

NORTHEAST ECONOMIC DEVELOPMENT, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

We have audited the financial statements of Northeast Economic Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northeast Economic Development, Inc. as of June 30, 2024 and 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Economic Development, Inc. 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.

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

To the Board of Directors  
Northeast Economic Development, Inc.

In performing an audit in accordance with GAAS, we:

- a) Exercise professional judgment and maintain professional skepticism throughout the audit.
- b) Identify and assess the risks of material misstatement of the 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 financial statements.
- c) 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 Northeast Economic Development, Inc.'s internal control. Accordingly, no such opinion is expressed.
- d) 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 financial statements.
- e) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Economic Development, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

HERLEY & REINKE ACCOUNTING, P.C.  
Certified Public Accountants

Norfolk, Nebraska  
November XX, 2024

NORTHEAST ECONOMIC DEVELOPMENT, INC.STATEMENTS OF FINANCIAL POSITIONJUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,525	\$ 1,524
ASSETS WITH DONOR RESTRICTIONS		
Cash and Cash Equivalents	\$ 3,384,997	\$ 4,746,929
NONCURRENT ASSETS		
Notes Receivable (Net of Allowance for Uncollectible Notes Receivable)	\$ 7,003,783	\$ 5,479,074
TOTAL ASSETS	<u>\$ 10,390,305</u>	<u>\$ 10,227,527</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts Payable - Related Party	\$ 21,274	\$ 37,291
Accounts Payable	2,841	10,940
Current Portion of Notes Payable	66,114	65,162
Total Current Liabilities	<u>\$ 90,229</u>	<u>\$ 113,393</u>
LONG-TERM LIABILITIES		
Notes Payable (Net of Current Portion)	\$ 769,918	\$ 836,321
TOTAL LIABILITIES	<u>\$ 860,147</u>	<u>\$ 949,714</u>
NET ASSETS		
Net Assets with Donor Restrictions	\$ 9,549,907	\$ 9,313,580
Net Assets without Donor Restrictions	(19,749)	(35,767)
Total Net Assets	<u>\$ 9,530,158</u>	<u>\$ 9,277,813</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,390,305</u>	<u>\$ 10,227,527</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUE		
Revenue Without Donor Restrictions		
Annual Servicing Fees	\$ 24,603	\$ 20,285
Loan Closing Fees	25,805	17,902
Interest Income	356,644	266,691
Miscellaneous Income	8,600	6,160
Total Revenue Without Donor Restrictions	<u>\$ 415,652</u>	<u>\$ 311,038</u>
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>\$ 436,639</u>	<u>\$ 5,344</u>
Total Revenue and Other Support Without Donor Restrictions	<u>\$ 852,291</u>	<u>\$ 316,382</u>
EXPENSES		
Expenses Without Donor Restrictions		
Program Services		
General and Administrative	\$ 669,435	\$ 175,125
Management and General		
General and Administrative	166,838	176,027
Total Expenses Without Donor Restrictions	<u>\$ 836,273</u>	<u>\$ 351,152</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 16,018</u>	<u>\$ (34,770)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grant Proceeds	\$ 672,966	\$ 412,596
Bad Debt Recovery	-	52,250
Net Assets Released from Restrictions or from Satisfaction of Donor Imposed Restrictions	<u>(436,639)</u>	<u>(5,344)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 236,327</u>	<u>\$ 459,502</u>
NET CHANGE IN NET ASSETS	\$ 252,345	\$ 424,732
NET ASSETS AT BEGINNING OF YEAR	<u>9,277,813</u>	<u>8,853,081</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,530,158</u>	<u>\$ 9,277,813</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 252,345	\$ 424,732
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided (Used) by Operating Activities:		
Provision for Bad Debt	377,182	-
Change in Grants Receivable	-	71,573
Loans Made to Other Entities	(2,693,566)	(1,182,997)
Change in Accounts Payable - Related Party	(16,017)	(12,142)
Change in Accounts Payable	(8,099)	10,940
Bad Debt Recovered	-	(52,250)
Collections on Loans to Other Entities	726,043	1,065,817
Loans Forgiven	65,632	66,026
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,296,480)</u>	<u>\$ 391,699</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>\$ (65,451)</u>	<u>\$ (64,635)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (1,361,931)	\$ 327,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,748,453</u>	<u>4,421,389</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,386,522</u></u>	<u><u>\$ 4,748,453</u></u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 13,935</u>	<u>\$ 12,030</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

NORTHEAST ECONOMIC DEVELOPMENT, INC.NOTES TO FINANCIAL STATEMENTSJUNE 30, 2024NOTE 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, CONTINUEDJUNE 30, 2024NOTE 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 2021, 2022, and 2023 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 \$13,935 and \$12,030 for the years ending June 30, 2024 and 2023, respectively.

**SUBSEQUENT EVENTS:** Subsequent events were evaluated through November XX, 2024, which is the date the financial statements were available to be issued.

