

**Enterprise Community Partners, Inc.
and Affiliate**

**Combined Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2014 and 2013

Enterprise Community Partners, Inc. and Affiliate

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Independent Auditor's Report

To the Board of Trustees
Enterprise Community Partners, Inc. and Affiliate

Report on the Financial Statements

We have audited the accompanying combined financial statements of Enterprise Community Partners, Inc. ("Partners") and Affiliate, which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities, functional expenses, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Enterprise Community Partners, Inc. and Affiliate as of December 31, 2014 and 2013, and the changes in their combined net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the accompanying combined financial statements were prepared for the purpose of complying with certain loan agreements between third parties, Partners and Affiliate. Under the date of April 22, 2015, we have reported on the consolidated financial statements of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates as of and for the years ended December 31, 2014 and 2013 and have issued our unmodified opinion on those statements.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information on pages 32 to 35 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The image shows a handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Bethesda, Maryland
April 22, 2015

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Financial Position
December 31, 2014 and 2013**

(\$ in thousands)

	<u>Assets</u>	
	2014	2013
Cash, cash equivalents and investments	\$ 40,644	\$ 27,931
Restricted cash, cash equivalents and investments	51,323	50,345
Contributions receivable, net	15,065	13,311
Contracts receivable, net	6,064	6,064
Interest receivable, net	580	780
Loans receivable, net	123,193	112,438
Notes receivable, net	6,590	6,590
Advances to subsidiaries and affiliates	5,607	8,323
Investments in subsidiaries and affiliates	124,004	112,603
Property and equipment, net	4,590	4,298
Other receivables and other assets, net	1,058	364
Total assets	\$ 378,718	\$ 343,047
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 9,311	\$ 7,321
Funds held for others	7,445	6,727
Loans payable	127,705	114,332
Total liabilities	144,461	128,380
Commitments and contingencies	-	-
Net assets		
Unrestricted, controlling interest	156,077	145,195
Unrestricted, noncontrolling interest	17,957	12,975
Temporarily restricted - program activities	42,278	39,067
Temporarily restricted - Cullman Challenge Grant	13,635	13,122
Temporarily restricted - Terwilliger Fund	4,310	4,308
Total net assets	234,257	214,667
Total liabilities and net assets	\$ 378,718	\$ 343,047

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Activities
Years Ended December 31, 2014 and 2013**

(\$ in thousands)

	2014 Temporarily restricted					2013 Temporarily restricted				
	Unrestricted	Program activities	Cullman Challenge Grant	Terwilliger Fund	Total	Unrestricted	Program activities	Cullman Challenge Grant	Terwilliger Fund	Total
Revenue and support										
Grants and contracts	\$ 33,302	\$ 2,000	\$ -	\$ -	\$ 35,302	\$ 27,134	\$ 1,347	\$ -	\$ -	\$ 28,481
Contributions	3,595	18,713	-	-	22,308	4,953	21,424	-	-	26,377
Interest income	7,795	-	-	-	7,795	6,323	-	-	-	6,323
Royalty income	4,621	-	-	-	4,621	4,169	-	-	-	4,169
Services provided to subsidiaries and affiliates	4,759	-	-	-	4,759	4,427	-	-	-	4,427
Investment income	449	-	360	2	811	464	-	133	2	599
Other revenue	3,064	-	-	-	3,064	5,109	-	-	-	5,109
	57,585	20,713	360	2	78,660	52,579	22,771	133	2	75,485
Net assets released from restrictions	18,132	(17,502)	(630)	-	-	17,761	(17,202)	(559)	-	-
Total revenue and support	75,717	3,211	(270)	2	78,660	70,340	5,569	(426)	2	75,485
Expenses										
Program activities										
Program services	39,912	-	-	-	39,912	32,250	-	-	-	32,250
Grants	14,893	-	-	-	14,893	14,582	-	-	-	14,582
Public policy	3,006	-	-	-	3,006	3,229	-	-	-	3,229
Interest on loans	3,322	-	-	-	3,322	3,153	-	-	-	3,153
Total program activities	61,133	-	-	-	61,133	53,214	-	-	-	53,214
Support services										
Management and general	8,050	-	-	-	8,050	7,563	-	-	-	7,563
Fundraising	2,449	-	-	-	2,449	2,294	-	-	-	2,294
Total support services	10,499	-	-	-	10,499	9,857	-	-	-	9,857
Total expenses	71,632	-	-	-	71,632	63,071	-	-	-	63,071
Excess (deficiency) of revenue and support over expenses from operations	4,085	3,211	(270)	2	7,028	7,269	5,569	(426)	2	12,414
Net realized and unrealized gain on investments	378	-	783	-	1,161	432	-	3,129	-	3,561
Intercompany EHOP grant	-	-	-	-	-	(5,600)	-	-	-	(5,600)
Equity in increase in net assets of subsidiaries and affiliates	8,772	-	-	-	8,772	9,165	-	-	-	9,165
Increase in net assets	13,235	3,211	513	2	16,961	11,266	5,569	2,703	2	19,540
Increase in net assets, attributable to noncontrolling interest	(3,025)	-	-	-	(3,025)	(2,238)	-	-	-	(2,238)
Increase in net assets, attributable to controlling interest	\$ 10,210	\$ 3,211	\$ 513	\$ 2	\$ 13,936	\$ 9,028	\$ 5,569	\$ 2,703	\$ 2	\$ 17,302

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Functional Expenses
Years Ended December 31, 2014 and 2013**

(\$ in thousands)

Expenses	2014				2013			
	Program activities	Management and general	Fundraising	Total	Program activities	Management and general	Fundraising	Total
Salaries	\$ 19,882	\$ 3,149	\$ 1,678	\$ 24,709	\$ 18,055	\$ 2,697	\$ 1,483	\$ 22,235
Professional and contract services	12,131	3,075	63	15,269	6,876	3,145	163	10,184
Grants	14,893	-	-	14,893	14,582	-	-	14,582
Employee benefits and taxes	4,055	713	358	5,126	3,889	491	337	4,717
Interest on loans	3,322	-	-	3,322	3,153	-	-	3,153
Occupancy	2,339	251	193	2,783	1,810	228	164	2,202
Miscellaneous	1,871	(147)	24	1,748	1,546	163	22	1,731
Travel and related costs	1,596	49	90	1,735	1,365	34	92	1,491
Depreciation and amortization expense	216	930	10	1,156	255	774	6	1,035
Meetings and conferences	1,100	3	-	1,103	819	2	1	822
General operating supplies and expenses	678	27	33	738	689	29	25	743
Marketing	294	-	-	294	349	-	1	350
Net change in allowance for loan losses	(1,244)	-	-	(1,244)	(174)	-	-	(174)
	<u>\$ 61,133</u>	<u>\$ 8,050</u>	<u>\$ 2,449</u>	<u>\$ 71,632</u>	<u>\$ 53,214</u>	<u>\$ 7,563</u>	<u>\$ 2,294</u>	<u>\$ 63,071</u>

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013**

(\$ in thousands)

