



**AUDIT REPORT – GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

**Allies for Community Business  
Audit Report - Government Auditing Standards  
For the Year Ended December 31, 2025**

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# Selden Fox

Accounting for your future

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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, 2025 and 2024, 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, 2025 and 2024, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2026, 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 26, 2026

**Allies for Community Business  
Statement of Financial Position  
December 31,**

	2025	2024
<b>Assets</b>		
Cash and restricted cash:		
Unrestricted	\$ 6,698,782	\$ 6,647,137
Restricted cash	4,719,566	5,285,552
Designated for loan loss reserve	74,989	74,989
<b>Total cash and restricted cash</b>	<b>11,493,337</b>	<b>12,007,678</b>
Contributions receivable:		
Government receivables	567,996	436,368
Other public support receivable	672,197	217,256
Loans receivable, net of allowance for credit losses of \$1,706,660 and \$3,238,412 at December 31, 2025 and 2024, respectively	16,426,819	15,726,224
Prepaid expenses and other assets	198,370	194,544
Investments in:		
The Hatchery Title Holding Corporation NFP	64,523	155,192
The Hatchery Master Tenant LLC	8,777,439	3,928,149
Property, equipment, and software, net	202,865	288,367
Operating lease right-of-use asset	3,222,140	3,420,436
<b>Total assets</b>	<b>\$ 41,625,686</b>	<b>\$ 36,374,214</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 94,646	\$ 185,650
Accrued expenses	431,046	181,652
Deferred revenue	298,864	-
Funds held for others	800,838	764,998
Notes payable, less discount of \$1,142,016 and \$1,223,061 at December 31, 2025 and 2024, respectively	18,281,242	17,399,885
Operating lease liability	3,460,381	3,617,240
<b>Total liabilities</b>	<b>23,367,017</b>	<b>22,149,425</b>
Net assets:		
Without donor restrictions	11,503,719	7,172,606
With donor restrictions	6,754,950	7,052,183
<b>Total net assets</b>	<b>18,258,669</b>	<b>14,224,789</b>
<b>Total liabilities and net assets</b>	<b>\$ 41,625,686</b>	<b>\$ 36,374,214</b>

See accompanying notes.

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

	2025			2024		
	Without Donor Restrictions	With	Total	Without Donor Restrictions	With	Total
Public support and revenue:						
Public support:						
Contributions:						
Corporations, foundations and individuals	\$ 1,606,894	\$ 2,308,540	\$ 3,915,434	\$ 1,280,884	\$ 4,634,193	\$ 5,915,077
Governmental support	767,591	500,000	1,267,591	1,235,588	-	1,235,588
Imputed interest contribution	-	334,691	334,691	-	512,068	512,068
<b>Total public support</b>	<b>2,374,485</b>	<b>3,143,231</b>	<b>5,517,716</b>	<b>2,516,472</b>	<b>5,146,261</b>	<b>7,662,733</b>
Other revenues:						
Loan interest	1,048,814	192,200	1,241,014	937,736	218,052	1,155,788
Loan fees	255,907	-	255,907	225,285	-	225,285
Investment income	346,599	-	346,599	137,559	-	137,559
Participation income	15,300	-	15,300	9,360	-	9,360
Administrative fees and other income	640,040	-	640,040	754,804	15,000	769,804
Equity in income from (loss on):						
The Hatchery Title Holding Corporation, NFP	(90,669)	-	(90,669)	(87,264)	-	(87,264)
The Hatchery Master Tenant LLC	4,849,290	-	4,849,290	(160,351)	-	(160,351)
Net assets released from restrictions	3,632,664	(3,632,664)	-	5,888,522	(5,888,522)	-
<b>Total other revenues</b>	<b>10,697,945</b>	<b>(3,440,464)</b>	<b>7,257,481</b>	<b>7,705,651</b>	<b>(5,655,470)</b>	<b>2,050,181</b>
<b>Total public support and revenue</b>	<b>13,072,430</b>	<b>(297,233)</b>	<b>12,775,197</b>	<b>10,222,123</b>	<b>(509,209)</b>	<b>9,712,914</b>
Expenses:						
Program services	7,368,990	-	7,368,990	8,605,346	-	8,605,346
Management & general/administrative	910,617	-	910,617	820,371	-	820,371
Fund-raising	461,710	-	461,710	395,925	-	395,925
<b>Total expenses</b>	<b>8,741,317</b>	<b>-</b>	<b>8,741,317</b>	<b>9,821,642</b>	<b>-</b>	<b>9,821,642</b>
<b>Change in net assets</b>	<b>4,331,113</b>	<b>(297,233)</b>	<b>4,033,880</b>	<b>400,481</b>	<b>(509,209)</b>	<b>(108,728)</b>
Net assets, beginning of year	7,172,606	7,052,183	14,224,789	6,772,125	7,561,392	14,333,517
<b>Net assets, end of year</b>	<b>\$ 11,503,719</b>	<b>\$ 6,754,950</b>	<b>\$ 18,258,669</b>	<b>\$ 7,172,606</b>	<b>\$ 7,052,183</b>	<b>\$ 14,224,789</b>

See accompanying notes.

