



Shared Capital Cooperative[®]

BUILDING ECONOMIC DEMOCRACY

FINANCIAL STATEMENTS

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shared Capital Cooperative
St. Paul, Minnesota

Opinion

We have audited the financial statements of Shared Capital Cooperative, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shared Capital Cooperative as of December 31, 2024 and 2023, and the results of its operations 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). 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 Shared Capital Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Shared Capital Cooperative'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Shared Capital Cooperative'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 Shared Capital Cooperative'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.

A handwritten signature in black ink that reads "Wegner CPAs LLP". The signature is written in a cursive, flowing style.

Wegner CPAs, LLP
Madison, Wisconsin
May 6, 2025

SHARED CAPITAL COOPERATIVE
BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	\$ 3,673,225	\$ 2,908,090
Certificates of deposit	1,013,448	-
Accounts receivable	28,781	13,823
Prepaid expenses	69,837	84,291
Accrued interest receivable	207,017	157,774
Current portion of notes receivable	6,207,259	6,895,101
Total current assets	11,199,567	10,059,079
Property and equipment - net	4,056	12,659
Intangible assets - net	5,209	7,868
OTHER ASSETS		
Operating lease right-of-use asset	96,774	131,325
Security deposit	3,000	3,000
Equity investments in other cooperatives (less allowance for investment losses of \$10,000)	337,459	300,000
Membership equity in other cooperatives	10,075	10,075
Notes receivable - net of current portion (less allowance for credit losses of \$1,804,895 and \$1,594,989, respectively)	14,941,305	14,942,823
Deferred taxes	11,000	18,000
Total assets	\$ 26,608,445	\$ 25,484,829
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 11,918	\$ 499,286
Accrued expenses	34,060	34,302
Patronage dividend payable	23,363	-
Deferred revenue	1,806,921	2,054,560
Funds held for others	406,868	401,827
Income taxes payable	80,182	2,510
Current portion of accrued interest payable	43,163	161,315
Current portion of operating lease liabilities	35,518	33,301
Line of credit	1,000,000	-
Current portion of long-term debt	3,148,737	3,318,213
Total current liabilities	6,590,730	6,505,314
LONG-TERM LIABILITIES		
Operating lease liabilities net of current portion	62,788	98,757
Accrued interest payable net of current portion	339,219	177,252
Line of credit	-	1,000,000
Long-term debt net of current portion and loan costs	13,610,785	13,007,232
Total liabilities	20,603,522	20,788,555
EQUITY		
Preferred stock, \$10 par value, 10,000,000 shares authorized, 516,196 and 393,109 shares issued and outstanding	5,161,958	3,931,085
Common stock - voting, \$10 par value, 10,000 shares authorized, 474 and 464 shares issued and outstanding	4,740	4,640
Common stock - nonvoting, \$10 par value, 10,000,000 shares authorized, 155,645 shares issued and outstanding	1,556,451	1,556,451
Additional paid-in capital (net of subscription fees of \$104,758 and \$125,548, respectively)	722,732	682,068
Retained patronage	188,954	98,525
Accumulated deficit	(1,629,912)	(1,576,495)
Total equity	6,004,923	4,696,274
Total liabilities and equity	\$ 26,608,445	\$ 25,484,829

See accompanying notes.

SHARED CAPITAL COOPERATIVE
STATEMENTS OF INCOME
Years Ended December 31, 2024 and 2023

	2024	2023
REVENUE		
Interest income - loans	\$ 1,392,252	\$ 1,244,654
Interest income - cash accounts	58,290	65,228
Loan fees	86,868	260,607
Loan recovery income	12,271	22,084
Grants and contributions	2,555,725	2,239,101
Consulting income	375,111	19,035
Investment income	37,580	94
Other	11,047	9,000
Total revenue	4,529,144	3,859,803
EXPENSES		
Contributions	1,455,215	1,170,958
Personnel	1,115,867	1,107,023
Provision for credit losses	505,508	448,703
Interest	417,456	378,162
Outside services	191,946	171,365
Professional services	108,466	107,377
Board expense	91,493	300
Seminars, travel, and training	68,372	85,182
Occupancy	64,616	61,107
Advertising	46,223	37,813
Fees	36,075	16,387
Office supplies	28,412	57,160
Depreciation	12,880	15,701
Dues	9,842	7,900
Total expenses	4,152,371	3,665,138
Net income before income taxes	376,773	194,665
Provision for income taxes	(148,617)	(47,981)
Net income	<u>\$ 228,156</u>	<u>\$ 146,684</u>

See accompanying notes.