		Unrestricted		Temporarily restricted			
	Controlling interest	Noncontrolling interest	Total	Program activities	Cullman Challenge Grant	Terwilliger Fund	Total net assets
Balance, December 31, 2012	\$ 136,167	\$ 13,683	\$ 149,850	\$ 33,498	\$ 10,419	\$ 4,306	\$ 198,073
Distributions	-	(2,946)	(2,946)	-	-	-	(2,946)
Increase in net assets	<u>9,028</u>	<u>2,238</u>	<u>11,266</u>	<u>5,569</u>	<u>2,703</u>	<u>2</u>	<u>19,540</u>
Balance, December 31, 2013	145,195	12,975	158,170	39,067	13,122	4,308	214,667
Acquisition of interest in Towle	672	4,400	5,072	-	-	-	5,072
Distributions	-	(2,443)	(2,443)	-	-	-	(2,443)
Increase in net assets	<u>10,210</u>	<u>3,025</u>	<u>13,235</u>	<u>3,211</u>	<u>513</u>	<u>2</u>	<u>16,961</u>
Balance, December 31, 2014	<u><u>\$ 156,077</u></u>	<u><u>\$ 17,957</u></u>	<u><u>\$ 174,034</u></u>	<u><u>\$ 42,278</u></u>	<u><u>\$ 13,635</u></u>	<u><u>\$ 4,310</u></u>	<u><u>\$ 234,257</u></u>

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

(\$ in thousands)

	2014	2013
Cash flows from operating activities		
Changes in net assets	\$ 16,961	\$ 19,540
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,156	1,035
Net change in allowance for loan losses	(1,244)	(174)
Equity increase in net assets of subsidiaries and affiliates	(11,401)	(6,219)
Noncash acquisition and distribution activity of subsidiaries and affiliates	2,629	(2,946)
Net realized and unrealized gain on investments	(1,161)	(3,561)
Increase in contributions receivable	(1,754)	(4,740)
Increase in contracts receivable	-	(958)
Decrease (increase) in interest receivable	200	(83)
Decrease (increase) in advances to subsidiaries and affiliates	2,716	(3,235)
(Increase) decrease in other receivables and other assets, net	(694)	679
Increase (decrease) in accounts payable and accrued expenses	1,990	(228)
Increase (decrease) in funds held for others	718	(1,420)
Net cash provided by (used in) operating activities	<u>10,116</u>	<u>(2,310)</u>
Cash flows from investing activities		
Advances on loans receivable	(73,857)	(73,702)
Repayments of loans receivable	64,346	65,779
Advances on notes receivable	(15,000)	(19,157)
Repayments of notes receivable	15,000	19,157
Purchases of property and equipment	(1,448)	(1,320)
Net (purchases) sales of investments	<u>(11,378)</u>	<u>17,098</u>
Net cash (used in) provided by investing activities	<u>(22,337)</u>	<u>7,855</u>
Cash flows from financing activities		
Proceeds from loans payable	64,105	64,998
Loan repayments	<u>(50,732)</u>	<u>(59,809)</u>
Net cash provided by financing activities	<u>13,373</u>	<u>5,189</u>
Net increase in cash and cash equivalents	1,152	10,734
Cash and cash equivalents, beginning of year	<u>55,346</u>	<u>44,612</u>
Cash and cash equivalents, end of year	<u><u>\$ 56,498</u></u>	<u><u>\$ 55,346</u></u>
Supplementary disclosure of cash flow information:		
Interest paid	<u><u>\$ 3,541</u></u>	<u><u>\$ 3,465</u></u>
Significant noncash investing and financing activities:		
Fully depreciated property and equipment written off	<u><u>\$ 70</u></u>	<u><u>\$ 533</u></u>
Loans and notes receivable written off	<u><u>\$ 219</u></u>	<u><u>\$ 824</u></u>

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2014 and 2013

Note 1 - Organization and purpose

Basis of presentation

The combined financial statements include the accounts and transactions of Enterprise Community Partners, Inc. ("Partners") and Enterprise Community Loan Fund, Inc. (the "Affiliate" or "Loan Fund") (collectively, "we", or "us"), which are under common control. Our combined financial statements have been prepared on an accrual basis and are for the purpose of complying with certain loan agreements we have with third parties. Significant intercompany transactions and balances are eliminated in combination. The accounts and transactions of other subsidiaries and affiliates are not combined or consolidated, rather they are accounted for using the equity method. Additionally, other non-related parties have ownership interests in certain affiliates that are accounted for using the equity method in these combined financial statements. Accordingly, those amounts are presented as noncontrolling interest in these combined financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Significant estimates are inherent in the preparation of these combined financial statements in a number of areas, including determining the fair value of unconditional contributions, estimation of potential losses relating to loans and evaluation of the collectability of contributions receivable. Actual results could differ from our estimates.

Organization and business

Partners is 501(c)(3) and 509(a)(1) not-for-profit publicly supported charitable foundation. Its affiliate, Loan Fund, is a 501(c)(3) publically supported not-for-profit and a 509(a)(3) supporting organization to Partners. Loan Fund is also a community development financial institution ("CDFI").

Our mission is to create opportunities for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. We accomplish this mission by providing local communities technical assistance, training and financial resources. More specifically, we provide: operating grants to community organizations; loans to community-based developers of low-income housing, community organizations and certain affiliates; technical services and training programs; and research and information services.

Partners obtains funding primarily from contracts, grants and contributions from the federal government, foundations, corporations, individuals, state and local governments and through services provided to subsidiaries and affiliates. Loan Fund is supported primarily from interest income on loans, contributions, grants and investment income. We also receive loans from various not-for-profit organizations and financial institutions to fund loans to community organizations.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2014 and 2013

Donor restrictions

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met by our actions and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that must be maintained permanently by us.

Revenue is reported as increases in unrestricted net assets unless uses of the related assets are limited by donor-imposed restrictions. Investment proceeds and realized/unrealized gains and losses are reported as changes in unrestricted net assets unless specifically restricted by donor-imposed restrictions. Both the Cullman Challenge Grant and the Terwilliger Fund investment returns have this restriction. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Note 2 - Significant accounting policies

Revenue recognition and related matters

Revenue is recognized when earned and realized pursuant to the following:

Grants and contracts

Grants and contracts funded from government sources are generally cost reimbursement contracts where revenue is recognized at the time costs are incurred. Additionally, certain grants and contracts provide for reimbursement of indirect costs, generally based on a specified percentage of direct costs. The revenue related to direct and indirect costs is recorded as an addition to unrestricted net assets.

Grants and contracts were 45% and 38% of total revenue and support for 2014 and 2013, respectively. Approximately 88% and 90% of the grants and contract revenue is derived from federal funding in 2014 and 2013, respectively. Approximately 91% of the federal funding is provided by the U.S. Department of Housing and Urban Development ("HUD") in both 2014 and 2013.

Contributions

Contributions that are unconditional promises to give are recognized as revenue in the period received. Contributions with donor-imposed restrictions and unconditional promises to give with payments due in future periods are recorded as increases to temporarily or permanently restricted net assets and are reclassified to unrestricted net assets at the time the restriction is met. Unconditional promises to give with payments

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2014 and 2013

due in future periods where the donor has explicitly permitted for their use in the current period and the promise to give is otherwise free of a donor-imposed purpose restriction are recorded as increases in unrestricted net assets. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions recognized that are to be received after one year are recorded at their fair value based on the income approach whereby future amounts expected to be collected are discounted to their present value at a rate commensurate with the risk involved. This rate is based on management's assessment of current market expectations plus a reasonable risk premium. The average discount rate for 2014 and 2013 was 3.56% and 2.75%, respectively. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift.

An allowance for uncollectible contributions receivable is made based upon management's judgment, based on factors such as prior collection history, the type of contribution and other relevant factors. Contributions were 28% and 35% of total revenue and support for 2014 and 2013, respectively. Unrestricted contributions include grant revenue from uncombined affiliates of \$2.8 million and \$3.7 million for 2014 and 2013, respectively.

Restricted contributions from the top five contributors comprise approximately 28% and 25% of total contributions for 2014 and 2013, respectively.