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

	2025				2024			
	Program	Administrative	Fund-raising	Total	Program	Administrative	Fund-raising	Total
Functional expenses:								
Salaries and wages	\$ 2,779,628	\$ 541,974	\$ 236,959	\$ 3,558,561	\$ 2,812,886	\$ 454,186	\$ 221,482	\$ 3,488,554
Payroll taxes and fringe benefits	543,535	106,040	46,361	695,936	536,679	94,060	42,123	672,862
Credit and collection	510,732	786	344	511,862	552,187	11,996	5,159	569,342
Interest	366,377	-	-	366,377	323,846	-	-	323,846
Amortization of imputed interest for notes payable issued below fair value	415,736	-	-	415,736	553,774	-	-	553,774
Provision for loan losses	276,768	-	-	276,768	1,507,736	-	-	1,507,736
Occupancy	508,352	99,119	43,336	650,807	511,052	93,569	40,239	644,860
Professional fees and consultants	358,246	63,447	89,863	511,556	262,723	49,346	25,227	337,296
Telephone	35,866	6,259	3,140	45,265	35,709	5,777	3,009	44,495
Insurance	30,511	5,949	2,601	39,061	29,391	5,381	2,314	37,086
Equipment rental and maintenance	9,932	1,937	847	12,716	14,579	2,669	1,148	18,396
Supplies	5,439	1,061	607	7,107	8,563	1,568	674	10,805
Marketing	4,265	129	117	4,511	38,695	6,362	2,736	47,793
Event expense	10,507	-	793	11,300	29,484	2,924	14,629	47,037
Travel	1,200	204	89	1,493	4,477	719	309	5,505
Training	9,057	1,766	772	11,595	21,251	3,875	1,364	26,490
Information technology	313,951	56,233	24,586	394,770	315,251	52,590	22,616	390,457
Dues and subscriptions	676	132	58	866	1,193	512	220	1,925
Depreciation and amortization	115,130	22,448	9,815	147,393	144,187	26,399	11,353	181,939
Other	10,416	3,133	1,422	14,971	-	8,438	1,323	9,761
Grants and contributions made	1,062,666	-	-	1,062,666	901,683	-	-	901,683
<b>Total expenses</b>	<b>\$ 7,368,990</b>	<b>\$ 910,617</b>	<b>\$ 461,710</b>	<b>\$ 8,741,317</b>	<b>\$ 8,605,346</b>	<b>\$ 820,371</b>	<b>\$ 395,925</b>	<b>\$ 9,821,642</b>

See accompanying notes.

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,033,880	\$ (108,728)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization on property and equipment	147,393	181,939
Provision for loan losses	276,768	1,507,736
Amortization of operating lease right-of-use asset	198,296	195,376
Contribution revenue on below market interest notes payable	(334,691)	(512,068)
Equity in loss of:		
The Hatchery Title Holding Corporation NFP	90,669	87,264
The Hatchery Master Tenant LLC	(4,849,290)	160,351
Interest expense on below market interest loans	415,736	553,774
Changes in:		
Contributions receivable	(454,941)	266,900
Government receivables	(131,628)	(329,723)
Prepaid expenses and other assets	(3,826)	24,252
Accounts payable and accrued expenses	158,390	2,443
Deferred revenue	298,864	(60,000)
Funds held for others	35,840	293,794
Operating lease liability	(156,859)	(133,812)
<b>Net cash from operating activities</b>	<u>(275,399)</u>	<u>2,129,498</u>
Cash flows from investing activities:		
Net originations of loans	(1,415,506)	(2,391,591)
Proceeds from sales of loans	438,143	982,529
Purchases of property, equipment, and software	(61,891)	(111,518)
<b>Net cash from investing activities</b>	<u>(1,039,254)</u>	<u>(1,520,580)</u>
Cash flows from financing activities:		
Principal repayment of notes payable	(3,249,688)	(517,892)
Proceeds from notes payable	4,050,000	1,300,000
<b>Net cash from financing activities</b>	<u>800,312</u>	<u>782,108</u>
<b>Net change in cash and restricted cash</b>	<u>(514,341)</u>	<u>1,391,026</u>
Cash and restricted cash, beginning of the year	<u>12,007,678</u>	<u>10,616,652</u>
Cash and restricted cash, end of the year	<u>\$ 11,493,337</u>	<u>\$ 12,007,678</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 365,577</u>	<u>\$ 323,046</u>
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$ 216,222</u>	<u>\$ 207,265</u>

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 2025 or 2024.

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 2022, 2023 and 2024 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, 2025 or 2024.

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, 2025, cash accounts exceeded federally insured limits by approximately \$10,947,000.

**Contributions Receivable** – 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 probable losses on specific contributions and past experience with the donor or entity. No allowance was considered to be necessary as of December 31, 2025 and 2024. Substantially all contributions receivable 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, 2025 and 2024, 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. Also, loans are charged off 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 also 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, 2025, 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. The program provided low-interest loans to support small businesses that experienced a temporary loss of revenue due to the COVID-19 outbreak. As of January 1, 2024, as a result of participating in the program, the Organization carried significant economic uncertainties that impacted the Organization's allowance for credit losses. As those loans matured, the uncertainty became significantly less and the portfolio outperformed the allowance assigned to those loans, resulting in a credit to the provision for loan losses of \$66,639 and \$697,340 in 2025 and 2024, respectively, associated with this portfolio segment.

**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, 2025 and 2024.

**Allies for Community Business**  
**Notes to the Financial Statements**

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

**Certain Vulnerabilities and Concentrations** – No single donor or grantor accounted for more than 10% of public support in 2025. In 2024, 26% of total public support and revenue was from a financial institution. 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 2025 or 2024.