SHARED CAPITAL COOPERATIVE
STATEMENTS OF EQUITY
Years Ended December 31, 2024 and 2023

	Preferred Stock	Common Stock - Voting	Common Stock - Nonvoting	Additional Paid-In Capital	Retained Patronage	Accumulated Deficit	Total Equity
Balance December 31, 2022	\$ 3,390,975	\$ 4,340	\$ 1,555,901	\$ 659,292	\$ 99,077	\$ (1,594,969)	\$ 4,114,616
Purchases	411,900	300	25	30,640	-	-	442,865
Redemptions	-	-	-	(7,339)	(552)	-	(7,891)
Stock converted	-	-	525	(525)	-	-	-
Preferred stock dividend	128,210	-	-	-	-	(128,210)	-
Net income	-	-	-	-	-	146,684	146,684
Balance December 31, 2023	3,931,085	4,640	1,556,451	682,068	98,525	(1,576,495)	4,696,274
Purchases	1,637,540	130	-	42,609	-	-	1,680,279
Redemptions	(571,425)	(30)	-	(1,945)	(3,023)	-	(576,423)
Preferred stock dividend	164,758	-	-	-	-	(164,758)	-
Patronage dividend	-	-	-	-	93,452	(116,815)	(23,363)
Net income	-	-	-	-	-	228,156	228,156
Balance December 31, 2024	<u>\$ 5,161,958</u>	<u>\$ 4,740</u>	<u>\$ 1,556,451</u>	<u>\$ 722,732</u>	<u>\$ 188,954</u>	<u>\$ (1,629,912)</u>	<u>\$ 6,004,923</u>

See accompanying notes.

SHARED CAPITAL COOPERATIVE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 228,156	\$ 146,684
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	12,880	15,701
Change in credit loss allowance	209,906	5,549
Amortization of loan costs	10,648	5,114
Amortization of operating lease right-of-use asset	34,551	24,643
Forgiveness of notes payable	(600,000)	(600,000)
Deferred taxes	7,000	(4,000)
(Increase) decrease in assets		
Accounts receivable	(14,958)	602,550
Prepaid expenses	14,454	21,195
Accrued interest receivable	(49,243)	(74,795)
Equity investments in other cooperatives (less allowance)	(37,459)	-
Membership equity in other cooperatives	-	(5,000)
Increase (decrease) in liabilities		
Accounts payable	(487,368)	443,149
Accrued expenses	(242)	6,177
Deferred revenue	(247,639)	298,885
Operating lease liabilities	(33,752)	(23,910)
Funds held for others	5,041	102,914
Income taxes payable	77,672	(33,678)
Accrued interest payable	43,815	(24,166)
Net cash flows from operating activities	(826,538)	907,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and interest retained in certificates of deposit	(1,013,448)	-
Proceeds from notes receivable	2,596,454	9,314,102
Purchases of leasehold improvements and equipment	(1,618)	-
Issuance of notes receivable	(2,117,000)	(15,582,000)
Net cash flows from investing activities	(535,612)	(6,267,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	1,000,000
Proceeds from issuance of long-term debt	1,454,211	1,901,341
Payments on long-term debt	(413,621)	(1,113,876)
Payments of loan costs	(17,161)	(10,788)
Purchases of common stock	42,739	30,965
Redemptions of common stock	(1,975)	(7,339)
Purchases of preferred stock	1,637,540	411,900
Redemptions of preferred stock	(571,425)	-
Redemptions of retained patronage	(3,023)	(552)
Net cash flows from financing activities	2,127,285	2,211,651
Net change in cash	765,135	(3,149,235)
Cash at beginning of year	2,908,090	6,057,325
Cash at end of year	\$ 3,673,225	\$ 2,908,090
SUPPLEMENTARY DISCLOSURES		
Cash paid for interest	\$ 362,993	\$ 397,214
Cash paid for income taxes	42,198	52,204
Preferred stock dividend	164,758	128,210
Patronage dividend payable	23,363	-

See accompanying notes.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Shared Capital Cooperative (Shared Capital) is a member-owned and member-governed Community Development Financial Institution (CDFI) loan fund whose mission is to build a just, equitable, and democratic economy by investing in cooperative enterprises. Shared Capital provides financing to consumer, worker, housing, and producer cooperatives and their members throughout the United States.

Formed in 1978, Shared Capital is organized as a cooperative association under Chapter 308A of Minnesota law and has over 300 member cooperatives and over 100 individual members. Shared Capital obtains funds from its members as well as from non-member individuals and institutions interested in supporting the cooperative economy.

Notes Receivable

Notes receivable are commercial loans made by Shared Capital to cooperatively owned businesses and housing organizations in the normal course of business.

Notes receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amount outstanding.

