Later, on March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global health pandemic. Measures taken by federal, state and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of nonessential services have triggered significant disruptions to businesses, resulting in economic slowdowns.

The outbreak of COVID-19 has also caused disruption in operations for the Organization. In an effort to minimize the spread of COVID-19, the Organization, in March, made changes to operations and how services were provided, thus the outbreak of COVID-19 may adversely impact the ability of the Organization to collect loan payments, conduct its operations and result in increased cost of operations, declines in revenues and declines in investment values.

NORTHEAST ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2020

NOTE 11 – COVID-19 AND MANAGEMENT'S PLAN, CONTINUED

The ultimate impact of the pandemic is highly uncertain. While the Organization expects that the COVID-19 outbreak may adversely impact the Organization's fiscal year 2021 results, the Organization cannot at this time accurately predict the full extent to which the COVID-19 outbreak will affect the Organization's finances and operations. The Organization continues to monitor developments and the directives of federal, state and local officials to determine what additional precautions and procedures need to be implemented by the Organization. The Organization will continue to work with its stakeholders to develop solutions and strategies for addressing these financial and operational challenges.