



**AUDIT REPORT – GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

**Allies for Community Business
Audit Report - Government Auditing Standards
For the Year Ended December 31, 2024**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Allies for Community Business
Chicago, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Allies for Community Business**, which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Allies for Community Business as of December 31, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (*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 Allies for Community Business 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 Allies for Community Business's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinions. 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 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 financial statements.

In performing an audit in accordance with GAAS 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 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.
- 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 Allies for Community Business's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Allies for Community Business'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.

Supplementary Information – Schedule of Expenditures of Federal Awards

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplementary Information – Consolidated Year End Financial Report Required by State of Illinois Grant Accountability and Transparency Act

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The *Illinois Grant Accountability and Transparency Consolidated Year-End Financial Report* for the year ended December 31, 2024, as required by the State of Illinois Grant Accountability and Transparency Act, 30 ILCS 708/1, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated year end financial report is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2025, on our consideration of Allies for Community Business's 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 Allies for Community Business's 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 the Allies for Community Business's internal control over financial reporting and compliance.

Selden Fox, Ltd.

May 22, 2025

Allies for Community Business
Statement of Financial Position
December 31,

	<u>2024</u>	<u>2023</u>
Assets		
Cash and restricted cash:		
Unrestricted	\$ 6,647,137	\$ 5,419,811
Restricted cash	5,285,552	5,121,852
Designated for loan loss reserve	74,989	74,989
Total cash and restricted cash	12,007,678	10,616,652
Contributions receivable	217,256	484,156
Government receivables	436,368	106,645
Loans receivable, net of allowance for credit losses of \$3,238,412 and \$5,024,587 at December 31, 2024 and 2023, respectively	15,726,224	15,824,898
Prepaid expenses and other assets	194,544	218,796
Investment in:		
The Hatchery Title Holding Corporation NFP	155,192	242,456
The Hatchery Master Tenant LLC	3,928,149	4,088,500
Property, equipment, and software, net	288,367	358,788
Operating lease right-of-use asset	3,420,436	3,615,812
Total assets	\$ 36,374,214	\$ 35,556,703
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 185,650	\$ 141,816
Accrued expenses	181,652	223,043
Deferred revenue	-	60,000
Funds held for others	764,998	471,204
Notes payable, less discount of \$1,223,061 and \$1,264,767 at December 31, 2024 and 2023, respectively	17,399,885	16,576,071
Operating lease liability	3,617,240	3,751,052
Total liabilities	22,149,425	21,223,186
Net assets:		
Without donor restrictions	7,172,606	6,772,125
With donor restrictions	7,052,183	7,561,392
Total net assets	14,224,789	14,333,517
Total liabilities and net assets	\$ 36,374,214	\$ 35,556,703

See accompanying notes.

Allies for Community Business
Statement of Activities
For the Year Ended December 31,

	2024			2023		
	Without	With	Total	Without	With	Total
	Donor Restrictions			Donor Restrictions		
Public support and revenue:						
Public support:						
Contributions - corporations, foundations, and individuals	\$ 1,280,884	\$ 4,634,193	\$ 5,915,077	\$ 1,173,865	\$ 3,745,069	\$ 4,918,934
Imputed interest contribution	-	512,068	512,068	-	258,995	258,995
Total public support	1,280,884	5,146,261	6,427,145	1,173,865	4,004,064	5,177,929
Government agencies:						
State and local governments	1,235,588	-	1,235,588	227,584	-	227,584
U.S. Department of the Treasury	-	-	-	-	1,735,187	1,735,187
Total government support	1,235,588	-	1,235,588	227,584	1,735,187	1,962,771
Other revenues:						
Loan interest	937,736	218,052	1,155,788	1,115,523	154,596	1,270,119
Loan fees	225,285	-	225,285	121,001	-	121,001
Investment income	137,559	-	137,559	48,776	30,684	79,460
Participation income	9,360	-	9,360	4,740	-	4,740
Administrative fees and other income	754,804	15,000	769,804	527,174	15,000	542,174
Equity in loss of:						
The Hatchery Title Holding Corporation, NFP	(87,264)	-	(87,264)	(79,922)	-	(79,922)
The Hatchery Master Tenant LLC	(160,351)	-	(160,351)	(168,581)	-	(168,581)
Net assets released from restrictions	5,888,522	(5,888,522)	-	11,985,128	(11,985,128)	-
Total other revenues	7,705,651	(5,655,470)	2,050,181	13,553,839	(11,784,848)	1,768,991
Total public support and revenue	10,222,123	(509,209)	9,712,914	14,955,288	(6,045,597)	8,909,691
Expenses:						
Program services	8,605,346	-	8,605,346	7,595,298	-	7,595,298
Management & general/administrative	820,371	-	820,371	696,842	-	696,842
Fund-raising	395,925	-	395,925	575,475	-	575,475
Total expenses	9,821,642	-	9,821,642	8,867,615	-	8,867,615
Change in net assets	400,481	(509,209)	(108,728)	6,087,673	(6,045,597)	42,076
Net assets, beginning of year	6,772,125	7,561,392	14,333,517	684,452	13,606,989	14,291,441
Net assets, end of year	\$ 7,172,606	\$ 7,052,183	\$ 14,224,789	\$ 6,772,125	\$ 7,561,392	\$ 14,333,517

See accompanying notes.

**Allies for Community Business
Statement of Functional Expenses
For the Year Ended December 31,**

	2024				2023			
	Program	Administrative	Fund-raising	Total	Program	Administrative	Fund-raising	Total
Functional expenses:								
Salaries and wages	\$ 2,812,886	\$ 454,186	\$ 221,482	\$ 3,488,554	\$ 2,452,541	\$ 375,293	\$ 318,802	\$ 3,146,636
Payroll taxes and fringe benefits	536,679	94,060	42,123	672,862	473,143	77,601	61,503	612,247
Credit and collection	552,187	11,996	5,159	569,342	457,021	41	32	457,094
Interest	323,846	-	-	323,846	360,505	-	-	360,505
Amortization of imputed interest for notes payable issued below fair value	553,774	-	-	553,774	596,585	-	-	596,585
Provision for loan losses	1,507,736	-	-	1,507,736	828,476	-	-	828,476
Occupancy	511,052	93,569	40,239	644,860	501,703	85,237	65,215	652,155
Professional fees and consultants	262,723	49,346	25,227	337,296	363,383	47,379	6,204	416,966
Telephone	35,709	5,777	3,009	44,495	31,908	4,868	4,147	40,923
Insurance	29,391	5,381	2,314	37,086	23,978	4,074	3,117	31,169
Equipment rental and maintenance	14,579	2,669	1,148	18,396	14,086	2,393	1,831	18,310
Supplies	8,563	1,568	674	10,805	9,733	1,640	1,255	12,628
Marketing	38,695	6,362	2,736	47,793	19,002	1,039	2,495	22,536
Event expense	29,484	2,924	14,629	47,037	14,448	494	48,781	63,723
Travel	4,477	719	309	5,505	4,022	577	441	5,040
Training	21,251	3,875	1,364	26,490	27,794	4,710	4,213	36,717
Information technology	315,251	52,590	22,616	390,457	276,288	42,288	32,355	350,931
Dues and subscriptions	1,193	512	220	1,925	8,693	1,477	1,130	11,300
Depreciation and amortization	144,187	26,399	11,353	181,939	171,764	29,182	22,327	223,273
Other	-	8,438	1,323	9,761	7,685	18,549	1,627	27,861
Grants and contributions made	901,683	-	-	901,683	952,540	-	-	952,540
Total expenses	\$ 8,605,346	\$ 820,371	\$ 395,925	\$ 9,821,642	\$ 7,595,298	\$ 696,842	\$ 575,475	\$ 8,867,615

See accompanying notes.

Allies for Community Business
Statement of Cash Flows
For the Year Ended December 31,

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (108,728)	\$ 42,076
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization on property and equipment	181,939	223,273
Provision for loan losses	1,507,736	828,476
Amortization of operating lease right-of-use asset	195,376	192,765
Contribution revenue on below market interest notes payable	(512,068)	(258,995)
Equity in loss of:		
The Hatchery Title Holding Corporation NFP	87,264	79,922
The Hatchery Master Tenant LLC	160,351	168,581
Interest expense on below market interest loans	553,774	596,585
Changes in:		
Contributions receivable	266,900	(263,284)
Government receivables	(329,723)	80,059
Prepaid expenses and other assets	24,252	11,952
Accounts payable and accrued expenses	2,443	(350,163)
Deferred revenue	(60,000)	50,000
Funds held for others	293,794	242,988
Operating lease liability	(133,812)	(127,137)
Net cash from operating activities	2,129,498	1,517,098
Cash flows from investing activities:		
Net originations of loans	(2,391,591)	961,085
Proceeds from sales of loans	982,529	189,499
Purchases of property, equipment, and software	(111,518)	(121,706)
Net cash from investing activities	(1,520,580)	1,028,878
Cash flows from financing activities:		
Principal repayment of notes payable	(517,892)	(10,284,366)
Proceeds from notes payable	1,300,000	3,928,000
Net cash from financing activities	782,108	(6,356,366)
Net change in cash and restricted cash	1,391,026	(3,810,390)
Cash and restricted cash, beginning of the year	10,616,652	14,427,042
Cash and restricted cash, end of the year	\$ 12,007,678	\$ 10,616,652
Supplemental cash flow information:		
Interest paid	\$ 323,046	\$ 359,705
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 207,265	\$ 203,201

See accompanying notes.