The ability of the borrowers to honor their contracts is dependent upon sound management of the cooperative, general economic conditions, and the value of collateral, including real estate, equipment, and other business assets securing the loan.

Nonaccrual status is an accounting treatment applied to loans when the collection of interest or principal is in doubt. Under this status, accrued interest is no longer recognized as income, and any payments received are applied first to principal and fees rather than interest. A loan is typically placed on nonaccrual status when management determines it is impaired and there is a significant risk of loss to principal and/or interest.

Loans are written off if all or a portion of the loan is deemed to be uncollectible by management based on economic conditions, business conditions, and collection efforts. It is Shared Capital's policy that any loan that is more than 120 days delinquent will be written off unless management determines that repayment of the loan is imminent, whether through collections, liquidation, or foreclosure. The write off of any loan requires approval by the Board of Directors, generally upon recommendation from the Loan Committee.

As of December 31, 2024, there were 8 loans to 5 borrowers with total outstanding balance of \$1,432,525 on non-accrual status. As of December 31, 2023, there were 5 loans to 2 borrowers with total outstanding balance of \$893,640 on non-accrual status.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold Improvements and Equipment

Purchases of leasehold improvements and equipment over \$1,000 are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets, five years for leasehold improvements and three to ten years for office equipment and furniture.

Advertising

Advertising costs are expensed as incurred.

Intangible Assets

Intangible assets consist of website development and trademark costs. Website development costs are amortized over 3 years and trademark costs are amortized over 10 years using the straight-line method.

Allowance for Credit Losses

The allowance for credit losses is a non-cash reserve established against expected losses on notes receivable. Each loan in the portfolio is assigned a risk rating and each rating has a corresponding percentage that must be set aside as an allowance. The risk ratings and corresponding allowance requirements are established in the Board-approved lending policies and are based on the historical experience of Shared Capital's portfolio and the established best practices of CDFI loan funds. The ratings and the allowance are evaluated regularly by management based upon qualitative factors that require a high degree of management judgment. These factors include adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. The Loan Committee establishes initial risk ratings at the time loans are approved and must approve any changes to ratings. On a quarterly basis the Loan Committee reviews and approves all risk ratings and the allowance for credit losses. The Board of Directors reviews the allowance and risk ratings at least annually.

The allowance for credit losses is established as losses are estimated. Loan losses are charged against the allowance when the Board believes the loan is uncollectible and is written off. Subsequent recoveries are recorded as loan recovery income.

In addition to the accrual-based allowance for credit losses, Shared Capital holds cash reserves for its loans made through the Accelerate Employee Ownership Program. At December 31, 2024 and 2023, these cash reserves totaled \$290,000.

Loan Costs

Loan costs are the costs, including legal fees, associated with obtaining specific long-term liabilities. Loan costs of \$47,737 and \$30,576 at December 31, 2024 and 2023 are being amortized over the length of the underlying notes payable. Amortization of loan costs, recorded as interest expense in the statements of income, was \$10,648 and \$5,114 for 2024 and 2023. Accumulated amortization was \$20,767 and 10,119 at December 31, 2024 and 2023.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subscription Fees

Subscription fees consist of costs associated with the issuance of preferred equity in Shared Capital and are recorded on the balance sheets as a reduction of additional paid-in capital. Subscription fees totaled \$104,758 and \$125,548 at December 31, 2024 and 2023.

Income Taxes

Shared Capital is taxed as a cooperative and is subject to the provisions of Subchapter T of the Internal Revenue Code. The Bylaws of Shared Capital require the cooperative to annually distribute net income from patronage to its members, based on their patronage with Shared Capital (interest paid by borrowers), at the discretion of the Board of Directors. Distributions in the form of qualified patronage dividends reduce Shared Capital's income tax liability. However, losses in Shared Capital's patronage business may be carried forward to offset future distributions of net income from patronage.

Revenue Recognition

Grants and contributions revenue is recognized when Shared Capital fulfills its performance obligations required by an award. Conditional awards that have been received but have not yet been recognized as revenue are shown as deferred revenue on the balance sheets. When a grant is awarded for non-specific purposes (e.g. a "general operating grant") with no grantor rights for return of the funds, Shared Capital recognizes the grant funds upon receipt. In cases where the grant is for a specific purpose or otherwise intended to be used for a specific purpose over a span of time, Shared Capital recognizes those funds at such time that the funds have been used for the specific purpose outlined in the applicable grant agreement.

