

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

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

December 31, 2019 and 2018

Enterprise Community Partners, Inc. and Affiliate

Index

	<u>Page</u>
Independent Auditor's Report	2
Combined Financial Statements	
Combined Statements of Financial Position	4
Combined Statements of Activities	5
Combined Statements of Functional Expenses	6
Combined Statements of Changes in Net Assets	7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	10
Supplementary Information	
Combining Statements of Financial Position	34
Combining Statements of Activities	36

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, 2019 and 2018, 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 the financial reporting provisions of loan agreements between third parties, Partners and Affiliate (the "Agreements"). Management is also responsible for 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, 2019 and 2018, and the changes in their combined net assets and their combined cash flows for the years then ended in accordance with the financial reporting provisions of the Agreements.

Basis of Accounting

We draw attention to Note 1 of the accompanying combined financial statements, which describes the basis of accounting. The combined financial statements are prepared in accordance with the financial reporting provisions of the Agreements, which is a basis of accounting other than U.S. generally accepted accounting principles, to comply with the provisions of the Agreements referred to above. Our opinion is not modified with respect to this matter.

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 34 to 37 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 the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Restriction on Use

Our report is intended solely for the information and use of the Board of Trustees and management of Enterprise Community Partners, Inc. and Affiliate and the third parties that have signed the Agreements, and is not intended to be used by anyone other than these specified parties.



Bethesda, Maryland
April 28, 2020

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Financial Position
December 31, 2019 and 2018
(\$ in thousands)**

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 21,297	\$ 28,707
Restricted cash and cash equivalents	165,900	184,347
Investments	495	-
Contributions receivable, net	11,101	16,402
Contracts receivable, net	4,105	7,434
Interest receivable, net	1,230	1,448
Loans receivable, net of allowance for loan losses of \$8,872 and \$8,356, respectively	235,842	216,009
Notes receivable, net of allowance for loan losses of \$1,964 and \$1,243, respectively	8,373	9,404
Advances to subsidiaries and affiliates	6,242	1,076
Restricted investments	46,324	52,706
Investments in controlled subsidiaries and affiliates	270,293	255,587
Investments in uncontrolled subsidiaries and affiliate	6,533	6,776
Property and equipment, net	5,233	5,331
Other receivables and other assets, net	635	559
	<u>783,603</u>	<u>785,786</u>
Total assets	\$ 783,603	\$ 785,786

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 9,489	\$ 11,693
Funds held for others	8,120	5,829
Loans payable, net	207,840	203,721
Other liabilities	7,338	-
	<u>232,787</u>	<u>221,243</u>
Total liabilities	232,787	221,243
Commitments and contingencies	<u>-</u>	<u>-</u>
Net assets		
Net assets without donor restrictions	295,810	278,327
Net assets without donor restrictions - noncontrolling interest	54,639	49,601
Net assets with donor restrictions	200,367	236,615
	<u>550,816</u>	<u>564,543</u>
Total net assets	550,816	564,543
Total liabilities and net assets	\$ 783,603	\$ 785,786

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Activities
Years Ended December 31, 2019 and 2018
(\$ in thousands)**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Grants and contracts	\$ 20,927	\$ 960	\$ 21,887	\$ 20,842	\$ 9,300	\$ 30,142
Contributions	10,122	32,838	42,960	8,448	192,126	200,574
Interest income	13,082	-	13,082	12,051	-	12,051
Royalty income	4,027	-	4,027	6,012	-	6,012
Services provided to subsidiaries and affiliates	1,966	-	1,966	2,765	-	2,765
Investment income	4,260	423	4,683	2,545	409	2,954
Other revenue	3,945	-	3,945	3,600	-	3,600
	58,329	34,221	92,550	56,263	201,835	258,098
Net assets released from restrictions	68,669	(68,669)	-	53,850	(53,850)	-
Total revenue and support	126,998	(34,448)	92,550	110,113	147,985	258,098
Expenses						
Program activities						
Program services	54,592	-	54,592	53,736	-	53,736
Grants	50,879	-	50,879	34,827	-	34,827
Public policy	2,939	-	2,939	2,873	-	2,873
Interest on loans	5,688	-	5,688	5,307	-	5,307
Total program activities	114,098	-	114,098	96,743	-	96,743
Support services						
Management and general	4,904	-	4,904	4,950	-	4,950
Fundraising	5,965	-	5,965	5,347	-	5,347
Total support services	10,869	-	10,869	10,297	-	10,297
Total expenses	124,967	-	124,967	107,040	-	107,040
Excess (deficiency) of revenue and support over expenses from operations	2,031	(34,448)	(32,417)	3,073	147,985	151,058
Net realized and unrealized gain (loss) on investments	1,050	2,898	3,948	(509)	(1,454)	(1,963)
Intercompany grant expense	-	-	-	(47,197)	(11,560)	(58,757)
Equity in increase (decrease) in net assets of subsidiaries and affiliates	25,374	(4,698)	20,676	129,914	16,899	146,813
Changes in net assets	28,455	(36,248)	(7,793)	85,281	151,870	237,151
Changes in net assets, attributable to noncontrolling interest	(12,816)	-	(12,816)	(17,079)	-	(17,079)
Changes in net assets, attributable to controlling interest	\$ 15,639	\$ (36,248)	\$ (20,609)	\$ 68,202	\$ 151,870	\$ 220,072