Interest income

Interest income on loans receivable and notes receivable is accrued on the principal balance outstanding at the contractual interest rate. Direct loan origination costs are offset against related origination fees and the net amount is amortized over the life of the loan as a component of interest income.

Investment proceeds

Investment proceeds with donor-imposed restrictions are reported as investment income and added to temporarily or permanently restricted net assets. Changes in market value on investments with donor-imposed restrictions are reported as net realized and unrealized gains and losses and added to or deducted from temporarily or permanently restricted net assets.

Cash, cash equivalents and investments

Investments with maturities at dates of purchase of three months or less are considered to be cash equivalents. Cash equivalents are invested in money market funds, certificates of deposit, corporate and U.S. agency bonds and notes, all with an equivalent rating of A2/P2 or higher.

Investments consist of marketable securities and alternative investments. Marketable securities consist of U.S. Government agency obligations, fixed income securities and

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2014 and 2013

corporate and foreign securities. Marketable securities are carried at fair value. The original basis of such investments is the purchase price. Investment income is recorded when earned as an addition to unrestricted net assets unless restricted by donor. Realized and unrealized gains and losses are recorded in the accompanying combined statements of activities as an increase or decrease in unrestricted net assets unless restricted by the donor.

Alternative investments consist primarily of investments in limited partnerships. These investments are carried at fair value, which is the monthly net asset value made available by the fund manager or administrator prior to the valuation date.

Restricted cash, cash equivalents and investments

Restricted cash, cash equivalents and investments consist of funds held for lending activity, restricted contributions and funds held for others under escrow, partnership and fiscal agent agreements.

Allowance for doubtful accounts

Receivables are reported net of an allowance for doubtful accounts. We routinely evaluate our receivables balances and allow for anticipated losses based on our best estimate of probable losses.

Loans receivable

We make loans to community-based not-for-profit and for-profit mission aligned affordable housing developers, community organizations and certain affiliates for the purpose of supporting low-income communities. We have two segments of loans in our portfolio – housing loans and other loans. Housing loans are primarily for the purpose of acquiring, renovating and/or constructing multi-family residential housing. Our other loans generally provide financing for a variety of community development needs, including community facilities, such as charter schools and health care centers, as well as loans that encourage community development through the support of growth and operating needs of organizations in low-income communities. Our loans are generally collateralized by real estate. The majority of the loans have repayment terms requiring a balloon payment when construction or permanent financing on the underlying property is secured, the property is sold, or at the stated maturity date.

We may modify loans for a variety of reasons. Modifications include changes to interest rates, principal and interest payment terms, loan maturity dates, and collateral. Some modifications are in conjunction with a troubled debt restructure in the situation where a loan can no longer perform under the current loan terms. These modifications may include the types of modifications noted above and/or a forbearance agreement. We also enter into loan participation agreements with other organizations. If certain conditions are met, these loan participations are accounted for as sales by derecognizing the participation interest sold. No gain or loss on sale is incurred. If the conditions are not met, we continue to carry the full loan receivable in our combined financial statements and reflect the participation component of the loan as a liability. We retain the servicing rights on participations and

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Notes to Combined Financial Statements December 31, 2014 and 2013

provide loan servicing on other loan arrangements as well. Since the benefits of servicing approximate the costs, no servicing asset or liability is recognized.

During the loan approval process, underwriting criteria vary by portfolio segment. Criteria considered for housing loans includes an analysis of the market, sponsor and repayment sources. For other loans, the borrower's business plan, cash flows from operations, loan takeout options, and collateral are all considered. Once loans are approved, our monitoring processes are consistently applied across portfolio segments. As a result of these monitoring processes, we generally group our loans into three categories:

- Performing - Loans are performing and borrower is expected to fully repay future obligations.
- Monitored - Loans are performing but requires monitoring due to a potential change in market, sponsor or other factors that may impact the borrowers potential to repay future obligations.
- Impaired - The primary source of repayment is questionable and the value of the underlying collateral has declined, increasing the probability that we will be unable to collect all principal and interest due.

For impaired loans, we discontinue the accrual of interest income in our combined statements of activities. Interest payments received on these loans are recognized as either a reduction of principal, or if it is determined that principal can be fully repaid irrespective of collateral value, as interest income. Interest accrual is resumed when the quality of the loan improves sufficiently to warrant interest recognition.

Loans are carried at their unpaid principal balance, less an allowance for loan losses to reflect potentially uncollectable balances including potential losses relating to impaired loans. The allowance for loan losses is based upon management's periodic evaluation of the underwriting criteria used to initially underwrite the loan as well as other credit factors, economic conditions, historic loss trends and other risks inherent in the overall portfolio such as geographic or sponsor concentration risks. The allowance is increased by a provision for loan losses which is charged to expense and reduced by charge-offs, net of recoveries. Loans are charged off when repayment is not expected to occur.

Advances to subsidiaries and affiliates

Partners has agreements with certain of its uncombined subsidiaries and affiliates whereby Partners provides management services and program personnel to assist these entities in the development of low-income housing throughout the United States. Amounts due to Partners are included in advances to subsidiaries and affiliates on the combined statements of financial position.

Investments in subsidiaries and affiliates

Our investments in subsidiaries and affiliates, including those in which we have a controlling financial interest (usually defined as a majority voting interest), are accounted for

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Notes to Combined Financial Statements December 31, 2014 and 2013

using the equity method in the accompanying combined financial statements. Additional information concerning the subsidiaries and affiliates is provided in Note 7.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Generally, we capitalize the purchase of items individually costing \$1,000 or more provided an item meets our basic criteria to be capitalized. Additionally, upon meeting certain criteria, we capitalize external direct costs incurred and payroll and payroll-related expenses for employees who are directly associated with developing or obtaining software applications and related upgrades and enhancements. If events or circumstances indicate that the carrying amount is not recoverable, the related asset is tested for impairment and written down to the fair value, if impaired. As of December 31, 2014 and 2013, we have not recognized any reduction in the carrying value of property and equipment. The cost of property and equipment is depreciated or amortized using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are capitalized and amortized over the shorter of their useful lives or the lease term.

Deferred financing costs

Deferred financing costs are amortized over the term of the loan using the straight-line method. In accordance with GAAP, deferred financing costs are to be amortized over the term of the loan using the effective yield method; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Deferred financing costs, net are included in other receivables and other assets, net on the combined statements of financial position. Amortization expense for the years ended December 31, 2014 and 2013 was \$3,000 and \$0, respectively. Estimated amortization expense for each of the ensuing years through December 31, 2019 is \$9,000.

Funds held for others

We hold assets, primarily cash and cash equivalents, for third parties pursuant to fiscal agency and similar contractual arrangements. The assets held are classified as restricted and the liability is included in funds held for others.

Guarantee obligations

We account for our exposure to losses under guarantees by recording a liability equal to the estimated fair value of the guarantee based on the facts and circumstances existing at the time that the guarantee is undertaken. Determining the estimated fair value of a contingent liability requires management to make significant estimates and assumptions, including among others, market interest rates, historical loss experience on similar guarantees, total financial exposure, probability of loss, and severity and timing of possible losses. The guarantee obligation is reduced as identified risks are deemed to have expired based upon the satisfaction of applicable measures or milestones, which reduce or eliminate the guarantee exposure.

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Notes to Combined Financial Statements December 31, 2014 and 2013

Income taxes

Partners and Loan Fund are recognized as 501(c)(3) social welfare organizations and are exempt from income taxes with respect to charitable activities, except for unrelated business income. We did not have any unrelated business income during the years ended December 31, 2014 and 2013. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying combined financial statements. We do file tax returns required to be completed by tax exempt entities with the Internal Revenue Service ("IRS") and other taxing authorities. These income tax returns are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2011 remain open for examination.