A contract liability is recognized when payments of grants and contributions are received before Shared Capital's performance obligations have been fulfilled. Shared Capital's contract liabilities from advance grants and contributions payments received at December 31, 2024 and 2023 were as follows:

	2024	2023
Beginning of year	\$ 2,054,560	\$ -
End of year	1,806,921	2,054,560

Loan fees revenue consist of non-refundable commitment fees, which are recognized as income when a loan is approved; loan origination fees, which are recognized as income when a loan is closed; and loan servicing fees received from participating lenders/investors and organizations for whom Shared Capital services loans, which are recognized as income when earned. Consulting income is recognized as Shared Capital staff provides consulting services to its customers.

Investment income consists of dividends and gains on equity investments in other cooperatives.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Shared Capital does not recognize short-term leases in the balance sheet. For these leases, Shared Capital recognizes the lease payments in the results of operations on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Shared Capital also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Shared Capital uses an incremental borrowing rate as the discount rate for the lease for all classes of underlying assets.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through May 6, 2025, the date which the financial statements were available to be issued.

NOTE 2 - NOTES RECEIVABLE

Recorded investments in loans by portfolio segment at December 31, 2024 and 2023 consisted of the following:

	2024	2023
Cooperative housing mortgage loans	\$ 8,161,073	\$ 6,904,733
Cooperative business mortgage loans	3,155,630	3,770,610
Cooperative business loans	11,567,564	12,670,294
Share loans in housing cooperatives	52,485	61,027
Microenterprise loans	16,707	26,249
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Total notes receivable	22,953,459	23,432,913
Less current portion of notes receivable	6,207,259	6,895,101
Less allowance for credit losses	1,804,895	1,594,989
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Notes receivable - net of current portion and allowance for credit losses	<u>\$ 14,941,305</u>	<u>\$ 14,942,823</u>

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - NOTES RECEIVABLE (continued)

Descriptions of the loan portfolio segments are as follows:

- Cooperative housing mortgage loans are commercial real estate loans for the acquisition and rehabilitation of multifamily housing properties secured by a mortgage.
- Cooperative business mortgage loans are loans for commercial real estate secured by a mortgage.
- Cooperative business loans are loans secured by other business assets excluding real estate.
- Loans to individuals are loans to purchase cooperative housing. Share loans in housing cooperatives are loans to individuals to purchase shares in housing cooperatives.
- Microenterprise loans are loans to cooperative businesses with fewer than five full-time equivalent employees and requiring less than \$50,000 in financing.

Commercial real estate loans receivable at December 31, 2024 and 2023 were comprised of the following:

	<u>2024</u>		<u>2023</u>	
Multi-Family Housing	\$ 8,161,072	72.1%	\$ 7,504,536	70.3%
Office	155,243	1.4%	-	-
Production/Mfg	333,789	2.9%	338,780	3.2%
Retail	<u>2,666,599</u>	<u>23.6%</u>	<u>2,832,027</u>	<u>26.5%</u>
Total mortgage loans	<u>\$ 11,316,703</u>	<u>100%</u>	<u>\$ 10,675,343</u>	<u>100%</u>

There are no significant or material geographic concentrations within the commercial real estate loan portfolio.

The change in the allowance for credit losses in 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Beginning allowance	\$ 1,594,989	\$ 1,589,440
Loans written off	(295,611)	(443,153)
Increase in provision for loan losses	<u>505,517</u>	<u>448,702</u>
Ending allowance	<u>\$ 1,804,895</u>	<u>\$ 1,594,989</u>

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - NOTES RECEIVABLE (continued)

The allowance for credit losses by portfolio segment at December 31, 2024 and 2023 was as follows:

	Cooperative housing mortgage loans	Cooperative business mortgage loans	Cooperative business loans	Loans to individuals (Share)	Micro- enterprise	Total
Beginning allowance	\$ 237,323	\$ 133,984	\$ 1,220,447	\$ 610	\$ 2,625	\$ 1,594,989
Loans written off	(23,111)	-	(272,500)	-	-	(295,611)
Increase (decrease)	59,820	(20,991)	467,990	(348)	(954)	505,517
2024 Ending allowance	<u>\$ 274,032</u>	<u>\$ 112,993</u>	<u>\$ 1,415,937</u>	<u>\$ 262</u>	<u>\$ 1,671</u>	<u>\$ 1,804,895</u>
Beginning allowance	\$ 144,255	\$ 51,557	\$ 1,393,282	\$ 346	\$ -	\$ 1,589,440
Loans written off	-	-	(443,153)	-	-	(443,153)
Increase (decrease)	93,068	82,427	270,318	264	2,625	448,702
2023 Ending allowance	<u>\$ 237,323</u>	<u>\$ 133,984</u>	<u>\$ 1,220,447</u>	<u>\$ 610</u>	<u>\$ 2,625</u>	<u>\$ 1,594,989</u>

Of the \$295,611 written off in 2024, \$23,111 was from loans originated in 2018, and \$272,500 was from loans originated in 2021. Of the \$443,153 written off in 2023, \$316,818 was from loans originated in 2015, \$56,358 was from loans originated in 2019, and \$69,978 was from loans originated in 2021.

