

## Management Discussion and Analysis Independent Auditors' Report

Hope Enterprise Corporation (HEC) received an unmodified audit for FY 2025.

### Balance Sheet Analysis

HEC's total assets stood at \$359 million at December 31, 2025, up \$15 million (4.3%) from December 31, 2024, driven primarily by increases in Loans Receivable (\$9 million) and Restricted Cash (\$6.2 million). The increase in Restricted Cash was primarily related to support for HOPE's mortgage lending activities. Cash, cash equivalents, and restricted cash totaled \$55 million at year-end 2025, providing substantial liquidity despite a decrease from 2024 levels as funds were deployed into lending and investment activities. The effect of these changes on HEC's capital position is summarized below:

	2025	2024
Unrestricted Assets	6.6%	13.2%
Noncontrolling Interests	50.1%	50.8%
Total Unrestricted	56.7%	64.0%
With Donor Restrictions	8.3%	6.4%
Total Net Assets	65.0%	70.4%

As reflected below, loans and investments comprise the majority of HEC's assets:

	2025	2024
Loans Receivable - net	\$198,290,599	\$188,950,225
Investment in HCU Secondary Capital	\$38,035,775	\$38,035,775
Total	\$236,326,374	\$226,986,000
Percent of Total Assets	65.8%	65.9%

Total liabilities increased to \$126 million at December 31, 2025, compared to \$102 million at December 31, 2024. This increase was driven primarily by (i) increases in notes payable, which rose to \$109.8 million from \$80.9 million, reflecting new borrowing to fund lending expansion and long-term strategic initiatives, and (ii) reductions in deferred revenue, which declined to \$10.8 million from \$17.7 million, reflecting recognition of revenue as grant conditions were satisfied.

As of December 31, 2025, HEC was not in compliance with certain financial covenant ratios on notes payable, resulting in the reclassification of \$12.3 million of long-term debt as current even though the note maturities are beyond 12 months. HEC is actively engaged with lenders regarding covenant compliance and expects to receive waivers from all affected lenders.

### Earnings Analysis

Total revenue for 2025 was \$27.8 million compared to \$47.6 million for 2024, and expenses were \$40.6 million in 2025 compared to \$25.4 million for 2024. The \$19.8 million decrease in revenue was primarily due to the decrease in Grants and Contributions (\$20.9 million). The year-over-year revenue decline is largely timing-related and reflects the effect of a one-time unrestricted operating grant of \$28 million received in the second half of 2024 and then deployed beginning in 2025.

The \$15.2 million increase in expenses was primarily attributable to an increase of \$9.4 million in contractual support for Hope Credit Union and contractual expenses related to the \$150 million Solar for

All (SFA) contract HEC had received from the EPA in 2024. HCU expects to significantly reduce its need for HEC support in 2026. The SFA contract was terminated in August of 2025 as part of the halt in all the Greenhouse Gas Reduction Funding. HEC has eliminated all contracts related to SFA and does not expect to recognize any material SFA expenses in 2026.

Earned revenue, as described below, was stable at \$6.1 million in 2025. Contributed Revenue decreased to \$27.8 million in 2025 from \$41.3 million in 2024. After adjusting for the extraordinary grant of \$28 million, Contributed Revenue increased significantly to \$27.8 million in 2025 from \$13 million in 2024.

Differences between earned revenue in 2024 and 2023 are summarized in the following schedule:

	2024	2024
Interest, dividends, and related fees:		
Loans and other investments	\$2,821,829	\$3,353,445
Debt securities and cash equivalents	\$3,347,948	\$1,866,733
Gain (loss) on sale of assets and investments	\$5,170	(\$134,037)
Contract Services Revenues	\$1,263,490	\$1,190,297
Earned Revenue - Gross	\$7,438,437	\$6,276,438
Unrealized Gains (Losses) on Securities	(\$1,294,151)	(\$176,242)
Total Earned Revenue – Net	\$6,144,286	\$6,100,196

Non-Controlling Interests in Subsidiaries' Net Income improved to (\$1 million) in 2025 compared to (\$3.3 million) in 2024. The Change in Net Assets Attributable to Controlling Interest was (\$13.8 million) in 2025 compared to \$16.5 million in 2024.

At December 31, 2025, HEC had \$99.2 million available within one year, compared to \$100.7 million in 2024, indicating stable liquidity. Key liquidity considerations include (i) strong cash balances, despite active deployment into loans and investments, (ii) ongoing access to lines of credit and long-term debt facilities, and (iii) no material deterioration in loan credit quality; allowance for credit losses remained modest at \$1.8 million, representing less than 1% of loans receivable. Management continues to actively manage liquidity to balance mission deployment with debt service and operating needs.

Management expects 2026 to focus on:

- Continued deployment of NMTC (\$110 million in credits available) and loan capital
- Revenue normalization as multi-year grants are recognized
- Active management of debt covenants and capital structure
- Sustained support of HFCU and core community development activities

Despite a challenging operating year in 2025, management believes the Company remains financially sound, well-capitalized, and positioned to continue advancing its mission across the Deep South



Alan Branson  
Chief Financial Officer



William Bynum  
Chief Executive Officer