**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>2025</u>	<u>2024</u>
NEL Cohorts	\$ 600,000	\$ 580,000
Hatchery Programming	50,000	175,000
Fawohodie Foundation Project K	135,306	138,723
Fiscal Sponsor Costs	199,757	-
Commercial Corridor Storefront Program	71,340	-
Other grants and contributions made	6,263	7,960
	<u>\$ 1,062,666</u>	<u>\$ 901,683</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 \$4,511 in 2025 (\$47,793 in 2024).

**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.

**Allies for Community Business**  
**Notes to the Financial Statements**

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 \$640,040 and \$769,804 in 2025 and 2024, 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.

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

<b><u>Funding Source</u></b>	<b><u>Funding Purpose</u></b>		<b><u>2025</u></b>	<b><u>2024</u></b>
Lending, Loan Loss Reserves, and Technical Assistance:				
The Chicago Community Trust	Loan loss reserve	(1)	<b>\$ 1,000,000</b>	\$ 1,000,000
Support from Various Sources for Neighborhood Entrepreneur Lab	Support of NEL Cohorts	(2)	<b>1,097,660</b>	1,020,126
The Chicago Community Trust/JPMorgan Chase/Fifth Third Bank	Capital and Coaching for Chicagoland Entrepreneurs	(3)	<b>530,081</b>	533,832
Economic Development Administration	Lending: Cook County, Illinois and Lake County, Indiana	(4)	<b>287,526</b>	565,704
Entrepreneurs of Color: JPMorgan Chase Bank	Technical Assistance and Lending: Women and People of Color	(5)	-	24,485
	Lake County Grant and Loan			
Private Foundation Funding	Capital	(6)	<b>110,500</b>	255,000
Tory Burch	Lending: Women entrepreneurs	(7)	-	38,219
City of South Bend	Loan Program	(8)	<b>87,500</b>	87,500
Bank of America Foundation	SBA loan loss reserve	(9)	<b>60,000</b>	60,000
Wells Fargo	Loan Program	(10)	<b>103,465</b>	560,577
JPMorgan Chase Bank	Technical Assistance	(11)	-	181,343
JPMorgan Chase Bank	Loan Program and NOF	(14)	<b>268,021</b>	-
Citi Foundation	Technical Assistance	(15)	<b>250,000</b>	-
Funds Held for Others:				
Private Foundation Funding	Funds held for others	(6)	<b>515,000</b>	600,000
Fawohodie Foundation	Funds held for others	(13)	<b>49,646</b>	51,306
Other	Funds held for others		<b>236,193</b>	113,692
Other:				
The Chicago Community Trust	Hatchery Phase II	(12)	<b>27,000</b>	27,000
Fawohodie Foundation	Project K Fiscal Sponsor	(13)	<b>33,911</b>	75,027
Other			<b>63,063</b>	91,741
	<b>Total Restricted Cash</b>		<b><u>\$ 4,719,566</u></b>	<b><u>\$ 5,285,552</u></b>

**Allies for Community Business**  
**Notes to the Financial Statements**

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2. **Restricted Cash** (cont'd)

- (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.
- (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 amount represents the remaining cash from these funds, which was fully deployed in 2025.
- (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, which was fully deployed in 2025.
- (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 which is in the form of a loan loss reserve.
- (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) 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.
- (11) 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, which was fully deployed in 2025.
- (12) In 2021, the Organization received \$100,000 in support of exploring a future business incubator. This amount represents the remaining cash from these funds.
- (13) The Organization serves in both fiscal agent and fiscal sponsor capacities 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 represents the remaining cash associated with these project activities.

**Allies for Community Business**  
**Notes to the Financial Statements**

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2. **Restricted Cash** (cont'd)

- (14) In 2025, the Organization received \$500,000 from JPMorgan Chase Bank in support of the Organization's Revenue-Based Financing and Neighborhood Opportunity Fund Small Business Programming. This amount represents the remaining cash from these funds.
- (15) In 2025, the Organization received \$250,000 from the Citi Foundation to provide technical assistance to low-income clients in Cook, DuPage, Kane, Lake, McHenry, and Will counties in Illinois. This amount represents 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, 2025 and 2024 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. **Investments in The Hatchery Entities**

The Organization 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 the Organization and ICNC.

The Project financing closed on January 18, 2018 ("Closing"). At Closing, the Master Tenant entered into a six-year sublease with the Organization for office space with extension options (See Note 9). Also, at closing, ICNC entered into a six-year sublease with the Master Tenant for the remainder of the space with three consecutive five-year extension options.

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

Also, at Closing, the Master Tenant signed promissory notes with four lenders with original balances totaling \$18,922,228, which are guaranteed by the Organization 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 rights of THTHC and the Master Tenant are subordinate to the mortgages securing the debt on both entities. The aggregate balances of the promissory notes totaled \$7,448,334 and \$11,015,310 at December 31, 2025 and 2024, respectively. At December 31, 2025, all of these promissory notes mature and were due January 13, 2026, as extended from time-to-time.

In addition, at Closing, the Master Tenant made a \$20,546,500 leveraged loan to The Hatchery Investment Fund LLC, at that time, 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, 2025 and 2024, was \$29,560,000.

Pursuant to the environmental indemnity agreement dated January 18, 2018 (EI Agreement), between the Organization, 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, the Organization, ICNC (formerly known as KIDC), and Master Tenant (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, the Organization, ICNC, and Master Tenant (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.