The aging of loans by portfolio segment at December 31, 2024 and 2023 was as follows:

	Cooperative housing mortgage loans	Cooperative business mortgage loans	Cooperative business loans	Loans to individuals (Share)	Micro- enterprise	Total
Current	\$ 7,378,893	\$ 3,498,873	\$ 12,006,500	\$ 52,485	\$ 16,708	\$ 22,953,459
31 - 90	-	-	-	-	-	-
90 + days	-	-	-	-	-	-
2024 Total	<u>\$ 7,378,893</u>	<u>\$ 3,498,873</u>	<u>\$ 12,006,500</u>	<u>\$ 52,485</u>	<u>\$ 16,708</u>	<u>\$ 22,953,459</u>
Current	\$ 6,904,733	\$ 3,770,670	\$ 12,669,583	\$ 61,027	\$ 26,249	\$ 23,432,262
31 - 90	-	-	-	-	-	-
90 + days	-	-	651	-	-	651
2023 Total	<u>\$ 6,904,733</u>	<u>\$ 3,770,670</u>	<u>\$ 12,670,234</u>	<u>\$ 61,027</u>	<u>\$ 26,249</u>	<u>\$ 23,432,913</u>

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - NOTES RECEIVABLE (continued)

The credit quality of loans receivable at December 31, 2024 and 2023 was as follows:

	Cooperative housing mortgage loans	Cooperative business mortgage loans	Cooperative business loans	Loans to individuals (Share)	Micro- enterprise	Total
A	\$ 2,262,332	\$ 989,967	\$ 1,861,012	\$ 52,485	\$ -	\$ 5,165,796
B	2,006,687	1,117,581	4,055,288	-	-	7,179,556
C	2,211,255	1,391,325	2,687,503	-	-	6,290,083
D	669,534	-	1,825,508	-	16,708	2,511,750
E	122,431	-	132,318	-	-	254,749
F	-	-	11,600	-	-	11,600
FF	106,654	-	686,100	-	-	792,754
G	-	-	747,171	-	-	747,171
2024 Total	<u>\$ 7,378,893</u>	<u>\$ 3,498,873</u>	<u>\$ 12,006,500</u>	<u>\$ 52,485</u>	<u>\$ 16,708</u>	<u>\$ 22,953,459</u>
A	\$ 1,307,000	\$ -	\$ -	\$ 61,027	\$ -	\$ 1,368,027
B	3,308,683	2,727,490	4,009,702	-	-	10,045,875
C	2,078,255	1,043,180	5,095,555	-	-	8,216,990
D	210,795	-	2,794,326	-	26,249	3,031,370
E	-	-	-	-	-	-
F	-	-	-	-	-	-
FF	-	-	-	-	-	-
G	-	-	770,651	-	-	770,651
2023 Total	<u>\$ 6,904,733</u>	<u>\$ 3,770,670</u>	<u>\$ 12,670,234</u>	<u>\$ 61,027</u>	<u>\$ 26,249</u>	<u>\$ 23,432,913</u>

Category	Description of Creditworthiness	Commercial	Share
A+	Highest credit quality, borrower is stable and reliable	0%	0%
A	Borrower is stable and reliable	1%	0.5%
B	Good borrower, but some recent internal or external changes	3%	2%
C	Good borrower, but recent significant internal or external changes	5%	3%
D	Borrower is either rebounding or heading into a period of significant difficulties	10%	6%
E	Relatively weak borrower facing some internal or external challenges	15%	10%
F	Weak borrower facing significant challenges	25+%	25+%
FF	Weak borrower facing severe challenges	50+%	50+%
G	Doubtful	Up to 100%	Up to 100%

Loans are considered impaired if Shared Capital considers it likely that at least some of the principal and interest payments will not be collected. All loans are individually reviewed for impairment. Two loans receivable totaling \$295,611 were written off as uncollectible in 2024, and two loans receivable totaling \$443,153 were written off as uncollectable in 2023.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 2 - NOTES RECEIVABLE (continued)

Off Balance Sheet Loans

In addition to the loans summarized above, at December 31, 2024 and 2023 Shared Capital serviced \$4,582,661 and \$4,784,603 in loans that are not recorded on the balance sheets. These include \$4,438,588 and \$4,643,599 of loan participations, which have been sold to other lenders and constitute true sales with no recourse or liability to Shared Capital. The amounts represent loan balances of funds administered on behalf of other organizations under contract, and for which Shared Capital holds no liability or risk.