1. **Nature of Operations and Summary of Significant Accounting Policies**

Organization – Allies for Community Business (the “Organization”), is incorporated as a not-for-profit corporation in the State of Illinois. The Organization helps neighborhood entrepreneurs grow by providing the capital, coaching and connections small business owners need to create wealth and jobs in communities most in need throughout Illinois and Indiana. The majority of businesses receiving capital and coaching operate in low to moderate income communities.

Income Tax Status – The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). Contributions to Allies for Community Business qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and Allies for Community Business has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. Management believes the Organization continues to operate in compliance with its tax-exempt purpose. The Organization had no unrelated business income that management believes is subject to tax in 2024 or 2023.

The Organization’s annual informational returns filed with the federal and state governments are generally subject to for three years after filing. These informational returns for 2021, 2022 and 2023 remain open to examination by the relevant governmental agency.

Basis of Accounting – The accounts and financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, as required by U.S. Generally Accepted Accounting Principles (“GAAP”). All contributions, including promises to give, are recognized as unrestricted revenues in the period received, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported with donor restrictions, and increases in that net asset class. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Organization generally reports the support without donor restrictions. The Organization has no Board designated net assets at December 31, 2024 or 2023.

Gifts of long-lived assets are reported without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, would be reported with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Use of Estimates – The preparation of financial statements in accordance with GAAP 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 financial statements, and also reported amounts of revenue and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include the allowance for credit losses, discontinuance of accrual of interest on loans when collection is doubtful, the rate used to estimate the discount for below market rate debt, and allocations of general, administrative and other expenses to individual program activities. Actual results could differ from those estimates.

Cash and Restricted Cash – Cash consists of bank deposits in federally insured accounts. At December 31, 2024, cash accounts exceeded federally insured limits by approximately \$11,528,000.

Contributions Receivable and Government Receivables – Contributions receivable and government receivables consist of grants and other contributions that are considered to be promises to give and are recorded in the year the promise is made and conditions, if any, are met. If considered necessary, an allowance for uncollectible contributions receivable would be determined based on specific pledges and experience. No allowance was deemed necessary as of December 31, 2024 and 2023. Substantially all contributions and government receivables are expected to be received within one year from the date of the statement of financial position and, accordingly, the amounts of the receivables at December 31, 2024 and 2023, have not been discounted.

Loans Receivable and Allowance for Credit Losses – Loans receivable are stated at their unpaid principal balance, less an allowance for credit losses. Interest on loans receivable is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding. A substantial portion of the loan portfolio consists of loans made to entrepreneurs in the Chicagoland area. The ability of borrowers to repay these loans may be dependent upon the general economic conditions in their local community as well as in the general Chicagoland area.

Loan origination fees approximate direct loan origination costs and are generally recognized as income upon receipt. Such fees are included in other revenues on the statement of activities.

The allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to expense. The expected credit loss model is based on management's current best estimate of lifetime expected credit losses ("CECL") inherent in the Organization's loan portfolio. CECL is estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio, and average remaining lives, as well as qualitative factors, including supportable forecasts of economic outlook.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Loans Receivable and Allowance for Credit Losses (cont'd) – The Organization uses a disciplined process and methodology to estimate the allowance for credit losses. The Organization establishes allowances for pooled loan segments sharing similar risk characteristics such as, loan type, collateral type, credit or risk ratings, etc. Management estimates the allowance needed for each portfolio segment, including loans analyzed individually and loans with similar risk factors analyzed on a pooled basis. The Organization's portfolio segments include core loans of up to \$2,500 with original maturities up to two years ("Core 1"), core loans between \$2,500 and \$25,000 with original maturities of two to four years ("Core 2"), core loans between \$25,000 and \$100,000 with original maturities of three years ("Core 3), Illinois Small Business Emergency Loans ("ISBEL"), Chicago Small Business Resiliency Fund ("CSBRF") loans, Revenue-Based Financing loans ("RBF"), purchased loans referred to as "Justine Petersen" loans, and other loans.

For each pooled segment, losses are modeled using historical experience and quantitative and other mathematical techniques, such as a vintage analysis model, over the loss emergence period. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available regarding changes in economic conditions, borrower behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release amounts from the allowance for credit losses.

The Organization uses an internally developed vintage analysis model in determining the allowance for credit losses. Management must use judgment in establishing input metrics for the modeling processes. The models and assumptions are reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented. Management also monitors differences between estimated and actual incurred credit losses. This monitoring process includes periodic assessment by senior management of portfolio segments and the models used to estimate incurred losses in those segments.

Additions or subtractions to the allowance for credit losses are made by recording an expense or credit to the provision for credit losses. Loans are charged against the allowance for credit losses when management believes that the collectability of the principal is unlikely. Loan losses are charged against the allowance when a loan is delinquent more than 180 days, or management believes there is confirmation that a loan balance is not collectible. Subsequent recoveries are credited to the allowance.

The accrual of interest is discontinued at the time the loan is ninety days delinquent. Accrual of interest is resumed upon collection of past due amounts. Past due or delinquent status of loans is determined by how recently payments have been applied to amounts due.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Loans Receivable and Allowance for Credit Losses (cont'd) – All interest accrued but not collected for loans that are placed on nonaccrual or charge-off status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to current accrual status. Loans are returned to accrual status when all principal and interest payment amounts contractually due are brought current and future payments are reasonably assured.

In situations where, for economic or legal reasons related to a borrowers' financial difficulties, the Organization grants a concession for other than an insignificant period of time to the borrower that the Organization would not otherwise consider, the related loan is classified as a loan modification. These modified terms may include rate reductions, principal or accrued interest forgiveness, payment forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. At December 31, 2024, there were no significant modifications.

In 2020, as a result of the spread of the COVID-19 coronavirus pandemic, the Organization received grants to participate in the City of Chicago CSBRF program and the State of Illinois ISBEL program. Both programs provided low-interest loans to support small businesses that experienced a temporary loss of revenue due to the COVID-19 outbreak. The Organization's loan portfolio experienced substantial growth in 2020, and as a result of participating in these programs economic uncertainties continue to exist which could negatively impact the Organization's loan portfolio and allowance for credit losses. The extent of potential negative financial impact is unknown at this time. Management continues to monitor these loan programs and the actual amount collected on these loans may materially differ from management's estimates.

Investment in The Hatchery Entities/Hatchery Deposits – Allies for Community Business has a 50% membership interest in The Hatchery Title Holding Corporation NFP and a 50% membership interest in the Hatchery Master Tenant LLC. These investments are accounted for using the equity method of accounting. Profits and losses of the Hatchery entities are allocated in accordance with the Members' respective membership interests.

Property, Equipment, and Software – Property, equipment, and software are stated at cost, if purchased, or fair value, if received by donation. Depreciation and amortization are provided on the straight-line method, over the estimated useful lives of the assets, generally three to five years. Expenditures for property and equipment in excess of \$500 are generally capitalized.

Lease Accounting – Management evaluates contracts at their inception to determine if an arrangement contains a lease based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Lease Accounting (cont'd) – As a lessee, the Organization records a right-of-use (“ROU”) asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. For leases with a term of less than 12 months (“short-term leases”), the Organization does not record a ROU asset or a lease liability and the payments will be recognized in results of operations over the lease term. ROU assets and lease liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The Organization includes lease extensions in the lease term when it is reasonably certain that it will exercise the extension. The discount rates used to determine the ROU asset and liability are the lease’s implied rate, if readily determinable. If the implied rate is not readily determinable, the discount rate used is the Organization’s incremental borrowing rate, except that the Organization has elected the practical expedient to use a risk-free discount rate based on the term of the lease for leases of office space. For lease agreements with both lease and non-lease components, management has elected the practical expedient to account for them as a single component. The ROU asset also includes initial direct costs and prepaid lease payments made less lease incentives and deferred rent, if applicable. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Funds Held for Others – Funds held for others consist of cash collected from third parties where Allies for Community Business acts as an agent on behalf of the third parties under the terms of various grant agreements. Under these agreements, grantors have either specified the beneficiary for the funds held or select beneficiaries for the funds held from a prequalified list provided by Allies for Community Business. In either case, Allies for Community Business does not have explicit, unilateral power to redirect the use of transferred cash to a beneficiary of its choice, which is referred to as variance power under ASC 958-605. Accordingly, Allies for Community Business does not record contribution revenue for these amounts, but instead records amounts received as funds held for others until Allies for Community Business disburses funds to beneficiaries.

Notes Payable and Debt Discount – The Organization has entered into debt agreements with interest terms that are lower than those that an independent borrower and an independent lender would have negotiated in a similar transaction. The Organization considers the spread between the stated rate of interest for the Organization’s debt and the rate of interest that would be available to an independent borrower to represent a contribution to the Organization.

For term notes that are due in more than one year, the Organization records the loan at its inception at face value less a discount, with the discount being recognized with donor restrictions as imputed interest contribution. Over the term of the note, the discount is amortized using the effective interest method and recorded as imputed interest for loans below fair value on the statement of functional expenses.

For demand notes or term notes with maturities of one year or less, the Organization records a contribution each year for the difference between amount of interest that is estimated that would have been paid by an independent borrower for a similar transaction and the actual amount of interest incurred at face value.

The rate used to discount the debt is management’s estimate of the interest rate an independent borrower and an independent lender would have negotiated in a similar transaction at origination of the borrowing and ranges from 3.54% to 7.35% at December 31, 2024 and 2023.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Certain Vulnerabilities and Concentrations – In 2024, 26% of total public support and revenue was from a financial institution, respectively. In 2023, 19% and 12% of total public support and revenue was from a governmental agency and a charitable organization, respectively. Any negative change in the economy or political environment could have an impact on contributions, fund-raising efforts, and contracts as well as government grants.