For the years ended December 31, 2014 and 2013, we did not identify any uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

Grant expense

Grants made are reported as decreases in unrestricted net assets in the year funded.

Expense allocation

Expenses by function have been allocated among program activities and support services on the basis of an analysis made by management.

Fair value of financial instruments

The carrying amount investments in marketable securities and alternative investments are recorded at fair value. The carrying amount of other financial instruments approximate their fair value.

Reclassifications

Reclassifications have been reflected in the current year presentation for prior year balances. Such reclassifications are for comparative purposes only and do not restate the prior year combined financial statements.

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2014 and 2013**

Note 3 - Cash, cash equivalents and investments

Cash, cash equivalents and investments at December 31 consist of the following (\$ in thousands):

	2014		
	Unrestricted	Restricted	Total
Cash and cash equivalents	\$ 31,853	\$ 24,645	\$ 56,498
Certificates of deposit	-	2,773	2,773
U.S. Government agency obligations and fixed income securities	5,587	9,307	14,894
Corporate and foreign equity securities	3,204	14,361	17,565
Alternative investments	-	237	237
Total	<u>\$ 40,644</u>	<u>\$ 51,323</u>	<u>\$ 91,967</u>

	2013		
	Unrestricted	Restricted	Total
Cash and cash equivalents	\$ 24,097	\$ 31,249	\$ 55,346
Certificates of deposit	-	4,977	4,977
U.S. Government agency obligations and fixed income securities	2,424	7,088	9,512
Corporate and foreign equity securities	1,410	7,031	8,441
Alternative investments	-	-	-
Total	<u>\$ 27,931</u>	<u>\$ 50,345</u>	<u>\$ 78,276</u>

The following summarizes the investment return and its classification in the combined statements of activities for the years ended December 31 (\$ in thousands):

	2014	2013
Investment income	\$ 811	\$ 599
Realized gain, net	-	5,346
Unrealized gain (loss), net	<u>1,161</u>	<u>(1,785)</u>
	<u>\$ 1,972</u>	<u>\$ 4,160</u>

Investment return detailed above is net of investment fees of \$28,000 and \$81,000 for the years ended December 31, 2014 and 2013, respectively.

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Note 4 - Contributions receivable, net

Contributions receivable at December 31 are summarized as follows (\$ in thousands):

	<u>2014</u>	<u>2013</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 7,195	\$ 6,533
One year to five years	<u>8,339</u>	<u>7,091</u>
	15,534	13,624
Less unamortized discount	<u>(469)</u>	<u>(313)</u>
Contributions receivable, net	<u><u>\$ 15,065</u></u>	<u><u>\$ 13,311</u></u>

Note 5 - Loans receivable, net

Since 1981, we have closed approximately \$1.33 billion of loans to various community organizations. The sources of funds used and anticipated to be used to originate such loans are loans payable and private contributions. As of December 31, 2014 and 2013, \$67.9 million and \$50.2 million, respectively, of loans receivable are due within one year. Loans are typically secured by liens placed on the underlying real estate or the assignment of developer fees or assets of the business. The loans bear interest at varying rates which in the aggregate approximate 5.7% and 5.6% as of December 31, 2014 and 2013, respectively. In accordance with historical practices, it is expected that some of these loans will be extended at maturity. Our loan policy dictates that loans can only be extended if there is no material adverse change in the credit and repayment is not threatened.

Loan participations outstanding totaled \$20.3 million and \$20.6 million at December 31, 2014 and 2013, respectively.

Enterprise Community Partners, Inc. and Affiliate

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As of December 31, the loan portfolio consists of the following (\$ in thousands):

	2014	2013
Loans to unaffiliated organizations	\$ 129,521	\$ 119,086
Loans to affiliated organizations	936	2,063
	<u>130,457</u>	<u>121,149</u>
Allowance for loan losses:		
Loans to unaffiliated organizations	(7,217)	(8,608)
Loans to affiliated organizations	(47)	(103)
	<u>(7,264)</u>	<u>(8,711)</u>
Loans receivable, net	<u>\$ 123,193</u>	<u>\$ 112,438</u>

Allowance for loan losses activity by portfolio segment for the years ended December 31 is summarized as follows (\$ in thousands):

	2014			2013		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan losses:						
Balance at beginning of year	\$ (7,518)	\$ (1,193)	\$ (8,711)	\$ (8,567)	\$ (791)	\$ (9,358)
Net change in allowance for loan losses	1,628	(384)	1,244	576	(402)	174
Write-offs	219	-	219	714	-	714
Recoveries	(16)	-	(16)	(241)	-	(241)
Balance at end of year	<u>\$ (5,687)</u>	<u>\$ (1,577)</u>	<u>\$ (7,264)</u>	<u>\$ (7,518)</u>	<u>\$ (1,193)</u>	<u>\$ (8,711)</u>

As of December 31, loans by credit quality indicator and portfolio segment consist of the following (\$ in thousands):

	2014			2013		
	Housing	Other	Total	Housing	Other	Total
Performing	\$ 87,880	\$ 25,232	\$ 113,112	\$ 91,174	\$ 16,561	\$ 107,735
Monitored	9,530	1,442	10,972	5,942	-	5,942
Impaired:						
With an increased allowance for loan losses	3,234	2,226	5,460	4,066	2,433	6,499
Without an increased allowance for loan losses	913	-	913	973	-	973
Total	<u>\$ 101,557</u>	<u>\$ 28,900</u>	<u>\$ 130,457</u>	<u>\$ 102,155</u>	<u>\$ 18,994</u>	<u>\$ 121,149</u>
Average investment in impaired loans	<u>\$ 4,725</u>	<u>\$ 2,321</u>	<u>\$ 7,046</u>	<u>\$ 7,565</u>	<u>\$ 2,522</u>	<u>\$ 10,087</u>

The allowance for loan losses related to impaired housing loans was \$1.4 million and \$1.8 million at December 31, 2014 and 2013, respectively. The allowance for loan losses related to impaired other loans was \$0.3 million and \$0.4 million for the years ended December 31, 2014 and 2013, respectively. We discontinue recognition of interest income on all impaired loans. Payments received for such loans are either recorded as principal reductions or

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Notes to Combined Financial Statements December 31, 2014 and 2013

interest income pursuant to our accounting policy. On a cash basis, we recognized interest income on impaired housing loans of \$16,000 for both years ended December 31, 2014 and 2013. During the year ended December 31, 2013, a housing loan was modified through a troubled debt restructuring with a balance at restructuring of \$1.5 million. As of December 31, 2014, this loan has not defaulted. No loans were restructured during 2014.

An aging of past due loans by portfolio segment as of December 31 is as follows (\$ in thousands):

	2014			2013		
	Housing	Other	Total	Housing	Other	Total
Past due:						
31-60 days	\$ -	\$ -	\$ -	\$ 723	\$ -	\$ 723
61-90 days	-	-	-	-	-	-
Over 90 days	2,222	-	2,222	2,784	-	2,784
Total	2,222	-	2,222	3,507	-	3,507
Current	99,335	28,900	128,235	98,648	18,994	117,642
Total	\$ 101,557	\$ 28,900	\$ 130,457	\$ 102,155	\$ 18,994	\$ 121,149

No loans were 90 or more days past due and still accruing interest.