NOTE 3 - EQUITY INVESTMENTS IN OTHER COOPERATIVES

Shared Capital holds equity investments as part of its financing activities. At December 31, 2024 and 2023, the investments were comprised of \$337,459 and \$300,000 of preferred stock in a food cooperative and \$10,000 of preferred stock in a worker cooperative. Shared Capital recorded allowances for investment losses on these investments of \$10,000 at December 31, 2024 and 2023 based on management's knowledge of the economic conditions and circumstances of the investees.

NOTE 4 - MEMBERSHIP EQUITY IN OTHER COOPERATIVES

Membership equity in other cooperatives primarily consists of an investment in National Cooperative Bank (NCB). Shared Capital held \$10,000 of Class B membership shares in NCB at December 31, 2024 and 2023. Shared Capital also held \$75 in membership shares in Seward Community Co-op at December 31, 2024 and 2023. Shared Capital does not consider this part of its financing activities or its investment portfolio.

NOTE 5 - CONCENTRATION OF CREDIT RISK

Shared Capital maintains cash balances at two financial institutions located in the United States. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2024 and 2023, Shared Capital's uninsured cash balances totaled approximately \$3,239,000 and \$2,443,000.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 6 - LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2024 and 2023 consisted of the following:

	2024	2023
Leasehold improvements	\$ 16,333	\$ 16,333
Office equipment and furniture	83,903	82,285
Leasehold improvements and equipment	100,236	98,618
Less accumulated depreciation	96,180	85,959
Leasehold improvements and equipment - net	<u>\$ 4,056</u>	<u>\$ 12,659</u>

Depreciation expense for 2024 and 2023 was \$10,221 and \$13,042, respectively.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets at December 31, 2024 and 2023 consisted of the following:

	2024	2023
Intangible assets - gross	\$ 44,656	\$ 44,656
Less accumulated amortization	39,447	36,788
Intangible assets - net	<u>\$ 5,209</u>	<u>\$ 7,868</u>

Amortization expense for 2024 and 2023 was \$2,659.

NOTE 8 - LINE OF CREDIT

Shared Capital has a \$1,000,000 unsecured line of credit with NCB which expires in December 2025. It bears an interest rate of 30-day Averaged Secured Overnight Financing Rate plus 225 basis points. Shared Capital's outstanding balance on the line of credit was \$1,000,000 at December 31, 2024 and 2023.

NOTE 9 - RETIREMENT PLAN

Shared Capital has established a salary deferral retirement plan with matching contributions for participating employees. The plan has received IRS approval under Section 408(p) of the Internal Revenue Code. The plan covers all employees who have met certain service requirements. Shared Capital will match the elective contributions of an employee in an amount not exceeding 3% of the employee's compensation. Matching contributions totaled \$25,830 and \$24,156 for 2024 and 2023.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 10 - LEASES

Shared Capital leases office space in St. Paul, Minnesota under an operating lease that expires in 2027.

The components of total lease cost are as follows:

	2024	2023
Operating lease expense	\$ 40,351	\$ 39,613
Variable lease expense	9,580	6,448
Total lease expense	<u>\$ 49,931</u>	<u>\$ 46,061</u>

Other information related to operating leases is as follows:

	2024	2023
Operating cash flows from operating leases	\$ 39,552	\$ 38,880
ROU assets obtained in exchange for new operating	-	7,176
Weighted-average remaining lease term in years for operating leases	2.58	3.58
Weighted-average discount rate for operating leases	5.5%	5.5%

The maturities of operating lease liabilities as of December 31, 2024 are as follows:

2025	\$ 40,046
2026	41,248
2027	<u>24,477</u>
Total minimum lease payments	105,771
Imputed interest	<u>(7,465)</u>
Total lease liabilities	<u>\$ 98,306</u>

NOTE 11 - FUNDS HELD FOR OTHERS

Shared Capital has an agreement with NASCO Development Services (NDS) to provide loan servicing functions for its Kagawa Fund. Shared Capital accumulates principal and interest collections, net of remitting interest due to investors of the Kagawa Fund, for use in providing additional loans on behalf of Kagawa Fund. NDS and the Kagawa Fund investors bear all risk of loss pertaining to these loans. Shared Capital receives a servicing fee for administering the portfolio and closing and origination fees on new loans issued.

At December 31, 2024 and 2023, Shared Capital held \$406,868 and \$403,868 in funds payable to NDS and available for lending. At December 31, 2024 and 2023, Shared Capital was servicing \$144,073 and \$141,064 of loans for the Kagawa Fund, which were not recorded on Shared Capital's balance sheets.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 12 - LONG-TERM DEBT

Long-term debt primarily consists of various notes payable to institutional investors, other cooperatives, and individuals.