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Functional Expenses
Years Ended December 31, 2019 and 2018
(\$ in thousands)**

Expenses	2019				2018			
	Program activities	Management and general	Fundraising	Total	Program activities	Management and general	Fundraising	Total
Salaries and benefits	\$ 27,553	\$ 1,948	\$ 3,859	\$ 33,360	\$ 24,552	\$ 2,167	\$ 3,894	\$ 30,613
Grants	50,879	-	-	50,879	34,827	-	-	34,827
Professional and contract services	19,572	2,407	1,155	23,134	20,334	2,247	817	23,398
Interest on loans	5,688	-	-	5,688	5,307	-	-	5,307
Occupancy	2,446	220	242	2,908	2,303	219	241	2,763
Depreciation and amortization expense	2,019	76	60	2,155	1,828	67	65	1,960
Travel and related costs	1,473	74	133	1,680	1,532	94	141	1,767
Other operating expenses	1,220	88	235	1,543	1,289	67	111	1,467
Net provision for loan losses and bad debt expense	1,287	-	-	1,287	2,936	-	-	2,936
Meetings and conferences	788	16	108	912	810	17	14	841
Marketing	371	40	143	554	395	36	21	452
Other staff costs	486	5	-	491	314	24	17	355
Communication and office supplies	316	30	30	376	316	12	26	354
	<u>\$ 114,098</u>	<u>\$ 4,904</u>	<u>\$ 5,965</u>	<u>\$ 124,967</u>	<u>\$ 96,743</u>	<u>\$ 4,950</u>	<u>\$ 5,347</u>	<u>\$ 107,040</u>

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Changes in Net Assets
Years Ended December 31, 2019 and 2018
(\$ in thousands)

	Without Donor Restrictions			With Donor Restrictions	Total net assets
	Controlling interest	Noncontrolling interest	Total		
Balance, December 31, 2017	\$ 209,237	\$ 36,586	\$ 245,823	\$ 84,745	\$ 330,568
Contributions	-	5,027	5,027	-	5,027
Distributions	-	(8,086)	(8,086)	-	(8,086)
Redemption of noncontrolling member's interest	-	(117)	(117)	-	(117)
Reallocation of interests to reflect ownership share	888	(888)	-	-	-
Change in net assets	<u>68,202</u>	<u>17,079</u>	<u>85,281</u>	<u>151,870</u>	<u>237,151</u>
Balance, December 31, 2018	278,327	49,601	327,928	236,615	564,543
Impact of change in accounting policy (see Note 2)	4,591	-	4,591	-	4,591
Contributions	-	9,129	9,129	-	9,129
Distributions	-	(4,881)	(4,881)	-	(4,881)
Redemption of noncontrolling member's interest	-	(14,773)	(14,773)	-	(14,773)
Reallocation of interests to reflect ownership share	(2,747)	2,747	-	-	-
Change in net assets	<u>15,639</u>	<u>12,816</u>	<u>28,455</u>	<u>(36,248)</u>	<u>(7,793)</u>
Balance, December 31, 2019	<u>\$ 295,810</u>	<u>\$ 54,639</u>	<u>\$ 350,449</u>	<u>\$ 200,367</u>	<u>\$ 550,816</u>