In-Kind Support – In addition to receiving cash contributions, the Organization may receive in-kind contributions from donors. In accordance with GAAP, the Organization records the estimated fair value of certain in-kind donations as an expense or an asset in its financial statements, and corresponding contribution revenue. The Organization did not receive in-kind contributions in 2024 or 2023.

Grants and Contributions Made – The Organization receives funding from various sources that is or has been included in public support in the past to fund grants and contributions to other individuals or organizations that align with the Organization's mission.

Grants and contributions made reflected on the statement of functional expenses consisted of amounts for the following purposes for the year ended December 31:

	<u>2024</u>	<u>2023</u>
NEL Cohorts	\$ 580,000	\$ 892,830
Hatchery Programming	175,000	-
Fawohodie Foundation Project K	138,723	-
Other grants and contributions made	<u>7,960</u>	<u>59,710</u>
	<u>\$ 901,683</u>	<u>\$ 952,540</u>

The Organization approves grants to be paid to other organizations and individuals for other purposes that comply with the Organization's tax-exempt purpose, which includes supporting entrepreneurs in the Neighborhood Entrepreneurship Lab ("NEL") cohorts, and certain other projects.

Advertising – The Organization expenses the cost of advertising as incurred. Advertising and marketing expenses were \$47,793 in 2024 (\$22,536 in 2023).

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The expenses that are allocated and consistently applied include salaries and wages, payroll taxes and fringe benefits, occupancy, donated services, equipment rental and maintenance, and depreciation and amortization, which are allocated based on employee hours for specific individuals. The remaining expenses are direct costs of program and other activities.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Other Revenue Recognition – A portion of other revenues is from contracts with a customer and is recognized as earned when services are performed without future performance obligations. Administrative services included in other revenues on the statement of activities was \$769,804 and \$527,174 in 2024 and 2023, respectively. Such fees are recognized at the point in time services are performed under the agreements for which the fees relate, which is when the Organization's performance obligation is satisfied.

Allies for Community Business
Notes to the Financial Statements

2. Restricted Cash - Restricted cash at December 31, is summarized as follows:

<u>Funding Source</u>	<u>Funding Purpose</u>		<u>2024</u>	<u>2023</u>
Lending, Loan Loss Reserves, and Technical Assistance:				
The Chicago Community Trust	Loan loss reserve	(1)	\$ 1,000,000	\$ 1,000,000
Support from Various Sources for				
Neighborhood Entrepreneur Lab	Support of NEL Cohorts	(2)	1,020,126	944,428
The Chicago Community Trust/JPMorgan	Capital and Coaching for			
Chase/Fifth Third Bank	Chicagoland Entrepreneurs	(3)	533,832	655,760
Economic Development	Lending: Cook County, Illinois			
Administration	and Lake County, Indiana	(4)	565,704	584,667
Entrepreneurs of Color:	Technical Assistance and Lending:			
JPMorgan Chase Bank	Women and People of Color	(5)	24,485	461,683
	Lake County Grant and Loan			
Private Foundation Funding	Capital	(6)	255,000	402,248
Tory Burch	Lending: Women entrepreneurs	(7)	38,219	104,658
City of South Bend	Loan Program	(8)	87,500	135,750
Bank of America Foundation	SBA loan loss reserve	(9)	60,000	60,000
Internal Funds Restricted by Contract	SBA CA SBLCs loan loss reserve	(10)	-	8,910
Wells Fargo	Loan Program	(11)	560,577	-
JPMorgan Chase Bank	Technical Assistance	(12)	181,343	-
Other loan programs	Loan Program		-	48,659
Funds Held for Others:				
Private Foundation Funding	Funds held for others	(6)	600,000	270,000
West Side United Grant Pool	Funds held for others	(13)	-	140,000
Fawohodie Foundation	Funds held for others	(16)	51,306	-
Other	Funds held for others		113,692	61,202
Other:				
World Business Chicago	ChiBizHub Portal and Programming	(14)	-	91,193
The Chicago Community Trust	Hatchery Phase II	(15)	27,000	27,000
Fawhodie Foundation	Project K Fiscal Sponsor	(16)	75,027	-
Other			91,741	125,694
Total Restricted Cash			\$ 5,285,552	\$ 5,121,852

- (1) This amount represents cash received from a grant whereby the Organization will offer revenue-based financing to a diverse set of Cook County entrepreneurs with high growth potential. This amount will fund loan loss reserves for this product.
- (2) The Organization has received significant funding from multiple sources over multiple years to support its Neighborhood Entrepreneurship Lab (NEL) cohorts. This amount represents the remaining cash from those grants. The cash is restricted to provide grants to businesses in the cohorts of the NEL program and support services and events for participants.
- (3) This amount represents cash on hand that is restricted by the grantor to provide capital and coaching for local entrepreneurs.
- (4) This represents the cash portion of the revolving loan funds that the Organization administers that were funded by the Economic Development Administration of the U.S. Department of Commerce.

2. Restricted Cash (cont'd)

- (5) The Organization has received funding from JPMorgan Chase Bank over multiple years to support entrepreneurs of color. These funds are to be used towards lending to people of color on the west and south sides of the City of Chicago, including businesses owned by Black, Latinx, women and low income entrepreneurs, as well as technical assistance for the program. This restricted cash balance represents the portion of the funds received that had not been expended towards the program costs at the date of the statement of financial position.
- (6) This amount represents unspent amounts received from a private foundation to provide grants to people of color in Lake County, Illinois distributed by a selection committee comprised of members of Allies for Community Business and another organization and for loan capital and general costs for the Organization's work in Lake County, Illinois.
- (7) This amount represents cash available to fund a portion of qualifying loans to female entrepreneurs based on a grant agreement with the funding source.
- (8) In 2020, the Organization received \$300,000 from the City of South Bend to support small businesses affected by COVID-19 in which the Organization was acting in the capacity of an agent. This amount represents the remaining cash from these funds.
- (9) Small Business Administration ("SBA") notes payable agreements required cash to be maintained in a separate, restrictive account to cover 15% of outstanding notes receivable as a loan loss reserve. This restricted cash was intended by the funding source to assist in funding that account.
- (10) As required by the SBA's Small Business Lending Companies (CA SBLCs) program at December 31, 2023, this is an amount in a separate cash account established as a reserve for potential loan losses on loans receivable as required by the SBA's CA SBLCs program. Due to participating in the CA SBLCs program for more than five years, at December 31, 2024, the Organization is required to maintain a cash reserve equal to the average repurchase rate of the Organization over the preceding 36-month period, which was zero percent at December 31, 2024.
- (11) In 2024, the Organization received \$2,500,000 from the Wells Fargo Foundation to deploy capital products including revenue-based financing and construction contractor loans to small business owners in the Chicago area. This amount represents the remaining cash from these funds.
- (12) In 2024, the Organization received \$470,000 from JPMorgan Chase Bank to provide technical assistance for the revenue-based financing product. This amount represents the remaining cash from these funds.
- (13) The Organization received funds from multiple sources where the Organization acted in a fiscal agent capacity for the West Side United Grant Program. This amount represents the remaining cash from these funds, which was fully deployed in 2024.
- (14) The Organization received funds from World Business Chicago to be used to fund the direct operating costs of the ChiBizHub portal and programming. This amount represents the remaining cash from these funds, which was fully deployed in 2024.
- (15) In 2021, the Organization received \$100,000 in support of exploring a future business incubator. This amount represents the remaining cash from these funds.
- (16) The Organization is acting either as a fiscal agent of a fiscal sponsor in support of the Fawohodie Foundation Project K, a west side social innovation hub capital project located in the Garfield Park Sankofa Wellness Village. This amount represented the remaining cash for these funds.

3. Cash Designated for Loan Loss Reserve

The Organization designated cash as a reserve of \$74,989 at December 31, 2024 and 2023 for potential loan losses on notes receivable that was originally associated with the loan agreement with the SBA that has since been paid in full. The cash in the reserve that was in addition to the required 15% noted as restricted cash for the SBA is not restricted.

4. Investment in The Hatchery Entities

Allies for Community Business and Industrial Council of Nearwest Chicago (“ICNC”) each have 50% membership interests in The Hatchery Title Holding Corporation (“THTHC”) NFP and The Hatchery Master Tenant LLC.

THTHC is an Illinois nonprofit public benefit corporation classified by the Internal Revenue Service as tax exempt under 501(c)(25) of the Internal Revenue Code. THTHC’s exempt purpose is to a.) acquire and hold title to the real property at 135 North Kedzie, Chicago, Illinois (Property), b.) borrow low-interest funds to improve the Property, c.) lease the Property to The Hatchery Master Tenant LLC (“Master Tenant”) and the Master Tenant will in turn sublease the Property d.) to collect income from the Master Tenant for the Property, e.) pay certain expenses for the Property including debt service and appropriate reserves, and f.) remit the entire amount of such income in annual distributions, less such expenses to its members, which must be 501(c)(3) organizations.

The Master Tenant, an Illinois limited liability company, was formed to lease the Property and undertake its obligations under the project financing to operate the Hatchery Project. The Hatchery Project is a 67,000 square foot facility that supports the incubation of food companies in Chicago, Illinois, and provides office and programming space for Allies for Community Business and ICNC.

The Project financing closed on January 18, 2018. At closing, the Master Tenant entered into a six-year sublease with Allies for Community Business for office space with extension options (See Note 9). ICNC entered into a six-year sublease with the Master Tenant for the remainder of the space.