**Allies for Community Business**  
**Notes to the Financial Statements**

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

On March 11, 2025, THTHC, the Master Tenant, The Hatchery Investment Fund LLC and the CDEs were part of the unwind of the NMTC financing transaction. As a part of the unwind, the CDEs assigned loans made to THTHC 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. Then, on March 14, 2025, the entire ownership interest in The Hatchery Investment Fund LLC was assigned from a third-party investor to the Master Tenant. After the unwind and also at December 31, 2025, THTHC has debt due to the Master Tenant of \$20,546,500 and debt due to The Hatchery Investment Fund LLC, now the wholly-owned subsidiary of the Master Tenant, of \$9,013,500.

Information on the financial position of THTHC and the consolidated financial position of the Master Tenant are as follows at December 31, 2025:

	<b>THTHC</b>	<b>Master Tenant</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 15,638	\$ 674,236
Current portion of notes receivable	-	8,816,046
Master lease receivable	1,242,147	-
Other current assets	46,005	456,704
Total current assets	1,303,790	9,946,986
Notes receivable, less current portion	-	20,743,954
Operating lease right-of-use asset	-	9,293,243
Fixed assets, net	23,571,200	91,514
Deferred rent asset	4,461,650	-
Total assets	29,336,640	40,075,697
<b>Liabilities:</b>		
Current portion of notes payable	\$ 8,816,046	\$ 7,448,334
Master lease payable	-	1,085,262
Other current liabilities	222,302	114,206
Total current liabilities	9,038,348	8,647,802
Notes payable, less current portion, gross	20,743,954	-
Less unamortized debt issuance costs	(574,706)	-
Operating lease liability	-	13,873,018
Total liabilities	29,207,596	22,520,820
Equity:	129,044	17,554,877
Total liabilities and equity	29,336,640	40,075,697

**Allies for Community Business**  
**Notes to the Financial Statements**

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

Information on the financial position of THTHC and the Master Tenant are as follows at December 31, 2024:

	THTHC	Master Tenant
Assets:		
Cash and cash equivalents	\$ 201,821	\$ 2,035,647
Current portion of notes receivable	-	8,505,204
Master lease receivable	81,144	-
Other current assets	68,033	988,084
Total current assets	350,998	11,528,935
Notes receivable, less current portion	-	12,041,296
Operating lease right-of-use asset	-	9,513,218
Fixed assets, net	24,354,004	4,757
Deferred rent asset	4,592,268	-
Total assets	29,297,270	33,141,554
	THTHC	Master Tenant
Liabilities:		
Current portion of notes payable	\$ 23,227	\$ 11,011,480
Other current liabilities	-	119,047
Total current liabilities	23,227	11,130,527
Master lease payable	-	14,154,729
Notes payable, less current portion, gross	29,560,000	-
Less unamortized debt issuance costs	(596,342)	-
Total liabilities	28,963,658	25,285,256
Equity:	310,385	7,856,298
Total liabilities and equity	29,297,270	33,141,554

On January 13, 2026, the Master Tenant, The Hatchery Investment Fund LLC and THTHC entered into a junior mortgage, assignment of rents and security agreement with the Organization in the amount of \$3,825,089. The loan bears no interest and will mature on January 13, 2046. The loan proceeds were used to repay a portion of the Master Tenant's notes payable and require quarterly principal payments of \$47,814.

Effective February 28, 2026, the Master Tenant, The Hatchery Investment Fund LLC and THTHC entered into an agreement to terminate the master lease between THTHC and the Master Tenant.

Effective February 28, 2026, Master Tenant, The Hatchery Investment Fund LLC and the Organization entered into an agreement to terminate the lease between the Master Tenant and the Organization.

Effective February 28, 2026, Master Tenant, The Hatchery Investment Fund LLC and ICNC entered into an agreement to terminate the lease between the Master Tenant and ICNC.

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

Effective March 1, 2026 the Organization and ICNC both entered into leases with THTHC to lease commercial spaces from THTHC.

In connection with refinancing the Master Tenant's third-party debt, on March 3, 2026, a third-party lender made a mortgage loan of \$900,000 to THTHC in connection with refinancing a portion of the Master Tenant's notes payable that matures in 2041 and requires monthly principal and interest payments of \$7,739 beginning May 1, 2026. Another third-party lender also made a mortgage loan to THTHC of \$2,646,258 that matures in 2031 on the same date to refinance the rest of the Master Tenant's third-party notes payable. This loan requires annual principal payments of \$100,000 in March through 2031. The loans were made to THTHC because THTHC assumed the debt of the Master Tenant subsequent to December 31, 2025. These two loans and the junior mortgage entered into on January 13, 2026 are guaranteed by the Organization and ICNC and are secured by a mortgage and assignment of rents of the real property of THTHC. The junior mortgage entered into on January 13, 2026 is subordinate to these two loans.

On March 3, 2026, the City of Chicago also recorded a junior mortgage on the THTHC's real property to protect its ongoing interest in a Redevelopment Agreement ("RDA") that requires compliance with terms of the RDA related to the permitted use, occupancy, reporting and certain other terms and conditions of the RDA.

On March 13, 2026, the Hatchery Investment Fund LLC filed a certificate of cancellation with the Delaware Secretary of State and on March 31, 2026, the Master Tenant filed a certificate of termination with the Illinois Secretary of State. Effective with these filings, operations of these two entities has wound up and ceased to exist.