Note 6 - Notes receivable, net

As of December 31, notes receivable consists of the following (\$ in thousands):

	2014	2013
Notes receivable:		
Notes to unaffiliated organizations	\$ 3,470	\$ 3,470
Notes to affiliated organizations	11,250	11,250
	14,720	14,720
Notes receivable allowance:		
Notes to unaffiliated organizations	(1,380)	(1,380)
Notes to affiliated organizations	(6,750)	(6,750)
	(8,130)	(8,130)
Notes receivable, net	\$ 6,590	\$ 6,590

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Notes receivable allowance activity for the years ended December 31 is summarized as follows (\$ in thousands):

	2014	2013
Balance at beginning of year	\$ (8,130)	\$ (9,890)
Write-offs	-	110
Recovery from loss	-	1,650
Balance at end of year	<u>\$ (8,130)</u>	<u>\$ (8,130)</u>

Note 7 - Transactions with uncombined subsidiaries and certain affiliates

As discussed in Note 1, these combined financial statements include the accounts and transactions of Partners and Loan Fund.

Investments in subsidiaries and affiliates, accounted for under the equity method, at December 31 consist of the following (\$ in thousands):

	2014	2013
Investment in:		
ECI	\$ 119,084	\$ 109,020
CHC	3,532	2,964
Others	1,388	619
Total	<u>\$ 124,004</u>	<u>\$ 112,603</u>

If these financial statements were presented on a consolidated basis, these subsidiaries and affiliates would impact the consolidated financial position at December 31, and the consolidated net assets for the years then ended, by the following amounts (\$ in thousands):

Statements of Financial Position

	2014	2013
Total assets	<u>\$ 324,456</u>	<u>\$ 278,311</u>
Total liabilities	\$ 200,452	\$ 165,708
Total net assets - controlling	106,047	99,628
Total net assets - noncontrolling	17,957	12,975
Total liabilities and net assets	<u>\$ 324,456</u>	<u>\$ 278,311</u>

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Notes to Combined Financial Statements December 31, 2014 and 2013

Statements of Activities

	2014	2013
Revenue	\$ 122,500	\$ 106,648
Expenses	111,099	100,429
Changes in net assets	<u>\$ 11,401</u>	<u>\$ 6,219</u>

Enterprise Community Investment ("ECI")

ECI is a stock based, 501(c)(4) social welfare organization. ECI supports our mission by providing investment capital and development services for affordable housing and community revitalization efforts. ECI's core business strategy involves working in partnership with developers and corporate investors to invest and manage equity and debt investments in affordable housing and catalytic commercial projects in low-income and emerging communities throughout the United States. These investments may qualify for low-income housing tax credits, historic tax credits, and/or new markets tax credits. In support of our core strategy, ECI provides asset management and consulting services, offers debt financing products to affordable residential and commercial projects, and provides development and management expertise relating to the construction of affordable housing projects. ECI, through Bellwether Enterprise, also originates permanent loan opportunities for a wide range of institutional investors, including life insurance companies, pension funds, government agencies and banks, and also manages mortgage loan servicing for institutional investors.

Prior to 2014, ECI owned a 65% interest in Bellwether Enterprise and the remaining 35% interest was owned by a noncontrolling member. This noncontrolling interest is reflected in unrestricted net assets, noncontrolling in our combined statements of financial position. On September 16, 2014, Bellwether Enterprise acquired the mortgage banking operations of Towle Acquisition Partners, LLC ("Towle"). As consideration for the Towle acquisition, a 6.08% ownership interest in the combined mortgage business of Bellwether and Towle was provided to the former owners of Towle, along with \$4.0 million in cash. Of this amount, 65%, equal to \$2.6 million, was provided by ECI based on its previous ownership interest in Bellwether, and the remaining 35% was provided by the other owner of Bellwether, Bellwether Real Estate Capital Holdings, LLC. This acquisition was therefore dilutive to ECI's ownership interest in Bellwether Enterprise, which stands at 61.049% as of December 31, 2014.

Under a formal memorandum of understanding with ECI, we perform certain administrative functions on their behalf, primarily marketing, internal audit, public policy support, and strategic planning efforts. Fees paid by ECI are at an amount sufficient to reimburse our costs to provide such services. We also receive a fee from ECI for providing assistance in identifying and acquiring projects to be sold to tax credit partnerships. Fees earned under the agreement were \$2.3 million for each of the years ended December 31, 2014 and 2013,

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and are included in other revenue. The fees are recognized when the services are performed.

We also pay ECI for certain administrative functions that they incur on our behalf, primarily information technology, human resources and office management. We recorded expense for such services of \$4.0 million and \$3.7 million for the years ended December 31, 2014 and 2013, respectively.

The use of the "Enterprise" name and logo and the associated intellectual property has significant value, particularly in the affordable housing industry. As such, we entered into a royalty agreement with ECI to allow the use of our name and logo in conducting their businesses. This royalty income is based on a percentage of revenues generated by those business lines at a prevalent market rate. For the years ended December 31, 2014 and 2013, this revenue totaled \$4.6 million and \$4.2 million, respectively.

During the years ended December 31, 2014 and 2013, we received unrestricted grants from ECI in the amount of \$2.8 million and \$3.7 million, respectively.

We have extended an unsecured line of credit to ECI for general corporate purposes. The loan is structured as an arms-length transaction, and the terms were based on the market conditions ECI experiences with other external lenders. Borrowings can be used by ECI for general corporate purposes. At December 31, 2014 and 2013, the borrowing capacity under this facility was \$15 million. The interest rate on these borrowings was LIBOR plus 2.75%. There were no outstanding borrowings under this facility at December 31, 2014 and 2013. Effective January 1, 2015, this credit facility was increased to \$17 million. The interest rate on the additional \$2 million of borrowing capacity will be LIBOR plus 2.25%. The interest rate on the existing \$15 million borrowing capacity will remain at LIBOR plus 2.75% through June 30, 2015, and will decrease to LIBOR plus 2.25% effective July 1, 2015. The credit facility is extended automatically on January 1st for successive one-year periods unless Loan Fund gives 30 days notice not to extend.

Cornerstone Housing Corporation ("CHC")

CHC is an affiliated 501(c)(3) and 509(a)(1) not-for-profit organization. CHC was formed to acquire and operate low-income housing units. As of December 31, 2014, CHC continues to hold an interest in two affordable housing operating properties.

Other Subsidiaries and Affiliates

We also have an interest in other subsidiaries and affiliates that support our mission of providing affordable housing and/or other resources to low-income communities throughout the United States.

We have entered into various loan agreements with other affiliates of Partners. Two loans remain outstanding at December 31, 2014 at an amount of \$1.0 million. At December 31, 2013, two loans were outstanding at an amount of \$7.2 million. One of the loans outstanding at December 31, 2013 was a loan that was repaid through the sale of the remaining parcels of land owned by Enterprise Home Ownership Partners, Inc. ("EHOP"),

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an entity created to acquire and rehabilitate low-income housing units in Los Angeles, California. In 2013, Partners provided a \$5.6 million grant to EHOP to partially repay the outstanding loan to us and to fund other outstanding obligations. As a result of the repayments in both 2014 and 2013, the loan to EHOP has been fully repaid. The other loan outstanding at December 31, 2014 and 2013, was a construction loan that carried an interest rate of approximately 5.5%. This loan was partially repaid upon completion of the construction of the project from the proceeds of a permanent loan provided by a third party. The remaining outstanding portion of the loan will be repaid in 2015. The other loan outstanding at December 31, 2014 is a revolving line of credit that is part of a syndication.