At closing, the Master Tenant signed promissory notes with four lenders totaling \$18,922,228, which are guaranteed by Allies for Community Business and ICNC (formerly known as KIDC) pursuant to the guaranty agreement dated January 18, 2018, and secured by a leasehold mortgage and assignment of rents on the Property. The aggregate balances of the promissory notes totaled \$11,015,310 and \$11,285,481 at December 31, 2024 and 2023, respectively.

At closing, the Master Tenant made a \$20,546,500 leveraged loan to The Hatchery Investment Fund LLC, an unrelated third party, which in turn made qualified equity investments to five unrelated Community Development Entities (CDEs). The CDEs made ten qualified low-income community investment loans totaling \$29,560,000 to THTHC that are secured by a mortgage and assignment of rents of the Property. The aggregate principal balances of the CDE loans as of December 31, 2024 and 2023, was \$29,560,000. The rights of THTHC and the Master Tenant are subordinate to the mortgages securing the debt on both entities.

4. Investment in The Hatchery Entities (cont'd)

Pursuant to the environmental indemnity agreement dated January 18, 2018 (EI Agreement), between Allies for Community Business, ICNC (formerly known as KIDC) (together, the Guarantors), the Lender, and the Master Tenant (collectively, the Indemnitors) shall indemnify and hold the Indemnified Parties, as defined in the EI Agreement, harmless from, for and against any and all environmental claims, liabilities, damages losses, fines, penalties judgements, awards, settlements, costs and expenses that directly or indirectly arise out of or relate in any way to Section 5(a)-(1) of the EI Agreement.

Pursuant to the QALICB indemnification agreement dated January 18, 2018 (QALICB Agreement), between THTHC, Allies for Community Business, ICNC (formerly known as KIDC), Master Tenant and Industrial Council of Nearwest Chicago, an Illinois not-for-profit corporation (collectively, the Indemnitors), for the benefit of PNC New Markets Investment Partners, LLC (PNC NMIP) the indemnitors will be obligated to pay the Credit Reduction Amount, as defined in the QALICB Agreement to PNC NMIP on or before the payment date as defined in the QALICB Agreement. The Indemnitors do not have any right of subrogation as a result of any payment or any other payment made by the Indemnitors under the Loan Documents as defined in the QALICB Agreement, and the Indemnitors have waived and released any claim based on any right or subrogation, any claim for unjust enrichment or any other theory that would entitle any indemnitor to a claim against another Indemnitor based on any payment made hereunder or any other payment made under the Loan Documents.

Pursuant to the Community Benefits Agreement dated January 18, 2018 (CB Agreement), between THTHC, Allies for Community Business, ICNC, Master Tenant and THC (collectively, the NMTC Beneficiary), and the Lenders, the NMTC Beneficiary will use commercially reasonable efforts to achieve the Community Impacts, as set forth in Section 2 of the CB Agreement, which are based upon data collected and analysis performed by the NMTC Beneficiary and the CDE Lenders.

On February 13, 2025, one of the lenders agreed to forgive \$1,000,000 of debt that was guaranteed by Allies for Community Business and ICNC.

On March 11, 2025, THTHC and the Master Tenant were part of the unwind of the NMTC financing transaction. As a part of the unwind, the CDEs assigned loans totaling \$29,560,000 to The Hatchery Investment Fund LLC and in turn The Hatchery Investment Fund LLC assigned five of the ten qualified low-income community investment loans totaling \$20,546,500 to the Master Tenant which was a deemed repayment of the Master Tenant's \$20,546,500 leveraged loan receivable. In addition, on March 14, 2025, the ownership interest in The Hatchery Investment Fund LLC was assigned from a third-party investor to the Master Tenant. After the unwind The Master Tenant has third-party debt totaling \$10,015,310 with three lenders that is due July 17, 2025. If the Master Tenant is unsuccessful refinancing the debt the Organization may need to repay a portion of the debt. Management believes the Organization is positioned to perform if the debt is called.

Also, Allies for Community Business received \$4,250 per month in 2024 (\$4,000 per month in 2023) for accounting and compliance services performed for THTHC and the Master Tenant.

Allies for Community Business
Notes to the Financial Statements

5. Property, Equipment, and Software

Property, equipment, and software by major classification at December 31, is as follows:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 556,292	\$ 544,773
Leasehold improvements	196,141	196,141
Software	<u>743,988</u>	<u>643,989</u>
	1,496,421	1,384,903
Less: accumulated depreciation and amortization	<u>(1,208,054)</u>	<u>(1,026,115)</u>
	<u>\$ 288,367</u>	<u>\$ 358,788</u>

6. Loans Receivable

Loans receivable by portfolio segment at December 31, is as follows:

	<u>2024</u>	<u>2023</u>
Core 1	\$ 880,985	\$ 763,019
Core 2	8,700,265	11,931,500
Core 3	1,593,189	824,403
CSBRF	2,120,592	6,443,537
ISBEL	310,187	795,627
Justine Petersen	2,503,852	-
RBF	2,804,357	-
Other	<u>47,982</u>	<u>91,399</u>
	18,961,409	20,849,485
Less: allowance for credit losses	<u>(3,238,412)</u>	<u>(5,024,587)</u>
Add: Premium on Loans Purchased	<u>3,227</u>	<u>-</u>
	<u>\$ 15,726,224</u>	<u>\$ 15,824,898</u>

The weighted average interest rate of the loan portfolio at December 31, 2024, was 8.04% (6.34% at December 31, 2023). The increase in the weighted average interest rate in 2024 from 2023 is attributable to the continuing runoff of low-interest rate loans issued under several government loan programs that Allies for Community Business participated in and originated loans through during the COVID-19 pandemic in 2020 and 2021.

Allies for Community Business
Notes to the Financial Statements

6. Loans Receivable (cont'd)

The allowance for credit losses (“ACL”) activity is as follows:

	Core \$2.5k	Core \$2.5k- \$25k	Core \$25k - \$100k	ISBEL	CSBRF	RBF	Justine Petersen	Other	Total
Allowance for Credit Losses:									
Balance, December 31, 2022	\$ 129,899	\$ 1,541,462	\$ 34,236	\$ -	\$ 491,245	\$ -	\$ -	\$ 3,014	\$ 2,199,856
Impact of adoption of ASU 2016-13	142,474	3,551,114	(25,700)	3,461	1,885,835	-	-	4,907	5,562,091
Provision for loan losses	272,533	792,279	124,569	14,791	(329,179)	-	-	(46,517)	828,476
Loans charged-off	(246,964)	(2,564,583)	(106,122)	(147,570)	(796,989)	-	-	15,427	(3,846,801)
Recoveries of loans previously charged-off	7,930	34,236	65,093	129,318	18,205	-	-	26,183	280,965
Balance December 31, 2023	305,872	3,354,508	92,076	-	1,269,117	-	-	3,014	5,024,587
Provision for loan losses	282,125	1,539,645	48,804	46,832	(697,340)	7,011	214,571	66,088	1,507,736
Loans charged-off	(295,944)	(2,580,817)	-	(69,160)	(489,273)	-	(23,146)	(79,050)	(3,537,390)
Recoveries of loans previously charged-off	11,858	114,306	-	22,328	79,295	-	-	15,692	243,479
Balance December 31, 2024	\$ 303,911	\$ 2,427,642	\$ 140,880	\$ -	\$ 161,799	\$ 7,011	\$ 191,425	\$ 5,744	\$ 3,238,412

The Organization adopted ASU 2016-13 effective January 1, 2023, which resulted in recognizing credit discounts of \$5,562,091, increasing the allowance for credit losses and decreasing loans receivable.

Allies for Community Business
Notes to the Financial Statements

6. Loans Receivable (cont'd)

An aging analysis of the loan portfolio is as follows:

		Past Due Status				90 or More Days*	Total Loans
	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days			
December 31, 2024:							
Core 1	\$ 686,752	\$ 48,315	\$ 30,677	\$ 31,042	\$ 84,199	\$ 880,985	
Core 2	7,359,421	365,096	297,711	181,444	496,593	8,700,265	
Core 3	1,248,241	222,417	25,510	-	97,021	1,593,189	
CSBRF	1,981,332	94,605	10,433	9,510	24,712	2,120,592	
ISBEL	280,927	-	23,516	-	5,744	310,187	
Justin Petersen	2,247,614	132,926	54,267	-	69,045	2,503,852	
RBF	2,804,357	-	-	-	-	2,804,357	
Other	42,379	2,809	-	2,400	394	47,982	
	\$ 16,651,023	\$ 866,168	\$ 442,114	\$ 224,396	\$ 777,708	\$ 18,961,409	

		Past Due Status				90 or More Days*	Total Loans
	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days			
December 31, 2023:							
Core 1	\$ 589,344	\$ 55,763	\$ 28,122	\$ 28,547	\$ 61,243	\$ 763,019	
Core 2	9,191,958	937,700	377,458	458,891	965,493	11,931,500	
Core 3	547,644	206,838	69,921	-	-	824,403	
CSBRF	5,943,760	209,115	88,131	96,211	106,320	6,443,537	
ISBEL	748,678	23,698	923	-	22,328	795,627	
Other	90,984	-	-	-	415	91,399	
	\$ 17,112,368	\$ 1,433,114	\$ 564,555	\$ 583,649	\$ 1,155,799	\$ 20,849,485	

* - Not accruing interest

Substantially all of the Organization's borrowers are unable to obtain credit through a traditional banking relationship. The aging of the receivables is the primary credit quality indicator. Loans that are past due inherently have a greater risk of default than loans that are current.