The Organization and ICNC, as members of the Master Tenant and Hatchery Investment Fund LLC, entered into authorization and assumption of rights and obligations related to THTHC's property as of April 30, 2026 to transfer the remaining assets of Master Tenant and Hatchery Investment Fund LLC to THTHC and THTHC assumed any remaining obligations of the Master Tenant and Hatchery Investment Fund LLC. As a result of the dissolutions of the Master Tenant and Hatchery Investment Fund LLC, notes payable of THTHC due to the Master Tenant and Hatchery Investment Fund LLC totaling \$29,560,000 were forgiven.

The Organization received \$4,500 per month in 2025 (\$4,250 per month in 2024) 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>2025</u>	<u>2024</u>
Furniture and equipment	\$ 562,498	\$ 556,292
Leasehold improvements	196,141	196,141
Software	<u>799,673</u>	<u>743,988</u>
	<b>1,558,312</b>	1,496,421
Less: accumulated depreciation and amortization	<u>(1,355,447)</u>	<u>(1,208,054)</u>
	<b>\$ 202,865</b>	<b>\$ 288,367</b>

**6. Loans Receivable**

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

	<u>2025</u>	<u>2024</u>
Core 1	\$ 670,912	\$ 880,985
Core 2	7,335,388	8,700,265
Core 3	2,652,539	1,593,189
CSBRF	48,986	2,120,592
ISBEL	3,574	310,187
Justine Petersen	3,803,247	2,503,852
RBF	3,600,961	2,804,357
Other	<u>17,872</u>	<u>47,982</u>
	<b>18,133,479</b>	18,961,409
Less: allowance for credit losses	<u>(1,706,660)</u>	<u>(3,238,412)</u>
Add: premium on loans purchased	-	3,227
	<b>\$ 16,426,819</b>	<b>\$ 15,726,224</b>

The weighted average interest rate of the loan portfolio at December 31, 2025, was 8.95% (8.04% at December 31, 2024).

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
<b>Allowance for Credit Losses:</b>									
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
<b>Balance December 31, 2024</b>	<b>303,911</b>	<b>2,427,642</b>	<b>140,880</b>	<b>-</b>	<b>161,799</b>	<b>7,011</b>	<b>191,425</b>	<b>5,744</b>	<b>3,238,412</b>
Provision for loan losses	46,171	79,698	389,188	8,681	(66,639)	1,989	71,425	(68)	530,445
Loans charged-off	(239,301)	(1,360,508)	(194,904)	(14,925)	(95,217)	-	(186,025)	(3,202)	(2,094,082)
Recoveries of loans previously charged-off	1,652	23,932	-	6,244	57	-	-	-	31,885
<b>Balance December 31, 2025</b>	<b>\$112,433</b>	<b>\$1,170,764</b>	<b>\$335,164</b>	<b>\$-</b>	<b>\$-</b>	<b>\$9,000</b>	<b>\$76,825</b>	<b>\$2,474</b>	<b>\$1,706,660</b>

**Allies for Community Business**  
**Notes to the Financial Statements**

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

	<b>Aging of Loans Receivable</b>					<b>Total Loans</b>
	<b>Current</b>	<b>1 - 30 Days</b>	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>90 or More Days*</b>	
<b>December 31, 2025:</b>						
Core 1	\$ 547,342	\$ 39,860	\$ 24,209	\$ 17,580	\$ 41,921	\$ 670,912
Core 2	6,363,530	284,783	82,026	183,073	421,976	7,335,388
Core 3	1,870,297	254,496	-	204,321	323,425	2,652,539
CSBRF	25,897	4,015	1,640	434	17,000	48,986
ISBEL	3,299	275	-	-	-	3,574
Justine Petersen	3,433,939	275,933	74,176	11,110	8,089	3,803,247
RBF	2,986,128	184,408	201,088	173,398	55,939	3,600,961
Other	16,031	-	-	-	1,841	17,872
	<u>\$ 15,246,463</u>	<u>\$ 1,043,770</u>	<u>\$ 383,139</u>	<u>\$ 589,916</u>	<u>\$ 870,191</u>	<u>\$ 18,133,479</u>

	<b>Aging of Loans Receivable</b>					<b>Total Loans</b>
	<b>Current</b>	<b>1 - 30 Days</b>	<b>31 - 60 Days</b>	<b>61 - 90 Days</b>	<b>90 or More Days*</b>	
<b>December 31, 2024:</b>						
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
Justine 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
	<u>\$ 16,651,023</u>	<u>\$ 866,168</u>	<u>\$ 442,114</u>	<u>\$ 224,396</u>	<u>\$ 777,708</u>	<u>\$ 18,961,409</u>

\* - 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 not 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 2025, the Organization purchased loans with a principal balance of \$2,128,452 and accrued interest of \$6,896 (purchased loans with a principal balance of \$2,810,213 and accrued interest of \$7,712 in 2024). The loans range between approximately \$350 to \$50,000 and have maturities between one and seven years from the time the loan was purchased.