Long-term debt at December 31, 2024 and 2023 consisted of the following:

	2024	2023
Senior loans payable	\$ 8,272,434	\$ 9,292,434
Subordinate loans payable	8,479,557	6,946,334
Paycheck Protection Program loan	34,501	107,134
Long-term debt	16,786,492	16,345,902
Less current portion of long-term debt	3,148,737	3,318,213
Less loan costs	26,970	20,457
Long-term debt net of current portion and loan costs	<u>\$ 13,610,785</u>	<u>\$ 13,007,232</u>

Some of the loans payable are subject to covenants as outlined in the loan agreements.

Future minimum principal payments on long-term debt consist of the following:

Due on demand	\$ 279,065
2025	2,869,672
2026	1,104,790
2027	1,486,665
2028	2,147,974
2029	1,904,843
Thereafter	<u>6,993,483</u>
Long-term debt	<u>\$ 16,786,492</u>

The notes payable at December 31, 2024 and 2023 have interest rates ranging from 0% to 4.5%, are unsecured, and mature through 2035. The weighted average interest rate on all long-term debt at December 31, 2024 and 2023 was 2.38% and 2.23%. The weighted average for senior debt was 2.62% and 2.17%. The weighted average for subordinate debt was 2.15% and 2.32%.

At December 31, 2024 and 2023, long-term debt less current portion includes \$1,800,000 and \$900,000 that is a portion of the debt forgiven by New World Foundation in each of those years. Under the terms of an agreement with a program partner, sixty percent of the forgiven debt is payable to the partner but is retained by Shared Capital until the winddown of the program in 2032 and can be used to offset losses on a pro rata basis for any loan losses incurred in excess of the cash reserve held for the program (see Note 17).

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 12 - LONG-TERM DEBT (continued)

In April 2020, Shared Capital received a Paycheck Protection Program (PPP) loan as part of the Coronavirus Aid, Relief, and Economic Security Act implemented by the United States Small Business Administration (SBA) to help cover payroll costs, rent, and utilities during the COVID-19 outbreak at 1% interest and repayable over 24 months. In 2022 the SBA informed Shared Capital that the PPP award does not meet the criteria for loan forgiveness due to Shared Capital's status as a for-profit financial institution. Shared Capital appealed this decision but did not receive forgiveness. The PPP loan balance, part of the current portion of long-term debt, was \$34,501 and \$107,134 at December 31, 2024 and 2023. The PPP loan was repaid in full in April 2025.

NOTE 13 - PREFERRED STOCK

Shared Capital issues Class A Preferred Stock to member and non-member investors to raise capital to carry out its lending activities. The preferred stock has no voting rights and shares may only be transferred upon the approval of the Board of Directors. The preferred stock has a liquidation preference over other equities. Redemption of preferred stock is at the discretion of the Board of Directors.

Shared Capital has specific redemption arrangements with two foundations that purchased Class A preferred shares in Shared Capital in the amounts of \$250,000 and \$500,000 in 2016 and 2012 respectively. In exchange, Shared Capital received certain considerations such as accompanying grants, extended stock holding period, and/or foregoing of dividends on the preferred stock. Under these redemption arrangements, the Board maintains the right to reject or postpone the foundations' redemption requests or convert such payment on redeemed shares to debt.

In December 2024, Shared Capital redeemed \$500,000 to one foundation. The other foundation that holds preferred stock in the amount of \$250,000 has requested redemption in accordance with the terms of the agreement. However, Shared Capital's Board of Directors has not yet approved the redemption. These shares are not listed separately on the balance sheet as redeemable stock because the shares represent less than 5% of total shares outstanding, and the terms under which this redemption may be requested are materially similar to the terms under which any shareholder request would be considered for redemption.

NOTE 14 - DIVIDENDS

At the discretion of the Board of Directors, Shared Capital may pay holders of preferred stock an annual dividend of up to 8% in the form of cash, additional shares of preferred stock, or equity credits. In 2024 and 2023 Shared Capital's Board of Directors declared preferred stock dividends in the amount of \$164,758 and \$128,210, which reflect a 5% return each year to investors on prior year holdings.