6. **Loans Receivable** (cont'd)

Core 1 Loans – Core 1 loans are typically unsecured loans with a maximum borrowing of \$2,500 and maturities of twelve to twenty-four months from the time the loan is funded.

Core 2 Loans – Core 2 loans are typically unsecured loans with a maximum borrowing between \$2,500 and \$25,000 and typically have maturities of twenty-four to forty-eight months from the time the loan is funded.

Core 3 Loans – Core 3 loans are typically unsecured loans with a maximum borrowing between \$25,000 and \$100,000 and typically have maturities of up to thirty-six months from the time the loan is funded.

Core Revolving Lines of Credit – The Organization offers revolving lines of credit, typically with a limit between \$2,500 and \$100,000 to early, emerging and established businesses in Illinois and Indiana. The lines of credit typically have a maturity of twenty-four to forty-eight months from the date the line of credit is opened. Since the terms of these loans are effectively the same as the applicable core loan categories above, these loans are included in the applicable core loan category for purposes of loan segmentation.

Chicago Small Business Resiliency Fund (CSBRF) Loans – In 2020, the Organization offered CSBRF loans as a part of the City of Chicago response to the COVID-19 pandemic. CSBRF loans could exceed \$50,000 or a five-year term. Interest rates were at 1% for the first eighteen months and are 5.75% thereafter. A \$10 payment was required in the first six months for account maintenance purposes and interest-only payments were due in the second six months. Principal and interest payments began after one year.

Illinois Small Business Emergency Loans (ISBEL) – In 2020, the Organization offered ISBEL loans as a part of the State of Illinois response to the COVID-19 pandemic. ISBEL loans cannot exceed \$50,000 or a five-year term and interest rates are not to exceed 3%. No payments were due for the first six months and principal and interest payments were due monthly beginning in month seven. The State of Illinois has provided the Organization with a 50% first loan loss coverage in the form of a guarantee for this loan program.

Justine Petersen – In 2024, the Organization purchased loans with a principal balance of \$2,810,213 and accrued interest of \$7,712. The loans range between approximately \$750 to \$50,000 and have maturities between one and seven years from the time the loan was purchased.

Revenue-Based Financing Loans (“RBF”) – In 2024, the Organization offered RBF loans between \$50,000 and \$250,000 to established businesses who have a clear path for growth but whom their credit policy for term loans and lines of credit will not provide the capital they need. These loans require the borrower to repay seven percent of the revenues earned each month. Repayment of the loan must be completed within five years. Balances due at the end of five years are converted into a three-year fully amortized term loan. Loans are considered to be paid in full when the borrower has paid one and a quarter times the initial principal lent.

6. **Loans Receivable** (cont'd)

Other Loans

The Organization entered into the CA SBLCs program with the SBA. Under the terms of the CA SBLCs program, the SBA provides a guarantee under its 7(a) loan program covering risk of loss against approved loans meeting the program requirements. The Guaranty covers 85% of loans originated for less than \$150,000. The Organization's lending limit is \$100,000, but all loans over \$50,000 must be approved under the CA SBLCs program to mitigate the risk of loss. The maximum interest rate allowable under these loans is prime plus 6%. The SBA allows the sale of the guaranteed portion of the loan on the secondary market.

During 2024 and 2023, the Organization did not originate nor sell any CA SBLCs loans. The remaining principal balance of the sold portion of CA SBLCs loans was \$96,302 at December 31, 2024 (\$151,469 at December 31, 2023). The Organization continues to service the sold participating interests on behalf of those that have purchased the participating interests.

Among other compliance requirements, the CA SBLCs program required the establishment of loan reserves equal to at least 5% of the unguaranteed and guaranteed portion of the CA SBLCs portfolio at December 31, 2023. Due to participating in the CA SBLCs program for more than five years, at December 31, 2024, the Organization is required to maintain a cash reserve equal to the average repurchase rate of the Organization over the preceding 36-month period, which was zero percent at December 31, 2024 (required reserves were \$8,910 at December 31, 2023, and was included in restricted cash (see Note 2)).

In addition to loans originated under the SBA CA SBLCs program, the Organization funds loans under various programs that are also included in other loans.

Micro Loan Servicing Agreements – The Organization maintains an agreement with a third party to service substantially all of its loan portfolio, with the exception of its SBA CA SBLCs loan portfolio, including micro loans sold by the Organization. In 2023, the Organization changed service providers to a new vendor to service these loans. The third-party servicers are responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. Expense for loan servicing under the agreements are included in credit and collection expense on the statement of functional expenses and was \$473,189 for the year ended December 31, 2024 (\$423,757 for the year ended December 31, 2023).

The Organization also maintains an agreement with a bank to service its SBA CA SBLCs loan portfolio. The agreement provides that the bank will be responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. In consideration for these services, the Organization pays the bank a fee. The servicing fee was \$1,282 for the year ended December 31, 2024 (\$1,806 for the year ended December 31, 2023).

Allies for Community Business
Notes to the Financial Statements

7. Availability and Liquidity

Liquidity expected to be available to meet cash needs for general expenditures within one year, without contractual or donor restrictions consist of the following:

	<u>2024</u>	<u>2023</u>
Unrestricted cash	\$ 6,647,137	\$ 5,419,811
Contributions and government receivables	653,624	590,801
Loans receivable, net	<u>15,726,224</u>	<u>15,824,898</u>
	23,026,985	21,835,510
Less:		
Revolving loan fund receivables, net	(2,091,847)	(2,708,587)
Other micro loan receivables, net	(13,620,396)	(13,092,595)
SBA CA SBLCs loan receivables, net	(13,981)	(23,716)
Plus:		
Principal and interest expected to be collected in one year:		
Other micro loan receivables	7,289,208	8,679,959
SBA CA SBLCs loan receivables	<u>10,259</u>	<u>11,815</u>
	<u>\$ 14,600,228</u>	<u>\$ 14,702,386</u>

Allies for Community Business is committed to its mission of providing access to credit and technical assistance for micro-entrepreneurs. The Organization continues to solicit operating grants from new sources and maintains a line of credit for liquidity. The Organization strives to be self-reliant for training the lending staff and facilitating underwriting decisions. The Organization has been successful in its ability to refinance debt and extend maturities while converting certain debts to equity equivalent debt (see Note 10). In summary, the Organization relies on grants and contributions from donors, loan repayments, and calls on the equity equivalent debt to fund operating expenses, as necessary, during the year.

Restricted cash is not considered to be available, as there are various contractual restrictions that govern what it can be used for, as described in Note 2.

Revolving loan fund (RLF) receivables are loans receivable where principal and interest repayments are required per the donor to be held in the RLF and are therefore not considered to be available to meet the general cash needs of the Organization.

Principal and interest expected to be collected in one year for other Micro Loan receivables and SBA CA SBLCs loan receivables are based on amortization schedules of the respective loan portfolios.

As of the date these financial statements were available to be issued, due to economic uncertainties including inflationary pressures and a rising interest rate environment, the availability and liquidity of loans receivable may be impacted but is not quantifiable.

Allies for Community Business
Notes to the Financial Statements

8. Funds Held for Others

Activity in the funds held for others liability at December 31, were as follows:

	Balance December 31, 2023	Receipts	Disbursements	Balance December 31, 2024
Private foundation funds held as a fiscal agent	\$ 270,000	\$ 2,312,500	\$ 1,982,500	\$ 600,000
Grants administered For the State of Illinois	-	4,925,514	4,925,514	-
Grants administered for the City of Chicago	-	5,745,099	5,745,099	-
West Side United Grant Pool	140,000	-	140,000	-
Fawohodie Foundation funding held as a fiscal agent	-	75,250	23,944	51,306
Other funds held for others	61,204	132,260	79,772	113,692
Total	\$ 471,204	\$ 13,190,623	\$ 12,896,829	\$ 764,998

	Balance December 31, 2022	Receipts	Disbursements	Balance December 31, 2023
Private foundation funds held as a fiscal agent	\$ 178,184	\$ 825,000	\$ 733,184	\$ 270,000
Grants administered For the City of Chicago	10,193	-	10,193	-
West Side United Grant Pool	13,000	140,000	13,000	140,000
Other funds held for others	37,032	40,000	15,828	61,204
Total	\$ 238,409	\$ 1,005,000	\$ 772,205	\$ 471,204

9. Leases

The Organization has a lease agreement with The Hatchery Master Tenant, LLC (the “Landlord”) (Note 4) that is accounted for as an operating lease. The lease commenced on January 1, 2019, and has since been extended for another five years ending December 31, 2029. Then, the Organization has the option to extend the term of the lease for two consecutive terms of five years each, with 3% annual escalation in base rent or current market rent. Management believes the Organization is reasonably certain to exercise all three extension periods, which would extend the lease term through December of 2039. In addition to base rent, the Organization is charged for common area maintenance costs and parking. Operating lease ROU assets and operating lease liabilities of \$3,420,436 and \$3,617,240, respectively, at December 31, 2024, and \$3,615,812 and \$3,751,052, respectively, at December 31, 2023 associated with this lease is included on the statement of financial position.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in occupancy expenses on the statement of functional expenses. Operating lease cost included in the calculation of the operating lease ROU asset and operating lease liability was \$268,829 in 2024 and 2023.

The Organization’s operating lease agreements include variable payments based on actual costs to operate the building, which are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. Variable lease payments included in the operating lease cost above that are included in occupancy expenses were \$344,847 and \$351,639 in 2024 and 2023.