**Revenue-Based Financing Loans (“RBF”)** – Beginning in 2024, the Organization offered RBF loans between \$50,000 and \$500,000 to established businesses who have a clear path for growth but for whom credit policy for term loans and lines of credit will not provide the capital they need. These loans require the borrower to repay between five and seven percent of the revenues earned each month. Repayment of the loan must be completed within five to six years. Balances due at the end of the term 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 2025 and 2024, the Organization did not originate nor sell any CA SBLCs loans. The remaining principal balance of the sold portion of CA SBLCs loans was \$38,711 at December 31, 2025 (\$96,302 at December 31, 2024). The Organization continues to service the sold participating interests on behalf of those that have purchased the participating interests.

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 third parties 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. 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 \$431,774 for the year ended December 31, 2025 (\$473,189 for the year ended December 31, 2024).

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 \$675 for the year ended December 31, 2025 (\$1,282 for the year ended December 31, 2024).

**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>2025</u>	<u>2024</u>
Unrestricted cash	\$ 6,698,782	\$ 6,647,137
Contributions receivable	1,240,193	653,624
Loans receivable, net	<u>16,426,819</u>	<u>15,726,224</u>
	<b>24,365,794</b>	23,026,985
Less:		
Revolving loan fund receivables, net	(1,837,932)	(2,091,847)
Other micro loan receivables, net	(14,582,945)	(13,620,396)
SBA CA SBLCs loan receivables, net	(3,818)	(13,981)
Plus:		
Principal and interest expected to be collected in one year:		
Other micro loan receivables	5,512,413	7,289,208
SBA CA SBLCs loan receivables	<u>6,102</u>	<u>10,259</u>
	<u>\$ 13,459,614</u>	<u>\$ 14,600,228</u>

Allies for Community Business is committed to its mission of 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 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:

	<b>Balance December 31, 2024</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance December 31, 2025</b>
Private foundation funds held as a fiscal agent	\$ 600,000	\$ 817,500	\$ 687,500	\$ 730,000
Etsy Uplift Fund	-	500,000	500,000	-
Fawohodie Foundation funding held as a fiscal agent	51,306	50,000	51,660	49,646
Other funds held for others	113,692	-	92,500	21,192
<b>Total</b>	<b>\$ 764,998</b>	<b>\$ 1,367,500</b>	<b>\$ 1,331,660</b>	<b>\$ 800,838</b>
	<b>Balance December 31, 2023</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balance December 31, 2024</b>
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
<b>Total</b>	<b>\$ 471,204</b>	<b>\$ 13,190,623</b>	<b>\$ 12,896,829</b>	<b>\$ 764,998</b>

**Allies for Community Business**  
**Notes to the Financial Statements**

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9. **Leases**

The Organization has a lease agreement with the Master Tenant (see Note 4) that is accounted for as an operating lease and commenced on January 1, 2019. Operating lease ROU assets and operating lease liabilities of \$3,222,140 and \$3,460,381, respectively, at December 31, 2025, and \$3,420,436 and \$3,617,240, respectively, at December 31, 2024 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 2025 and 2024.

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 \$375,630 and \$344,847 in 2025 and 2024.

The remaining lease term was 14 years and 15 years at December 31, 2025 and 2024, respectively, and the discount rate used to measure the operating lease liability and right-of-use asset was 2.00% as of December 31, 2025 and 2024.

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, 2025:

	2026	\$	234,214
	2027		241,240
	2028		248,477
	2029		255,932
	2030		263,610
	Thereafter		2,758,379
Total minimum lease payments			4,001,852
Less imputed interest			(541,471)
Present value of operating lease liabilities		\$	3,460,381

As noted in Note 4, on February 28, 2026, the Organization’s lease with the Landlord was terminated and a new lease was signed on March 1, 2026, to lease the same property from its new owner, THTHC. The new lease requires monthly base rent of \$6,616 per month through February 28, 2029 plus 20% of the building overhead and taxes incurred by THTHC. The Organization has the option to extend the term of the lease for one term of two years followed by three consecutive terms of five years.