Note 8 - Property and equipment, net

Property and equipment, net consist of the following at December 31 (\$ in thousands):

	2014	2013
Office equipment	\$ 1,373	\$ 1,313
Software applications	7,471	6,387
Furniture and fixtures	1,111	999
Leasehold improvements	1,877	1,755
	11,832	10,454
Accumulated depreciation and amortization	(7,242)	(6,156)
Total	<u>\$ 4,590</u>	<u>\$ 4,298</u>

Note 9 - Loans payable

Loans payable bear interest at rates which vary from 0% to 4.5%, are repayable through 2040 and are unsecured. Most of our loans payable reflect borrowings which have been restricted by the lenders for lending to various community development organizations. Some borrowings are further restricted for use in certain locations or in certain projects. Some of our loans payable may be utilized for working capital purposes. Additionally, certain of these loans payable are guaranteed by Partners and contain covenants that require Loan Fund to provide reporting on a periodic basis and to meet and maintain specific financial ratios.

Certain of these loans payable are considered Equity Equivalent ("EQ2") investments. EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest rate and have a rolling maturity. The lender cannot accelerate payment unless an uncured event of default exists. As of December 31, 2014 and 2013, loans payable included \$15.8 million of EQ2 investments.

Through our Impact Note program, individuals, including employees and board members, and institutions are able to invest a minimum of \$5,000 for two to ten years at interest rates of 0% to 3.5%. As of December 31, 2014 and 2013, amounts outstanding under this

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program were \$26.3 million and \$12.2 million, respectively. As of December 31, 2014 and 2013, the balance due to employees and board of directors was \$0.9 million and \$1.0 million, respectively.

Approximate annual maturities of loans payable for each of the next five years and thereafter are as follows (\$ in thousands):

Due in 2015	\$	21,244
2016		28,374
2017		11,375
2018		4,269
2019		22,494
Thereafter		<u>39,949</u>
Total	\$	<u><u>127,705</u></u>

The debt due in 2015 consists of borrowings related to loan facilities that are used to fund outstanding loans receivable. We expect to make payments at or before scheduled maturity dates of the related loans from proceeds from the collection of loans receivable, the refinancing of loan facilities, or through the use of operating cash.

Note 10 - Restrictions and limitations on net asset balances

During the years ended December 31, 2014 and 2013, net assets released from temporary donor restrictions and the events or transactions which caused the restrictions to expire total \$18.1 million and \$17.8 million, respectively, for expenses incurred for donor specified purposes or time restrictions.

Temporarily restricted net assets at December 31 consist of the following (\$ in thousands):

	<u>2014</u>	<u>2013</u>
Gifts and other unexpended revenue restricted to specific programs or locations	\$ 45,158	\$ 43,186
Contributions receivable due in future periods, net	<u>15,065</u>	<u>13,311</u>
Total	<u><u>\$ 60,223</u></u>	<u><u>\$ 56,497</u></u>

As of December 31, 2014 and 2013, we had no permanently restricted net assets.

Note 11 - Pension and savings plans

We sponsor a qualified defined contribution plan available to substantially all our employees. This plan allows employees to make pre-tax contributions pursuant to Section 401(k) of the Internal Revenue Code and provides for employer matching contributions for eligible employees in accordance with the provisions of this plan. We match eligible participants' contributions, as defined, after one year of employment, based on a formula set forth in the plan and may make additional contributions, subject to certain limitations, at the discretion of the Boards of Trustees. Participants are immediately vested in their

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contributions and our matching contributions are vested over a three-year period. We made matching contributions to the plan for both of the years ended December 31, 2014 and 2013 in the amount of \$0.5 million.

The plan also includes a defined contribution provision, whereby we contribute an amount equal to a percentage, as defined by the plan, of the gross compensation of each employee. The contributions vest after six years. After six years of services, all future contributions are automatically vested. Total expenses under this plan totaled \$0.8 million and \$0.7 million for the years ended December 31, 2014 and 2013, respectively.

Note 12 - Commitments and contingencies

Commitments and contingencies not reflected in the combined statement of financial position at December 31, 2014 are indicated below:

Grants and contracts

At December 31, 2014, we had commitments under grants and contracts from federal and various state governments of \$61 million. This amount will be received through 2018 as we provides services under the terms of the grants and contracts. During 2014, we committed to make new loans of approximately \$44 million. As of December 31, 2014, we also have additional commitments for new debt to assist in funding these loans of approximately \$127 million.

CDFI bonds

In collaboration with another CDFI entity, we applied to participate in the U.S. Department of the Treasury's ("U.S. Treasury") CDFI Bond Guarantee Program. The two CDFIs each applied for \$50 million of bond proceeds to be made available by the Federal Financing Bank through a Qualified Issuer. The bonds are fully guaranteed by the U.S. Treasury. Bond proceeds will be utilized to extend up to \$50 million in secondary loans to borrowers. The program closed in 2014, and the first draws are expected in 2015.

Custodial accounts

During 2014, we held funds in an agency capacity through custodial accounts for a participation program. The cash and corresponding liability of \$3.6 million at December 31, 2014 is not reflected in the combined financial statements.

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Office leases

We, as a lessee, have entered into operating leases, primarily for office space, expiring at various dates through 2023. Rent expense for the years ended December 31, 2014 and 2013, was \$2.3 million and \$1.6 million, respectively.

Annual minimum rent payments due under operating leases in effect at December 31, 2014 are as follows (\$ in thousands):

2015	\$	2,124
2016		2,110
2017		2,072
2018		1,747
2019		1,018
Thereafter		<u>2,800</u>
Total	\$	<u><u>11,871</u></u>

Government contracting

We recognize revenue from grants and contracts from government agencies based on actual costs incurred and reimbursable expenses from the granting agencies. These costs are subject to audit by the Office of the Inspector General and ultimate realization of revenue recognized is contingent upon the outcome of such audits. In the opinion of management, adequate provisions have been made in the accompanying combined financial statements for adjustments, if any, which may result from an audit.

Litigation

In the ordinary course of business, we are involved in a number of lawsuits, claims and assessments. In the opinion of management, the result of these claims will not have a material impact on our combined financial statements.

Joint venture arrangement

We entered into a joint venture arrangement with three other not-for-profit organizations to provide services to stabilize distressed residential mortgage loans. The joint venture has borrowed monies from housing agencies to provide the program services. We believe that the obligation to repay these loans are an obligation to the joint venture and not recourse to the members. With respect to one housing agency, this position has been challenged. Management believes that we have strong legal arguments and other facts in our favor to support our position. However, at this stage of the joint venture activities, the range of loss is estimated to be between \$0 and \$6.3 million, depending on outcomes and the value of remaining assets held by the joint venture. Any potential liability would be joint and several among the joint venture partners. As such, management believes that any required payment would not have a material effect on our combined financial position.

Matching requirements

We were awarded various four-year Capacity Building grants by HUD. These awards require us to either directly provide qualified matching program services and costs or obtain

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the matching program services and costs from third parties on a 3:1 basis within four years of the award date on amounts expended which could be less than the award amount. Should we not achieve the committed 3:1 matching requirement from third parties, we would be required to provide the matching program services or accept alternative corrective action.

The awards, outstanding at any time during 2014, the related matching requirements, amounts expended and matching program services and the costs achieved as of December 31, 2014 are summarized as follows (\$ in thousands):

<u>Capacity Building Grant</u>	<u>Award Year</u>	<u>Award Amount</u>	<u>Required Matching Commitments</u>	<u>Amount Expended</u>	<u>Matching Commitment Achieved</u>
CB 13	2009	\$ 14,836	\$ 44,509	\$ 14,836	\$ 44,509
CB 14	2011	25,289	75,867	24,382	75,867
CB 15	2011	19,728	59,183	15,445	55,378
CB 16	2012	15,649	46,948	9,433	38,766
CB 17	2013	14,512	43,535	2,521	12,870
CB 18	2014	15,888	47,665	-	-

Note 13 - Concentration of credit risk

Cash and cash equivalents are held primarily in checking accounts, certificates of deposit, and money market funds with carefully selected financial institutions. While at times, deposits may exceed federally insured limits, we have not experienced any losses with respect to our cash and cash equivalents balances. Accordingly, management does not believe that we are exposed to significant credit risk with respect to cash and cash equivalents.