The remaining lease term was 14 years and 15 years at December 31, 2024 and 2023, respectively, and the discount rate used to measure the operating lease liability and right-of-use asset was 2.00% as of December 31, 2024 and 2023.

Future minimum lease payments due under noncancelable operating leases with initial or remaining lease terms in excess of one year consisted of the following at December 31, 2024:

2025	\$	227,392
2027		234,214
2028		241,240
2029		248,477
2030		255,932
Thereafter		<u>3,021,988</u>
Total minimum lease payments		4,229,243
Less imputed interest		<u>(612,003)</u>
Present value of operating lease liabilities	\$	<u>3,617,240</u>

Allies for Community Business

Notes to the Financial Statements

10. Notes Payable

Notes payable at December 31, are summarized as follows:

Lender		Interest Rate		Interest Terms	Maturity at		Balance at December 31,	
		12/31/24	12/31/23		12/31/24	12/31/23	2024	2023
Secured Debt								
Small Business Administration	(1)	0.50%	0.50%	Monthly		05/13/24	\$ -	\$ 21,692
Fifth Third Bank revolving line of credit	(2)	6.33%	7.38%	Monthly	08/15/25	08/15/24	-	-
							-	21,692
Unsecured Debt								
CDFI Fund	(3)	0.00%	0.00%	Quarterly	12/31/57	12/31/57	415,800	428,400
Federal Home Loan Bank of Chicago	(4)	2.13%	2.13%	Quarterly	07/08/26	07/08/26	1,250,000	1,250,000
Starbucks	(5)	2.00%	2.00%	Annually	09/04/27	09/04/27	2,350,000	2,350,000
Rush University Medical Center		2.00%	2.00%	Quarterly	12/31/25	12/31/24	500,000	500,000
Rush University Medical Center		2.00%	2.00%	Quarterly	09/30/26	09/30/26	250,000	250,000
The Northern Trust		2.00%	2.00%	Semiannual	04/08/25	04/08/25	500,000	500,000
The Northern Trust		1.50%	1.50%	Semiannual	05/01/25	05/01/25	1,500,000	1,500,000
The Northern Trust		1.50%	1.50%	Semiannual	04/29/25	04/29/25	100,000	100,000
Burling Bank		1.50%	1.50%	Quarterly	04/24/25	04/24/25	250,000	250,000
Republic Bank		1.50%	1.50%	Quarterly	07/06/25	07/06/25	92,251	314,473
Adrian Dominican Sisters		0.00%	0.00%	N/A	10/26/25	10/26/25	250,000	250,000
MacArthur Foundation	(6)	1.00%	1.00%	Quarterly	12/15/25	12/15/25	3,000,000	3,000,000
Community Savings Bank		0.00%	0.00%	N/A	12/31/57	12/31/57	66,000	68,000
Google Opportunity Finance Network	(7)	2.00%	2.00%	Quarterly	06/30/26	06/30/26	2,000,000	2,000,000
Northern Illinois Community Initiatives, Inc		1.50%	1.50%	Quarterly	02/28/27	02/28/27	250,000	250,000
Opportunity Finance Network	(8)	4.00%		Quarterly	07/19/29		300,000	-
CIBC	(9)	3.00%		Quarterly	01/30/27		1,000,000	-
							14,074,051	13,010,873
Unsecured Subordinated Debt								
Devon Bank		2.00%	2.00%	Quarterly	03/26/25	03/26/24	80,096	80,096
Old National Bank		2.00%	2.00%	Quarterly	11/30/25	11/30/24	50,000	50,000
							130,096	130,096
Equity Equivalent Debt								
Bank Financial		2.00%	2.00%	Monthly	01/01/26	01/01/25	40,000	40,000
Bank of America		0.00%	0.00%	N/A	07/01/57	07/01/57	48,750	50,250
Byline Bank		2.00%	2.00%	Semiannual	12/01/25	12/01/24	300,000	300,000
Fifth Third Bank		0.00%	0.00%	N/A	06/30/57	06/30/57	126,332	130,219
First Bank Chicago		2.00%	2.00%	Semiannual	12/21/25	12/21/24	75,000	75,000
First Bank of Palatine		2.00%	2.00%	Semiannual	04/01/25	04/01/25	250,000	250,000
First Eagle Bank		2.00%	2.00%	Semiannual	09/30/25	09/30/24	100,000	100,000
First Eagle Bank		2.00%	2.00%	Semiannual	09/02/25	09/02/24	100,000	100,000
First National Bank of Omaha		2.00%	2.00%	Quarterly	05/31/26	05/31/26	250,000	250,000
First Savings Bank of Hegewisch		2.00%	2.00%	Semiannual	06/01/28	06/01/28	700,000	700,000
Providence Bank		2.00%	2.00%	Semiannual	01/01/26	01/01/25	75,000	75,000
Marquette Bank		1.75%	1.75%	Semiannual	05/31/25	05/31/24	150,000	150,000
Fifth Third Bank		0.00%	0.00%	N/A	06/01/57	06/01/57	64,717	66,708
Fifth Third Bank	(10)	2.00%	2.00%	Quarterly	12/31/29	12/31/29	1,250,000	1,250,000
Northern Trust Company		0.00%	0.00%	N/A	12/31/56	12/31/56	64,000	66,000
Green State Credit Union		2.00%	2.00%	Semiannual	01/01/26	01/01/25	25,000	25,000
Pan American Bank		2.00%	2.00%	Semiannual	04/01/25	04/01/25	75,000	75,000
US Bank		3.00%	3.00%	Monthly		04/19/24	-	250,000
US Bank		2.00%	2.00%	Quarterly	01/01/26	01/01/25	500,000	500,000
Country Mutual Insurance Company		1.50%	1.50%	Semiannual	04/30/25	04/30/25	125,000	125,000
International Bank of Chicago		2.00%	2.00%	Semiannual	06/14/25	06/14/24	100,000	100,000
							4,418,799	4,678,177
Total							18,622,946	17,840,838
Less: Present value discount							(1,223,061)	(1,264,767)
Net long-term debt							\$ 17,399,885	\$ 16,576,071

10. Notes Payable (cont'd)

- (1) The Organization had a loan with the SBA that was paid off in 2024.
- (2) The Organization has a revolving line of credit with Fifth Third Bank with a maximum borrowing base of the lesser of \$3,000,000 or 80% of eligible accounts as defined in the business loan agreement associated with the line of credit. The line of credit was collateralized by the assets of the Organization. Interest on the line of credit was payable at SOFR plus 2.00% and has a minimum interest rate of 2.00% per annum. The line of credit was subject to financial covenants, including maintaining a minimum debt service coverage ratio of 1.2 to 1. At December 31, 2024, the Organization was in compliance with the associated debt covenants.
- (3) The Department of the Treasury, Community Development Financial Institutions (CDFI) Fund loan had financial covenants, defined in their original agreement, relating to net assets, net revenue, and operating and capital ratios. However, the Organization has been informed by the CDFI Fund that the repayment of this debt will not be accelerated, and they are no longer required to submit reports to the CDFI Fund associated with the debt. In 2007, the Organization further restructured the debt agreement with the CDFI Fund, capitalizing the balance of \$30,000 for past interest, reducing the interest rate to 0%, extending the maturity to 2057, and requiring quarterly payments of \$3,150.
- (4) The Organization entered into a term note with the Federal Home Loan Bank Chicago (FHLB) for \$1,250,000. The term note is to be disbursed in two disbursements. The first disbursement of \$500,000 was drawn in 2016. The second disbursement of \$750,000 was drawn in 2023. The note has a maturity date of 10 years from initial disbursement and the funds are to be used for loan capital. The note bears interest at 2.13% and is unsecured, but contains covenants related to the Organization's maintenance as a Community Development Financial Institution, maintaining a level of use of lent funds, maintaining minimum financial ratios related to net assets, loan performance, among others. At December 31, 2024, the Organization was in compliance with the associated debt covenants.
- (5) The Organization has a loan with Starbucks Corporation. All proceeds of the debt must be used to provide financing to micro and small business owners serving low to moderate income businesses in a designated Chicagoland area. Annual principal payments of \$783,333 are payable on September 4, 2025 and 2026, with the remaining balance due in 2027. Interest at 2.00% is payable annually, each September. The agreement is subject to certain financial covenants including a minimum adjusted net assets (as defined) to adjusted assets (as defined) ratio of 40% (minimum capital) and, a maximum ratio of non-performing assets (loans 120 days or more past due) to loans outstanding of 15%. In addition, the Organization cannot increase the line of credit with Fifth Third Bank without the lender's approval. The Organization was in compliance with the covenants associated with this debt at December 31, 2024.
- (6) The Organization has a loan with John D. and Catherine T. MacArthur Foundation. All proceeds of the debt must be used to fund loans under the CSBRF program. The \$3 million loan was interest free for eighteen months and accrues interest at 1.00% per annum, payable quarterly, thereafter. All principal and unpaid interest is due on December 15, 2025. However, an amount not to exceed \$1.5 million is eligible for forgiveness if the Organization certifies that a total of \$3.7 million in loan loss reserve grant funds from the City of Chicago has been allocated to offset charged-off CSBRF program loans originated by the Organization and an additional \$1.5 million of CSBRF program loans have been charged-off.