**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,		
	12/31/25	12/31/24		12/31/25	12/31/24	2025	2024	
<b>Secured Debt</b>								
Fifth Third Bank revolving line of credit	(1)	7.38%	6.33%	Monthly	08/15/26	08/15/25	-	-
<b>Unsecured Debt</b>								
CDFI Fund	(2)	0.00%	0.00%	Quarterly	12/31/57	12/31/57	403,200	415,800
Federal Home Loan Bank of Chicago	(3)	2.13%	2.13%	Quarterly	07/08/26	07/08/26	1,250,000	1,250,000
Starbucks	(4)	2.00%	2.00%	Annually	09/04/27	09/04/27	1,566,667	2,350,000
Rush University Medical Center		2.00%	2.00%	Quarterly	12/31/26	12/31/25	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
The Northern Trust		1.50%	1.50%	Semiannual	05/01/25	05/01/25	-	1,500,000
The Northern Trust		1.50%	1.50%	Semiannual	04/29/25	04/29/25	-	100,000
Burling Bank		1.50%	1.50%	Quarterly	04/24/26	04/24/25	250,000	250,000
Republic Bank		1.50%	1.50%	Quarterly	07/06/25	07/06/25	-	92,251
Adrian Dominican Sisters		0.00%	0.00%	N/A	10/26/25	10/26/25	-	250,000
MacArthur Foundation	(5)	1.00%	1.00%	Quarterly	03/31/29	12/15/25	3,000,000	3,000,000
Community Savings Bank		0.00%	0.00%	N/A	12/31/57	12/31/57	64,000	66,000
Google Opportunity Finance Network	(6)	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	500,000	250,000
Opportunity Finance Network	(7)	4.00%	4.00%	Quarterly	07/19/29	07/19/29	300,000	300,000
CIBC	(8)	3.00%	3.00%	Quarterly	01/30/27	01/30/27	1,000,000	1,000,000
CDFI Friendly Bloomington		2.00%		Quarterly	06/30/27		50,000	-
The Northern Trust		2.50%		Semiannual	05/05/30		2,500,000	-
							<b>13,633,867</b>	<b>14,074,051</b>
<b>Unsecured Subordinated Debt</b>								
Devon Bank		2.00%	2.00%	Quarterly	03/26/26	03/26/25	80,096	80,096
Old National Bank		2.00%	2.00%	Quarterly	11/30/26	11/30/25	50,000	50,000
							<b>130,096</b>	<b>130,096</b>
<b>Equity Equivalent Debt</b>								
Bank Financial		2.00%	2.00%	Monthly	01/01/26	01/01/26	40,000	40,000
Bank of America		0.00%	0.00%	N/A	07/01/57	07/01/57	47,125	48,750
Byline Bank		2.00%	2.00%	Semiannual	12/01/26	12/01/25	300,000	300,000
Fifth Third Bank		0.00%	0.00%	N/A	06/30/57	06/30/57	122,444	126,332
First Bank Chicago		2.00%	2.00%	Semiannual	12/21/26	12/21/25	75,000	75,000
First Bank of Palatine		2.00%	2.00%	Semiannual	04/01/26	04/01/25	250,000	250,000
First Eagle Bank		2.00%	2.00%	Semiannual	09/30/26	09/30/25	100,000	100,000
First Eagle Bank		2.00%	2.00%	Semiannual	09/30/26	09/02/25	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	01/01/26	75,000	75,000
Marquette Bank		1.75%	1.75%	Semiannual	05/31/26	05/31/25	150,000	150,000
Fifth Third Bank		0.00%	0.00%	N/A	06/01/57	06/01/57	62,726	64,717
Fifth Third Bank	(9)	2.00%	2.00%	Quarterly	12/31/29	12/31/29	2,500,000	1,250,000
Northern Trust Company		0.00%	0.00%	N/A	12/31/56	12/31/56	62,000	64,000
Green State Credit Union		2.00%	2.00%	Semiannual	01/01/26	01/01/26	25,000	25,000
Pan American Bank		2.00%	2.00%	Semiannual	04/01/26	04/01/25	75,000	75,000
US Bank		2.00%	2.00%	Quarterly	01/01/27	01/01/26	500,000	500,000
Country Mutual Insurance Company		1.50%	1.50%	Semiannual	04/30/26	04/30/25	125,000	125,000
International Bank of Chicago		2.00%	2.00%	Semiannual	06/14/26	06/14/25	100,000	100,000
							<b>5,659,295</b>	<b>4,418,799</b>
Total							<b>19,423,258</b>	<b>18,622,946</b>
Less: Present value discount							<b>(1,142,016)</b>	<b>(1,223,061)</b>
Net long-term debt							<b>\$ 18,281,242</b>	<b>\$ 17,399,885</b>

**Allies for Community Business**  
**Notes to the Financial Statements**

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

- (1) 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, 2025, the Organization was in compliance with the associated debt covenants.
- (2) 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.
- (3) 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, 2025, the Organization was in compliance with the associated debt covenants.
- (4) 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 were and 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, 2025.
- (5) The Organization has a loan with John D. and Catherine T. MacArthur Foundation. All proceeds of the debt must be initially used to fund loans under the CSBRF program. The loan accrues interest at 1.00% per annum, except that interest is waived for 2026. All principal and unpaid interest is due on March 31, 2029.

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

- (6) 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, 2025.
- (7) 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, 2025.
- (8) 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, 2025.
- (9) 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. The agreement also requires the Organization to maintain a minimum ratio of net assets to total assets of 20%. At December 31, 2025 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 \$366,377 in 2025 (\$323,846 in 2024).

Maturities of debt and the present value discount for imputed interest rate on below market interest and interest-free loans at December 31, 2025, are as follows:

**Future Principal Payments (Face Value)**

	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2026	\$ 5,047,933	\$ 130,096	\$ 1,674,380	\$ 6,852,409
2027	2,347,934	-	509,380	2,857,314
2028	14,600	-	709,380	723,980
2029	3,314,600	-	2,509,382	5,823,982
2030	2,514,600	-	9,380	2,523,980
2031 - 2035	73,000	-	46,900	119,900
2036 - 2040	73,000	-	46,900	119,900
2041 -2045	73,000	-	46,900	119,900
2046 -2050	73,000	-	46,900	119,900
2051 - 2055	73,000	-	46,900	119,900
2056 - 2058	29,200	-	12,893	42,093
	<u>\$ 13,633,867</u>	<u>\$ 130,096</u>	<u>\$ 5,659,295</u>	<u>\$ 19,423,258</u>