Note 14 - Risks and uncertainties

Our invested assets consist of commercial paper, corporate and U.S. agency bonds and notes, and diversified funds which invest in fixed income securities, equities and alternative investments. Investment policy and guidelines are established by our investment committee of the board of trustees and approved by the applicable boards. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the combined statement of financial position as of December 31, 2014. The investment policy and guidelines consider liquidity and risk for each entity and each pool of assets and attempt to diversify asset classes to mitigate risks over the applicable time horizons.

Note 15 - Fair value measurements

Fair value of assets or liabilities measured on a recurring basis is determined based on the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on

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market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted market prices for identical instruments in active markets.

Level 2 - Quoted market prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

We maintain policies and procedures to value instruments using the best and most relevant data available. Additionally, management routinely performs various risk assessments that review valuation, including independent price validation for certain instruments. Further, in other instances, we retain independent pricing vendors to assist in valuing certain instruments. The following tables present the fair value of assets measured on a recurring basis at December 31 (\$ in thousands):

December 31, 2014	Level 1	Level 2	Level 3	Net balance
Assets:				
Investments in marketable securities	\$ 32,459	\$ -	\$ -	\$ 32,459
Alternative investments	-	-	237	237
Total	<u>\$ 32,459</u>	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ 32,696</u>
December 31, 2013	Level 1	Level 2	Level 3	Net balance
Assets:				
Investments in marketable securities	\$ 17,953	\$ -	\$ -	\$ 17,953
Alternative investments	-	-	-	-
Total	<u>\$ 17,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,953</u>

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Investments in marketable securities can consist of U.S. Government agency obligations, fixed income securities and corporate and foreign securities. Marketable securities are carried at fair value based on quoted prices. Alternative investments consist primarily of investments in limited partnerships. These investments are carried at fair value, which is the monthly net asset value made available by the fund manager or administrator prior to the valuation date.

The following table provides a summary of changes in fair value of our Level 3 assets, as well as the portion of gains or losses included in income attributable to realized and unrealized gains or losses that related to those assets held at December 31 (\$ in thousands):

	<u>January 1, 2014</u>	<u>Realized/unrealized gains (losses) included in changes in net assets</u>	<u>Purchases, issuances and settlements</u>	<u>Transfers in and/or out of Level 3</u>	<u>December 31, 2014</u>
Assets:					
Alternative investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ 237</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ 237</u>
	<u>January 1, 2013</u>	<u>Realized/unrealized gains (losses) included in changes in net assets</u>	<u>Purchases, issuances and settlements</u>	<u>Transfers in and/or out of Level 3</u>	<u>December 31, 2013</u>
Assets:					
Alternative investments	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ (968)</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 968</u>	<u>\$ -</u>	<u>\$ (968)</u>	<u>\$ -</u>	<u>\$ -</u>

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2014 and 2013**

Note 16 - Subsequent events

Events that occur after the combined statement of financial position date but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the combined statement of financial position date are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the combined statement of financial position date require disclosure in the accompanying notes. We evaluated our activity through April 22, 2015 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements.

Supplementary Information

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information

**Combining Statement of Financial Position
December 31, 2014**

(\$ in thousands)

	<u>Assets</u>				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash, cash equivalents and investments	\$ 7,728	\$ 32,916	\$ 40,644	\$ -	\$ 40,644
Restricted cash, cash equivalents and investments	36,221	15,102	51,323	-	51,323
Contributions receivable, net	15,065	-	15,065	-	15,065
Contracts receivable, net	6,064	-	6,064	-	6,064
Interest receivable, net	3	577	580	-	580
Loans receivable, net	490	122,703	123,193	-	123,193
Notes receivable, net	4,775	2,090	6,865	(275)	6,590
Advances to subsidiaries and affiliates	5,715	(108)	5,607	-	5,607
Investments in subsidiaries and affiliates	164,434	124	164,558	(40,554)	124,004
Property and equipment, net	4,590	-	4,590	-	4,590
Other receivables and other assets, net	794	264	1,058	-	1,058
Total assets	\$ 245,879	\$ 173,668	\$ 419,547	\$ (40,829)	\$ 378,718
	<u>Liabilities and Net Assets</u>				
Liabilities					
Accounts payable and accrued expenses	\$ 8,671	\$ 640	\$ 9,311	\$ -	\$ 9,311
Funds held for others	2,951	4,494	7,445	-	7,445
Loans payable	-	127,980	127,980	(275)	127,705
Total liabilities	11,622	133,114	144,736	(275)	144,461
Commitments and contingencies	-	-	-	-	-
Net assets					
Unrestricted, controlling interest	163,005	33,626	196,631	(40,554)	156,077
Unrestricted, noncontrolling interest	17,957	-	17,957	-	17,957
Temporarily restricted - program activities	37,350	4,928	42,278	-	42,278
Temporarily restricted - Cullman					
Challenge Grant	13,635	-	13,635	-	13,635
Temporarily restricted - Terwilliger Fund	2,310	2,000	4,310	-	4,310
Total net assets	234,257	40,554	274,811	(40,554)	234,257
Total liabilities and net assets	\$ 245,879	\$ 173,668	\$ 419,547	\$ (40,829)	\$ 378,718

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information

**Combining Statement of Financial Position
December 31, 2013**

(\$ in thousands)

	<u>Assets</u>				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash, cash equivalents and investments	\$ 5,125	\$ 22,806	\$ 27,931	\$ -	\$ 27,931
Restricted cash, cash equivalents and investments	36,189	14,156	50,345	-	50,345
Contributions receivable, net	11,964	1,347	13,311	-	13,311
Contracts receivable, net	6,039	25	6,064	-	6,064
Interest receivable, net	3	777	780	-	780
Loans receivable, net	641	111,797	112,438	-	112,438
Notes receivable, net	4,724	2,090	6,814	(224)	6,590
Advances to subsidiaries and affiliates	8,549	(226)	8,323	-	8,323
Investments in subsidiaries and affiliates	146,199	58	146,257	(33,654)	112,603
Property and equipment, net	4,298	-	4,298	-	4,298
Other receivables and other assets, net	344	20	364	-	364
Total assets	\$ 224,075	\$ 152,850	\$ 376,925	\$ (33,878)	\$ 343,047
	<u>Liabilities and Net Assets</u>				
Liabilities					
Accounts payable and accrued expenses	\$ 6,526	\$ 795	\$ 7,321	\$ -	\$ 7,321
Funds held for others	2,882	3,845	6,727	-	6,727
Loans payable	-	114,556	114,556	(224)	114,332
Total liabilities	9,408	119,196	128,604	(224)	128,380
Commitments and contingencies	-	-	-	-	-
Net assets					
Unrestricted, controlling interest	151,280	27,569	178,849	(33,654)	145,195
Unrestricted, noncontrolling interest	12,975	-	12,975	-	12,975
Temporarily restricted - program activities	34,982	4,085	39,067	-	39,067
Temporarily restricted - Cullman Challenge Grant	13,122	-	13,122	-	13,122
Temporarily restricted - Terwilliger Fund	2,308	2,000	4,308	-	4,308
Total net assets	214,667	33,654	248,321	(33,654)	214,667
Total liabilities and net assets	\$ 224,075	\$ 152,850	\$ 376,925	\$ (33,878)	\$ 343,047