10. Notes Payable (cont'd)

- (7) The Organization has a loan with Google Opportunity Finance Network. All proceeds of the debt must be used to provide technical and financial assistance to small businesses and non-profit organizations in physically blighted and economically distressed urban and rural areas with a goal to alleviate poverty, lessen the burdens of government, and/or combat community deterioration in such areas in a manner that is consistent with Opportunity Finance Network's charitable purposes and social justice mission. All principal is due on June 30, 2026. Interest is due at a fixed interest rate of 2.00% through the maturity date and is payable quarterly. The loan contains covenants related to maintaining a level of unrestricted revenues, and maintaining minimum financial ratios related to net assets, loan performance, among others. The Organization was in compliance with the covenants at December 31, 2024.
- (8) The Organization has a loan with Opportunity Finance Network. All proceeds of the debt must be used to provide technical and financial assistance to small businesses and non-profit organizations in physically blighted and economically distressed urban and rural areas with a goal to alleviate poverty, lessen the burdens of government, and/or combat community deterioration in such areas in a manner that is consistent with Opportunity Finance Network's charitable purposes and social justice mission. All principal is due on July 19, 2029. Interest is due at a fixed interest rate of 4.00% through the maturity date and is payable quarterly. The loan contains covenants related to maintaining a level of unrestricted revenues, and maintaining minimum financial ratios related to net assets, loan performance, among others. The Organization was in compliance with the covenants at December 31, 2024.
- (9) The Organization has a loan with CIBC Bank USA. All proceeds of the debt must be used to maintain a loan loss reserve for all outstanding revenue-based financing loans. Quarterly interest payments at 3.00% per annum are due on the outstanding balance of the note starting in March 2024. All principal and unpaid interest is due on January 30, 2027. The loan contains covenants related to maintaining a twenty percent funded loan loss cash reserve of the revenue-based financing loans, and maintaining reports related to the loan portfolio's performance, and designation as a Community Development Financial Institution. The Organization was in compliance with the covenants at December 31, 2024.
- (10) This equity equivalent debt with Fifth Third Bank is due December 31, 2029, but Fifth Third Bank has the right to exercise up to four options to extend the required repayment, with each option extending the maturity date one additional year. Up to \$2,500,000 in total may be drawn on the loan if the Organization meets certain requirements. The agreement also requires the Organization to maintain a minimum ratio of net assets to total assets of 20%. At December 31, the Organization was in compliance with this covenant.

Allies for Community Business
Notes to the Financial Statements

10. Notes Payable (cont'd)

Equity Equivalent Debt, or EQ2, is a capital product for Community Development Financial Institutions and their investors. This special debt investment allows organizations like Allies for Community Business to strengthen their capital structure and increase lending and investing in economically, disadvantaged communities. It is a long-term subordinated loan, offered by regulated financial institutions to fulfill their investment requirements by meeting the credit needs of the communities in which they do business. Like permanent capital, EQ2 enhances the Organization's lending flexibility and increases its debt capacity by protecting lenders from losses. Unlike permanent capital, it must eventually be repaid. To qualify as an EQ2, the obligation is not secured, is fully subordinated, essentially cannot have accelerated repayment, carries an interest rate not tied to income received by the Organization, and has a rolling term and, therefore, a relatively indeterminate maturity.

The total interest incurred and expensed on all notes payable outstanding, other than imputed interest, was \$323,846 in 2024 (\$360,505 in 2023).

Maturities of debt and the present value discount for imputed interest rate on below market interest and interest-free loans at December 31, 2024, are as follows:

Future Principal Payments (Face Value)

	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2025	\$ 6,990,184	\$ 130,096	\$ 1,924,380	\$ 9,044,660
2026	4,297,933	-	259,380	4,557,313
2027	2,047,934	-	9,380	2,057,314
2028	14,600	-	709,380	723,980
2029	314,600	-	1,259,382	1,573,982
2030 - 2034	73,000	-	46,900	119,900
2035 - 2039	73,000	-	46,900	119,900
2040 - 2044	73,000	-	46,900	119,900
2045 - 2049	73,000	-	46,900	119,900
2050 - 2054	73,000	-	46,900	119,900
2055 - 2057	43,800	-	22,397	66,197
	<u>\$ 14,074,051</u>	<u>\$ 130,096</u>	<u>\$ 4,418,799</u>	<u>\$ 18,622,946</u>

Allies for Community Business
Notes to the Financial Statements

10. **Notes Payable** (cont'd)

Debt Discount Amortization

	Unsecured	Unsecured	Equity	
	Debt	Subordinated	Equivalent	Total
	Debt	Debt	Debt	
2025	(306,092)	\$ -	\$ (67,046)	\$ (373,138)
2026	(151,552)	-	(65,408)	(216,960)
2027	(36,370)	-	(65,330)	(101,700)
2028	(22,427)	-	(62,367)	(84,794)
2029	(18,203)	-	(60,805)	(79,008)
2030 - 2034	(60,243)	-	(38,554)	(98,797)
2035 - 2039	(54,956)	-	(35,121)	(90,077)
2040 - 2044	(47,510)	-	(29,395)	(76,905)
2045 - 2049	(36,905)	-	(23,432)	(60,337)
2050 - 2054	(21,950)	-	(13,768)	(35,718)
2055 - 2057	(3,553)	-	(2,074)	(5,627)
	<u>(759,761)</u>	<u>-</u>	<u>(463,300)</u>	<u>(1,223,061)</u>
Total debt, net	<u>\$ 13,314,290</u>	<u>\$ 130,096</u>	<u>\$ 3,955,499</u>	<u>\$ 17,399,885</u>

11. **Commitments and Contingencies**

Financial Instruments with Concentration of Credit Risk – Loans generally range in size at origination from \$500 to \$300,000, while their terms generally range from 2 to 60 months, with the exception of SBA CA SBLCs loans that have a maximum term of 120 months. Collateral and cosigners may be required, depending upon the loan amount and the perceived credit risk. While the Organization serves all of Illinois and Indiana, most of the Organization's business activity is with borrowers located throughout Illinois, with the majority of these borrowers concentrated in the Chicagoland area. Geographic concentration risk associated with the Organization's borrowers arises largely from the influence of economic conditions in the Midwest region, and particularly, the Chicagoland area. The Organization's lending limit is \$100,000 with the SBA CA SBLCs program. Under that program, the SBA provides an 85% guarantee of the loan balance if the loan is underwritten and monitored in accordance with program standards.

The Organization has extended credit to some of its borrowers in the form of revolving lines of credit. The commitment in excess of amounts lent on these revolving lines of credit approximates \$741,000 at December 31, 2024.

Informational Internal Revenue Service Filings – The Organization received a notice from the Internal Revenue Service assessing a \$213,150 penalty related to certain informational returns filed in 2022. Management is in the process of attempting to have the penalty abated and believes there is reasonable cause for abatement due to the facts and circumstances related to these filings. Management has not recorded a liability associated with the notice because management does not believe it is likely the Organization will be unsuccessful in abating the penalty.

11. Commitments and Contingencies (cont'd)

Fees and Grants Received – The Organization has received significant financial assistance from federal, state and local government agencies. The disbursement of funds received under these programs, including payments made by governmental agencies to extinguish the Organization's debt, generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. Management does not believe the risk related to potentially disallowable claims is probable.

12. Restrictions and Limitations on Net Assets

Net assets with donor restrictions at December 31, consisted of the following:

	2024	2023
EDA revolving loan funds	\$ 1,877,945	\$ 2,301,837
Imputed Interest on below market and interest-free loans	1,223,061	1,264,767
The Chicago Community Trust - Revenue-based financing loan loss reserve funds	1,000,000	1,000,000
Neighborhood Entrepreneur Lab funds	1,020,126	944,428
Capital and Coaching for Chicagoland entrepreneurs	1,275,752	655,760
Entrepreneurs of Color funds	24,485	461,683
Funding for Lake County, Illinois activities	255,000	402,248
City of South Bend - loan funds	87,500	135,750
Tory Burch - loan funds	38,219	104,658
ChiBizHub Portal and Programming	-	91,193
Bank of America - funds for SBA loan loss reserve	60,000	60,000
Fawohodie Foundation	75,027	-
Other purpose restricted contributions	115,068	139,068
	<u>\$ 7,052,183</u>	<u>\$ 7,561,392</u>

13. Employee Benefit Plan

The Organization has a SIMPLE Individual Retirement Account Plan that covers all full-time employees. The plan calls for the Organization to match employee contributions to the plan dollar-for-dollar up to a maximum of 3% of employee compensation. Benefit plan expense was \$85,241 for the year ended December 31, 2024 (\$76,363 in 2023).

14. Related Parties

From time to time, the Organization procures grants, financial products, and services from members of the Board of Directors or the organizations that employ them. These transactions are in the ordinary course of the Organization's business.

15. Subsequent Events

Subsequent to December 31, 2024, the Organization was awarded various grants for restricted purposes not to exceed approximately \$2,080,000.

The Organization also drew down the remaining \$1,250,000 available on its equity equivalent debt with Fifth Third Bank, as described in Note 10 item (10).

In addition, in May of 2025, the Organization also executed a new debt \$2,500,000 note payable due to The Northern Trust. The proceeds were used to pay off three unsecured notes payable that had an aggregate balance of \$2,100,000 at December 31, 2024 and resulted in \$400,000 of new debt.

See Note 4 for additional subsequent event disclosures.

Subsequent events have been evaluated through May 22, 2025, which is the date the financial statements were available to be issued.