**Allies for Community Business  
Notes to the Financial Statements**

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

**Debt Discount Amortization**

	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2026	(168,707)	\$ -	\$ (121,277)	\$ (289,984)
2027	(53,525)	-	(121,199)	(174,724)
2028	(39,582)	-	(118,235)	(157,817)
2029	(35,358)	-	(116,673)	(152,031)
2030	(12,383)	-	(7,928)	(20,311)
2031 - 2035	(59,326)	-	(37,959)	(97,285)
2036 - 2040	(53,692)	-	(33,400)	(87,092)
2041 -2045	(45,650)	-	(29,091)	(74,741)
2046 -2050	(34,314)	-	(21,757)	(56,071)
2051 - 2055	(18,286)	-	(11,403)	(29,689)
2056 - 2058	(1,463)	-	(808)	(2,271)
	<u>(522,286)</u>	<u>-</u>	<u>(619,730)</u>	<u>(1,142,016)</u>
Total debt, net	<u>\$ 13,111,581</u>	<u>\$ 130,096</u>	<u>\$ 5,039,565</u>	<u>\$ 18,281,242</u>

11. **Commitments and Contingencies**

**Financial Instruments with Concentration of Credit Risk** – Loans generally range in size at origination from \$500 to \$500,000, while their terms generally range from 12 to 72 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 \$565,278 at December 31, 2025.

**Allies for Community Business**  
**Notes to the Financial Statements**

**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.

**Litigation** – The Organization is subject to a litigation arising in the ordinary course of business. While the outcome of this matter is currently not determinable, management does not expect the ultimate costs to resolve these matters to have a material adverse effect on the Organization's financial position, results of operations, or cash flows.

**12. Restrictions and Limitations on Net Assets**

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

	<u>2025</u>	<u>2024</u>
EDA revolving loan funds	\$ 1,499,690	\$ 1,877,945
Imputed Interest on below market and interest-free loans	1,142,016	1,223,061
The Chicago Community Trust - Revenue-based financing loan loss reserve funds	1,000,000	1,000,000
Neighborhood Entrepreneur Lab funds	1,097,660	1,020,126
Capital and Coaching for Chicagoland entrepreneurs	883,546	1,275,752
Entrepreneurs of Color funds	-	24,485
Funding for Lake County, Illinois activities	110,500	255,000
City of South Bend - loan funds	87,500	87,500
Tory Burch - loan funds	-	38,219
Bank of America - funds for SBA loan loss reserve	60,000	60,000
Fawohodie Foundation	33,911	75,027
Cook County loan loss reserve funds	500,000	-
JPMorgan Risk-Based Financing and Neighborhood Opportunity funds	268,021	-
Other purpose restricted contributions	72,106	115,068
	<u>\$ 6,754,950</u>	<u>\$ 7,052,183</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 \$79,748 for the year ended December 31, 2025 (\$85,241 in 2024).

**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 events have been evaluated through May 26, 2026, which is the date the financial statements were available to be issued.

See Note 4 for subsequent events associated with the unwinding and organizational structural changes associated with the Organizations investments in the Master Tenant and THTHC.

Also, in May 2026, The Organization executed a loan agreement with a lender that provides for a loan up to \$250,000 with interest paid quarterly at 1.5% per annum.

**Allies for Community Business  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2025**

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	* \$ 117,800
Economic Adjustment Assistance Program - RLF	11.307	06-79-06203	* <u>1,523,088</u>
Total Assistance Listing Number 11.307 and Total Economic Development Cluster			<u>1,640,888</u>
U.S. Department of the Treasury:			
Community Development Financial Institutions Program	21.020	001CD002153	<u>415,800</u>
Total U.S. Department of Treasury			<u>415,800</u>
U.S. Small Business Administration:			
7(a) Loan Guarantees	59.012	750 Agreement	<u>96,302</u>
Total U.S. Small Business Administration			<u>96,302</u>
<b>Total expenditures of federal awards</b>			<b><u>\$ 2,152,990</u></b>

\* - 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, 2025**

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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, 2025. 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 15 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, 2025.

4. **Nonmonetary Assistance**

The Organization neither received nor disbursed federal awards in the form of nonmonetary assistance during the fiscal year ended December 31, 2025.

5. **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, 2025**

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5. **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
Value of new loans made	\$ -	\$ -
Value of new loan guarantees made	-	-
Loan guarantee balance, beginning of year	-	96,302
Loan balance, beginning of year	415,800	-
Total expenditures of federal awards presented for loan and loan guarantee programs	415,800	96,302
Expenditures of other non-loan/non-loan guarantee awards	-	-
Total expenditures presented on the schedule of expenditures of federal awards	<u>\$ 415,800</u>	<u>\$ 96,302</u>
Balance of loans and loan guarantees at December 31, 2025	<u>\$ 403,200</u>	<u>\$ 38,711</u>

6. **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, 2025**

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6. **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, 2025	\$ -	\$ 951,341
Cash balance (deficit) in the RLF at December 31, 2025	-	287,526
Administrative expenses paid out of the RLF in 2025	18,411	115,881
Release of federal interest in RLF award	204,156	-
Net unpaid principal of all RLF loans written off during the year	<u>13,033</u>	<u>168,340</u>
Base RLF expenditures	235,600	1,523,088
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>\$ 117,800</u>	<u>\$ 1,523,088</u>

## **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, 2025, 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 26, 2026.

### **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.

*Selden Fox, Ltd.*

May 26, 2026

## **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 major federal programs for the year ended December 31, 2025. Allies for Community Business'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, 2025.

#### ***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 Allies for Community Business 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 Allies for Community Business'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.

*Selden Fox, Ltd.*

May 26, 2026

**Allies for Community Business  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2025**

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**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:
  - Economic Development Cluster – Economic Adjustment Assistance Program – RLF – Assistance Listing Number 11.307.
8. The threshold used for distinguishing between Type A and B programs was \$1,000,000.
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.