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information

**Combining Statement of Activities
Year Ended December 31, 2014**

(\$ in thousands)

	Unrestricted					Temporarily restricted							Combined total
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined	Program activities Partners	Program activities Loan Fund	Cullman Challenge Grant	Terwilliger Fund Partners	Terwilliger Fund Loan Fund	Eliminations	Combined	
Revenue and support													
Grants and contracts	\$ 33,223	\$ 79	\$ 33,302	\$ -	\$ 33,302	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 35,302
Contributions	3,602	2,073	5,675	(2,080)	3,595	18,713	30	-	-	-	(30)	18,713	22,308
Interest income	259	7,536	7,795	-	7,795	-	-	-	-	-	-	-	7,795
Royalty income	4,621	-	4,621	-	4,621	-	-	-	-	-	-	-	4,621
Services provided to subsidiaries and affiliates	5,932	-	5,932	(1,173)	4,759	-	-	-	-	-	-	-	4,759
Investment income	225	224	449	-	449	-	-	360	2	-	-	362	811
Refund of contribution	-	-	-	-	-	-	(7)	-	-	-	7	-	-
Other revenue	2,621	529	3,150	(86)	3,064	-	-	-	-	-	-	-	3,064
	50,483	10,441	60,924	(3,339)	57,585	18,713	2,023	360	2	-	(23)	21,075	78,660
Net assets released from restrictions	16,952	1,180	18,132	-	18,132	(16,322)	(1,180)	(630)	-	-	-	(18,132)	-
Total revenue and support	67,435	11,621	79,056	(3,339)	75,717	2,391	843	(270)	2	-	(23)	2,943	78,660
Expenses													
Program activities													
Program services	39,190	1,792	40,982	(1,070)	39,912	-	-	-	-	-	-	-	39,912
Grants	16,996	-	16,996	(2,103)	14,893	-	-	-	-	-	-	-	14,893
Public policy	3,006	-	3,006	-	3,006	-	-	-	-	-	-	-	3,006
Interest on loans	-	3,322	3,322	-	3,322	-	-	-	-	-	-	-	3,322
Total program activities	59,192	5,114	64,306	(3,173)	61,133	-	-	-	-	-	-	-	61,133
Support services													
Management and general	7,483	756	8,239	(189)	8,050	-	-	-	-	-	-	-	8,050
Fundraising	2,449	-	2,449	-	2,449	-	-	-	-	-	-	-	2,449
Total support services	9,932	756	10,688	(189)	10,499	-	-	-	-	-	-	-	10,499
Total expenses	69,124	5,870	74,994	(3,362)	71,632	-	-	-	-	-	-	-	71,632
(Deficiency) excess of revenue and support over expenses from operations	(1,689)	5,751	4,062	23	4,085	2,391	843	(270)	2	-	(23)	2,943	7,028
Net realized and unrealized gain on investments	138	240	378	-	378	-	-	783	-	-	-	783	1,161
Intercompany EHOP grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity in increase (decrease) in net assets of subsidiaries and affiliates	15,606	66	15,672	(6,900)	8,772	-	-	-	-	-	-	-	8,772
Increase (decrease) in net assets	14,055	6,057	20,112	(6,877)	13,235	2,391	843	513	2	-	(23)	3,726	16,961
Increase in net assets, attributable to noncontrolling interest	(3,025)	-	(3,025)	-	(3,025)	-	-	-	-	-	-	-	(3,025)
Increase (decrease) in net assets, attributable to controlling interest	\$ 11,030	\$ 6,057	\$ 17,087	\$ (6,877)	\$ 10,210	\$ 2,391	\$ 843	\$ 513	\$ 2	\$ -	\$ (23)	\$ 3,726	\$ 13,936

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information

**Combining Statement of Activities
Year Ended December 31, 2013**

(\$ in thousands)

	Unrestricted					Temporarily restricted							Combined total
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined	Program activities Partners	Program activities Loan Fund	Cullman Challenge Grant	Terwilliger Fund Partners	Terwilliger Fund Loan Fund	Eliminations	Combined	
Revenue and support													
Grants and contracts	\$ 27,088	\$ 46	\$ 27,134	\$ -	\$ 27,134	\$ -	\$ 1,347	\$ -	\$ -	\$ -	\$ -	\$ 1,347	\$ 28,481
Contributions	4,953	50	5,003	(50)	4,953	21,674	60	-	-	-	(310)	21,424	26,377
Interest income	257	6,066	6,323	-	6,323	-	-	-	-	-	-	-	6,323
Royalty income	4,169	-	4,169	-	4,169	-	-	-	-	-	-	-	4,169
Services provided to subsidiaries and affiliates	5,599	46	5,645	(1,218)	4,427	-	-	-	-	-	-	-	4,427
Investment income	266	198	464	-	464	-	-	133	2	-	-	135	599
Refund of contribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	4,581	673	5,254	(145)	5,109	-	-	-	-	-	-	-	5,109
	46,913	7,079	53,992	(1,413)	52,579	21,674	1,407	133	2	-	(310)	22,906	75,485
Net assets released from restrictions	13,392	4,679	18,071	(310)	17,761	(12,833)	(4,679)	(559)	-	-	310	(17,761)	-
Total revenue and support	60,305	11,758	72,063	(1,723)	70,340	8,841	(3,272)	(426)	2	-	-	5,145	75,485
Expenses													
Program activities													
Program services	31,488	1,963	33,451	(1,201)	32,250	-	-	-	-	-	-	-	32,250
Grants	14,692	250	14,942	(360)	14,582	-	-	-	-	-	-	-	14,582
Public policy	3,229	-	3,229	-	3,229	-	-	-	-	-	-	-	3,229
Interest on loans	-	3,153	3,153	-	3,153	-	-	-	-	-	-	-	3,153
Total program activities	49,409	5,366	54,775	(1,561)	53,214	-	-	-	-	-	-	-	53,214
Support services													
Management and general	7,177	548	7,725	(162)	7,563	-	-	-	-	-	-	-	7,563
Fundraising	2,294	-	2,294	-	2,294	-	-	-	-	-	-	-	2,294
Total support services	9,471	548	10,019	(162)	9,857	-	-	-	-	-	-	-	9,857
Total expenses	58,880	5,914	64,794	(1,723)	63,071	-	-	-	-	-	-	-	63,071
Excess (deficiency) of revenue and support over expenses from operations	1,425	5,844	7,269	-	7,269	8,841	(3,272)	(426)	2	-	-	5,145	12,414
Net realized and unrealized (loss) gain on investments	(149)	581	432	-	432	-	-	3,129	-	-	-	3,129	3,561
Intercompany EHOP grant	(5,600)	-	(5,600)	-	(5,600)	-	-	-	-	-	-	-	(5,600)
Equity in increase (decrease) in net assets of subsidiaries and affiliates	12,318	7	12,325	(3,160)	9,165	-	-	-	-	-	-	-	9,165
Increase (decrease) in net assets	7,994	6,432	14,426	(3,160)	11,266	8,841	(3,272)	2,703	2	-	-	8,274	19,540
Increase in net assets, attributable to noncontrolling interest	(2,238)	-	(2,238)	-	(2,238)	-	-	-	-	-	-	-	(2,238)
Increase (decrease) in net assets, attributable to controlling interest	\$ 5,756	\$ 6,432	\$ 12,188	\$ (3,160)	\$ 9,028	\$ 8,841	\$ (3,272)	\$ 2,703	\$ 2	\$ -	\$ -	\$ 8,274	\$ 17,302