As a cooperative, Shared Capital may distribute patronage dividends, at the discretion of the Board of Directors, to its members based on the interest paid by the member on loans from Shared Capital. Patronage dividends may be paid in the form of cash or additional equity credits held as retained patronage. Shared Capital declared a qualified patronage dividend in the amount of \$116,815 on 2024 earnings. \$23,363 is payable to Shared Capital's members in cash, and \$93,452 is to be held as retained patronage. No patronage dividend was declared on 2023 earnings.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 15 - COMMITMENTS

In its normal course of business, Shared Capital issues formal commitments to issue notes receivable at a future date. Commitments are issued after loan approval, confirmation of availability of funds, and confirmation that all applicant conditions have been met. These are commitments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

As of December 31, 2024 and 2023, Shared Capital carried outstanding commitments of approximately \$785,772 and \$2,812,000 to lend funds to meet the financing needs of its members.

NOTE 16 - INCOME TAXES

The provision for income taxes for 2024 and 2023 was comprised of the following:

	2024	2023
	<u>2024</u>	<u>2023</u>
Current federal income tax expense	\$ (104,614)	\$ (42,935)
Current state income tax expense	(37,003)	(9,046)
Deferred income tax benefit (expense)	<u>(7,000)</u>	<u>4,000</u>
Provision for income taxes	<u>\$ (148,617)</u>	<u>\$ (47,981)</u>

Shared Capital's total deferred tax asset, valuation allowance, and total deferred tax liability at December 31, 2024 and 2023 consisted of the following:

	2024	2023
	<u>2024</u>	<u>2023</u>
Total deferred tax asset	\$ 11,000	\$ 18,000
Valuation allowance	-	-
Total deferred tax liability	<u>-</u>	<u>-</u>
Deferred taxes	<u>\$ 11,000</u>	<u>\$ 18,000</u>

Deferred taxes consist of the future tax effects of net operating loss carryforwards and timing differences between costs recorded as expenses for financial statement purposes and deductions for income tax purposes. Shared Capital utilized all of its remaining net operating loss carryforwards in 2024.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - GRANTS AND CONTRIBUTIONS

Grants and Contributions include \$1,500,000 in debt forgiveness in each year in 2024 and 2023 of a \$4,000,000 0% interest loan made to Shared Capital in 2019 by New World Foundation under its Quality Jobs Fund. The loan provides capital for financing to support the transition of successful businesses to employee ownership to create and sustain high quality jobs in local communities. At December 31, 2024, \$3,000,000 had been forgiven and the remaining \$1,000,000 is anticipated to be forgiven in 2025. Forgiveness was granted based on compliance with funding requirements including the successful deployment of the funds for the program purposes.

Sixty percent of the New World Foundation forgiven debt, in the amount of \$900,000 in each of 2024 and 2023, was payable to a nonprofit program partner and is recorded as contribution expense. This obligation of \$1,800,000 in 2024 and \$900,000 in 2023 is reflected as long-term debt on Shared Capital's balance sheet.

In 2024 and 2023, Shared Capital administered grant programs on behalf of third parties whereby Shared Capital received grants from or on behalf of those third parties, and regranted those funds as directed under applicable agreements. \$555,215 and \$235,958 were recognized both as grant and contribution revenue and as contribution expense immediately upon the disbursement of the regranted funds.

Grants and contributions for 2024 and 2023 consisted of the following:

	2024	2023
Regranted under grant administration agreements	\$ 555,215	\$ 235,958
Recognized upon satisfaction of conditions	199,174	464,577
No conditions – recognized on receipt	301,336	38,566
Loan forgiveness	1,500,000	1,500,000
Total Grants and Contributions	<u>\$ 2,555,725</u>	<u>\$ 2,239,101</u>

NOTE 18 - RELATED PARTIES

Several directors of Shared Capital are employed by, or are directors of, Shared Capital member organizations or other organizations that borrow from, lend to, or hold common or preferred stock in Shared Capital. Several Shared Capital directors as well as several staff members are members of the cooperative's individual class of members and hold common stock. They may also lend to Shared Capital.

Several staff members are directors of member organizations or other organizations that borrow from, lend to, award grant funding to, or hold common or preferred stock in Shared Capital.

Such activities were in the ordinary course of business at normal credit terms, including interest rates and collateralization, and do not represent more than a normal risk of collection.

SHARED CAPITAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023

NOTE 18 - RELATED PARTIES (continued)

Significant related party activities for 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
Equity and deposits in related parties	\$ 337,459	\$ 310,000
Notes receivable from related parties	5,385,449	5,407,718
Long-term debt payable to related parties	935,719	719,904
Preferred stock held by related parties	790,737	723,617
Interest income earned from related parties	336,160	182,996
Interest expense incurred to related parties	26,566	24,558
Lines of credit from related parties	1,000,000	1,000,000

Additionally, an employee of NCB is a member of Shared Capital's loan committee. Shared Capital holds membership equity in NCB as disclosed in Note 4 and has a line of credit as disclosed in Note 8. NCB also holds membership equity in Shared Capital.