Allies for Community Business
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	Grant, Award, or Other Identifying Number	Total Federal Expenditures
U.S. Department of Commerce:			
Economic Adjustment Assistance Program - RLF	11.307	06-79-05998	\$ 295,221
Economic Adjustment Assistance Program - RLF	11.307	06-79-06203	<u>1,600,601</u>
Total Assistance Listing Number 11.307 and Total Economic Development Cluster			<u>1,895,822</u>
U.S. Department of the Treasury:			
Community Development Financial Institutions Program	21.020	001CD002153	<u>428,400</u>
Passed through the City of Chicago Department of Business Affairs and Consumer Protection: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	246880/1278148	6,617,743
Passed through Cook County Bureau of Economic Development: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2561-1907	<u>24,774</u>
Total Assistance Listing Number 21.027			* <u>6,642,517</u>
Total U.S. Department of Treasury			<u>7,070,917</u>
U.S. Small Business Administration:			
7(a) Loan Guarantees	59.012	750 Agreement	<u>151,469</u>
Microloan Program:			
Loan issued March 26, 2015, due September 7, 2024	59.046	6835325010	21,692
Prime Technical Assistance Program	59.050	SBAOCAPR230103-01-00	<u>183,469</u>
Total U.S. Small Business Administration			<u>356,630</u>
Total expenditures of federal awards			<u><u>\$ 9,323,369</u></u>

* - Major Program

See notes to the schedule of expenditures of federal awards.

Allies for Community Business
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Allies for Community Business (Organization) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited to reimbursement.

Indirect Cost Rate – The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Grant, Award, or Other Identifying Number – Grant or award numbers are presented where available. The U.S. Small Business Administration 7(a) loan guarantee program does not have grant or award numbers available. The basis of the identifying numbers provided on the schedule of expenditures of federal awards for the contracts are the dates of the award or loan guarantee agreements.

3. Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2024.

4. Nonmonetary Assistance

The Organization neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended December 31, 2024, except as described in Note 8.

5. Donated Personal Protective Equipment (unaudited)

The Organization did not receive any in-kind donations of personal protective equipment that was funded by direct or pass through federal awards.

6. Loans and Loan Guarantees

In accordance with the *Uniform Guidance*, §200.502 *Basis for determining Federal awards expended*, since the federal government is at risk for loans and loan guarantees awarded until the debt is repaid, the amount to be presented as expenditures of federal awards for loans and loan guarantees awarded, including those awarded and expended in prior years that have continuing compliance requirements, is:

- (1) Value of new loans or loan guarantees made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans and loan guarantees from previous years for which the federal government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

Allies for Community Business
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

6. Loans and Loan Guarantees (cont'd)

Accordingly, the Organization has reported loans and loan guarantees awarded in accordance with the aforementioned criteria. Amounts presented as expenditures of federal awards for loan and loan guarantee programs by federal program and Assistance Listing Number (ALN) are as follows:

	Community Development Financial Institutions Program - 21.020	7(a) Loan Guarantees - 59.012	Microloan Program - 59.046
Value of new loans made	\$ -	\$ -	\$ -
Value of new loan guarantees made	-	-	-
Loan guarantee balance, beginning of year	-	151,469	-
Loan balance, beginning of year	428,400	-	21,692
Total expenditures of federal awards presented for loan and loan guarantee programs	428,400	151,469	21,692
Expenditures of other non-loan/non-loan guarantee awards	-	-	-
Total expenditures presented on the schedule of expenditures of federal awards	\$ 428,400	\$ 151,469	\$ 21,692
Balance of loans and loan guarantees at December 31, 2024	\$ 415,800	\$ 96,302	\$ -

7. Basis for Determining Expenditures of Federal Awards for the Economic Adjustment Assistance Program, Federal ALN 11.307

The Office of Management and Budget (OMB) Compliance Supplement section 4-11.300 provides a formula to determine the amount to be presented on the schedule of expenditures of federal awards for revolving loan fund (RLF) grants under federal ALN 11.307. The formula to determine expenditures to be reported in the Schedule is as follows:

- (1) The balance of RLF loans outstanding at the end of the recipient's fiscal year, plus;
- (2) The cash and investment balance in the RLF at the end of the fiscal year, plus;
- (3) Administrative expenses paid out of the RLF during the year, plus;
- (4) The unpaid principal of all loans written off during the year; and then multiply this sum by;
- (5) The federal share of the RLF based on the federal grant rate as specified in the grant award.

Allies for Community Business
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

7. Basis for Determining Expenditures of Federal Awards for the Economic Adjustment Assistance Program, Federal ALN 11.307 (cont'd)

Accordingly, the Organization has reported expenditures of federal awards for its Economic Adjustment Assistance funded RLF program as follows:

Award Number	<u>06-79-05998</u>	<u>06-79-06203</u>
Balance of RLF loans outstanding at December 31, 2024	\$ 531,861	\$ 841,503
Cash balance (deficit) in the RLF at December 31, 2024	(327,655)	565,704
Administrative expenses paid out of the RLF in 2024	57,642	72,115
Net unpaid principal of all RLF loans written off (recovered) during the year	<u>328,593</u>	<u>121,279</u>
Base RLF expenditures	590,441	1,600,601
Multiplied by the federal share of the RLF	<u>1/2</u>	<u>1</u>
Total expenditures presented on the schedule of expenditures of federal awards	<u>\$ 295,221</u>	<u>\$ 1,600,601</u>

8. Expenditures of Federal Awards for COVID-19 Coronavirus State and Local Fiscal Recovery Fund ALN 21.027

Included in expenditures of federal awards for the amounts passed through by the City of Chicago Department of Business Affairs and Consumer Protection under ALN 21.027 with a award identification number of 246880/1278148 are \$5,745,099 received where the Organization does not have variance power, and accordingly were recorded as a liability on the Organizations statement of financial position when received and a reduction of that liability when they were disbursed in 2024 because management has determined that the Organization is acting as an agent on behalf of the grantor. Also included in expenditures of federal awards are an additional \$77,293 of interest rate subsidies used to buy down the interest rate on loans issued to beneficiaries under the grant program. The remaining \$820,125 of expenditures of federal awards under this ALN are expenditures of funding under the grant where the Organization is not acting as a fiscal agent and are recorded as expenses on the Organization's statement of activities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Allies for Community Business
Chicago, Illinois

We have audited, in accordance with the 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, the financial statements of **Allies for Community Business**, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allies for Community Business's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allies for Community Business's internal control. Accordingly, we do not express an opinion on the effectiveness of Allies for Community Business's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allies for Community Business's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seelden Fox, Ltd.

May 22, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Allies for Community Business
Chicago, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Allies for Community Business's** compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allies for Community Business's (the Organization) major federal programs for the year ended December 31, 2024. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Allies for Community Business complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Allies for Community Business's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Allies for Community Business's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Allies for Community Business's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Allies for Community Business's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Allies for Community Business's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Allies for Community Business's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Compliance (cont'd)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Seiden Fox, Ltd.

May 22, 2025

**Allies for Community Business
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Allies for Community Business were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses were reported during the audit of the financial statements.
3. The audit did not identify any instances of noncompliance that were material to the financial statements of Allies for Community Business, which would be required to be reported in accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses in internal control over the major federal award program were reported in the Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal programs for Allies for Community Business, expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs:
 - COVID-19 Coronavirus State and Local Fiscal Recovery Funds – Assistance Listing Number 21.027.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Allies for Community Business was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

The audit did not disclose any findings, or questioned costs, to be reported.

FINDINGS AND QUESTIONED COSTS–MAJOR FEDERAL AWARD PROGRAMS AUDIT

The audit did not disclose any findings, or questioned costs to be reported.

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

Grantee Name	Allies for Community Business, Inc.
ID Numbers	Audit: 55619 Grantee: 694128 UEI: FC5NR7XNV1J9 FEIN: 363966573
Audit Period	1/1/2024 - 12/31/2024
Last Update	5/16/2025 8:48:29 AM
Program Count	1

EXPENDITURES BY PROGRAM

CSFA #	Program Name	State	Federal	Total	Match
420-27-2679	Back to Business Program	4,985,018.00	0.00	4,985,018.00	0.00
	All other federal expenditures		9,323,369.00	9,323,369.00	
TOTALS		4,985,018.00	9,323,369.00	14,308,387.00	0.00

EXPENDITURES BY CATEGORY

Amount	Category
4,985,018.00	Expenditures for all budget lines for DCEO grants

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

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05/16/25

State Agency	Department Of Commerce And Economic Opportunity
CSFA Number	420-27-2679
Program Name	Back to Business Program
Popular Name	B2B Program
Program Contact	Name: Travis Grupe Phone: 217-782-7500 Email: CEO.LocalChambers@illinois.gov
State Amount Expended	4985018.00
Federal Amount Expended	0.00

Expenditures by Category

4,985,018.00	Expenditures for all budget lines for DCEO grants
4,985,018.00	TOTAL

Allies for Community Business
Notes to the Illinois Grant Accountability and Transparency Act Consolidated Year End
Financial Report
For the Year Ended December 31, 2022

1. Basis of Presentation

The accompanying consolidated year end financial report (CYEFR) includes the expenditures of Allies for Community Business (Organization) under programs of the State of Illinois and other grant programs and activities for the year ended December 31, 2024. The information in the report is presented in accordance with the requirements of *the State of Illinois Grant Accountability and Transparency Act, 30 ILCS 708/1*. Because the CYEFR presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures – Expenditures reported on the CYEFR are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

- 3. Indirect Cost Rate** – The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. CSFA 420-27-2679 Back to Business Program Expenditures

Expenditures for CSFA 420-27-2679 Back to Business Program include \$4,925,514 of disbursements that management has determined that Allies for Community Business (Organization) was acting as an agent because management determined that the Organization did not have variance power associated with those disbursements. In addition, included in expenditures for CSFA 420-27-2679 were an additional \$59,504 of reimbursed costs associated with the program that are included on the Organization's statement of activities.