## NORTHEAST ECONOMIC DEVELOPMENT, INC.

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

JUNE 30, 2024

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the NED, Inc.'s liquidity management plan, cash in excess of daily requirements is invested in short-term investments, savings accounts, and money market funds. As of June 30, 2024, NED, Inc. had \$1,525 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,525.

As of June 30, 2023, NED, Inc. had \$1,524 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,524.

NOTE 3 – DIRECT HOMEBUYER ASSISTANCE LOANS RECEIVABLE

NED, Inc. is operating a Direct Homebuyer 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 direct homebuyer 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>2024</u>	<u>2023</u>
Principal Balances	\$ 1,981,379	\$ 1,836,459
Allowance for Uncollectible Loans	( 1,981,379)	( 1,835,199)
Loans Receivable, Net	<u>\$ -</u>	<u>\$ 1,260</u>

A loan loss reserve was not established for \$1,260 in direct homebuyer assistance loans for the year ended June 30, 2023 due to the fact that these loans were paid off shortly after the year ended June 30, 2023. 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 4 – 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>2024</u>	<u>2023</u>
Principal Balances	\$ 780,856	\$ 893,809
Allowance for Uncollectible Loans	( 117,128)	( 167,552)
Loans Receivable, Net	<u>\$ 663,728</u>	<u>\$ 726,257</u>

A loan loss reserve of 100.00% of \$39,388 in regional rehabilitation loans has been established for the year ended June 30, 2023 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.

NORTHEAST ECONOMIC DEVELOPMENT, INC.NOTES TO FINANCIAL STATEMENTS, CONTINUEDJUNE 30, 2024NOTE 5 – 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>2024</u>	<u>2023</u>
Principal Balances	\$ 7,458,889	\$ 5,590,067
Allowance for Uncollectible Loans	( 1,118,834)	( 838,510)
Loans Receivable, Net	<u>\$ 6,340,055</u>	<u>\$ 4,751,557</u>

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 6 – PROPERTY AND EQUIPMENT

Property and Equipment are comprised of the following amounts:

	<u>2024</u>	<u>2023</u>
Furniture and Equipment	\$ 2,250	\$ 2,250
Less: Accumulated Depreciation	( 2,250)	( 2,250)
	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was \$0 and \$0 for the years ended June 30, 2024 and 2023, respectively.

NOTE 7 – 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. A portion of the grant proceeds received were from the Community Development Block Grant and Rural Microenterprise Assistance Program. The purpose of these funds is to provide business development assistance to businesses in the northeast Nebraska region. 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 8 – LONG-TERM DEBT

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.

NORTHEAST ECONOMIC DEVELOPMENT, INC.NOTES TO FINANCIAL STATEMENTS, CONTINUEDJUNE 30, 2024NOTE 8 – LONG-TERM DEBT, CONTINUED

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.

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, 2024 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
RMAP Loan	\$ 234,300	\$ -	\$ 29,672	\$ 204,628	\$ 30,072
IRP Loan 1	147,107	-	9,142	137,965	9,231
IRP Loan 2	<u>520,076</u>	<u>-</u>	<u>26,637</u>	<u>493,439</u>	<u>26,811</u>
Total	<u>\$ 901,483</u>	<u>\$ -</u>	<u>\$ 65,451</u>	<u>\$ 836,032</u>	<u>\$ 66,114</u>

Payments on the loans are due as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 66,114	\$ 10,180	\$ 76,294
2026	67,082	9,212	76,294
2027	68,065	8,229	76,294
2028	69,064	7,230	76,294
2029	70,080	6,214	76,294
2030-2034	241,308	19,384	260,692
2035-2039	192,459	8,731	201,190
2040	61,860	940	62,800
Total	<u>\$ 836,032</u>	<u>\$ 70,120</u>	<u>\$ 906,152</u>

NOTE 9 – 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 \$297,520 and \$260,711 for the years ended June 30, 2024 and 2023, respectively. NED had payables to the District for these fees in the amount of \$21,274 and \$37,291 as of June 30, 2024 and 2023, respectively.

NORTHEAST ECONOMIC DEVELOPMENT, INC.NOTES TO FINANCIAL STATEMENTS, CONTINUEDJUNE 30, 2024NOTE 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 \$4,232, for the years ended June 30, 2024 and 2023, respectively. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 11 – REVENUE RECOGNITION

NED, Inc.'s loan clients enter into loan agreements with NED, Inc. based on the funds needed to purchase or rehabilitate a residential dwelling or gap financing needed to create, expand or retain businesses in northeast Nebraska. Notes receivables from customers were \$10,221,124 and \$8,320,335 as of June 30, 2024 and 2023, respectively. An allowance is maintained for notes receivable which is generally based on the number of months that the loan is delinquent. Adjustments to the allowance are recorded in loans written off on the statement of activities. An allowance of \$3,217,341 and \$2,841,261 was recorded as of June 30, 2024 and 2023, respectively. Notes receivables from customers are included in non-current assets on the statements of financial position. Notes receivable payments are due monthly in accordance with the note agreement.