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

**Combined Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(\$ in thousands)**

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ (7,793)	\$ 237,151
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization expense	2,155	1,960
Loss on disposition of property and equipment	59	99
Amortization of debt issuance costs	91	31
Net provision for loan losses	1,193	2,959
Net provision for bad debt expense on other receivables and other assets	94	-
Distributions from subsidiaries	552	153
Equity in increase in net assets of subsidiaries and affiliates	(20,676)	(146,813)
Intercompany grant of Loan Fund to Investment	-	58,090
Net realized and unrealized (gain) loss on investments	(3,948)	1,963
(Increases) decreases in assets:		
Contributions receivable	5,301	1,166
Contracts receivable	3,329	(923)
Interest receivable	218	(445)
Advances to subsidiaries and affiliates	(5,166)	527
Other receivables and other assets, net	(170)	142
(Decreases) increases in liabilities:		
Accounts payable and accrued expenses	(2,204)	1,919
Funds held for others	2,291	(621)
Other liabilities	7,338	-
Net cash (used in) provided by operating activities	<u>(17,336)</u>	<u>157,358</u>
Cash flows from investing activities		
Advances on loans receivable	(74,590)	(113,766)
Repayments of loans receivable	54,098	65,110
Capital contributions to subsidiaries	(408)	(150)
Advances on notes receivable	(770)	(18,318)
Repayments of notes receivable	1,109	18,796
Purchases of property and equipment	(2,116)	(1,920)
Net sales of investments	9,970	4,936
Net cash used in investing activities	<u>(12,707)</u>	<u>(45,312)</u>
Cash flows from financing activities		
Proceeds from loans payable	75,794	269,445
Loan repayments	(71,608)	(224,701)
Payment of debt issuance costs	-	(578)
Net cash provided by financing activities	<u>4,186</u>	<u>44,166</u>
Net (decrease) increase in cash and cash equivalents	(25,857)	156,212
Cash, cash equivalents and restricted cash and cash equivalents at the beginning of the year	<u>213,054</u>	<u>56,842</u>
Cash, cash equivalents and restricted cash and cash equivalents at the end of the year	<u><u>\$ 187,197</u></u>	<u><u>\$ 213,054</u></u>

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(\$ in thousands)

	2019	2018
Supplementary disclosure of cash flow information		
Interest paid	\$ 5,552	\$ 4,979
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 21,297	\$ 28,707
Restricted cash and cash equivalents	165,900	184,347
Total cash, cash equivalents, and restricted cash and cash equivalents presented in the statement of cash flows	\$ 187,197	\$ 213,054
Significant noncash investing and financing activities		
Fully depreciated property and equipment written off	\$ 258	\$ 42
Recovery of loans receivable presented as a loan payable repayment	\$ 158	\$ -
Fully allowed loans and notes receivable written off	\$ -	\$ 2,800
Contributions from noncontrolling interest members to our controlled subsidiary	\$ 9,129	\$ 5,027
Distributions to noncontrolling interest members from our controlled subsidiary	\$ 19,654	\$ 8,203
Net assets without donor restrictions and investments in controlled	\$ 4,591	\$ -

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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 (the "Agreements"). The combined financial statements are not intended to present the combined financial position of Partners and Loan Fund in conformity with U.S. generally accepted accounting principles as the accounts and transactions of other subsidiaries and affiliates are not combined or consolidated and such consolidated financial statements have not been issued. The consolidated financial statements of Partners are expected to be issued in May 2020. Accordingly, the accounts and transactions of other subsidiaries and affiliates are not combined or consolidated and are accounted for using the equity method or at fair value. Additionally, other non-related parties have ownership interests in certain affiliates that are accounted for using the equity method in these combined financial statements and therefore, those amounts are presented as noncontrolling interest in these combined financial statements. Significant intercompany transactions and balances are eliminated in combination.

Use of estimates

The preparation of the combined financial statements in conformity with the Agreements 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 revenue 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 and investments in uncontrolled subsidiaries, an estimation of potential losses relating to loans, evaluation of the collectability of contributions receivable, determining useful lives of property and equipment and determining the functional allocation of expenses. Actual results could differ from our estimates.

Organization and business

Partners is a 501(c)(3) and 509(a)(1) not-for-profit publicly supported charity. Its affiliate, Loan Fund, is a 509(a)(2) not-for-profit organization. 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, 2019 and 2018

On April 1, 2018, control of Loan Fund changed from Partners to Enterprise Community Investment, Inc. ("ECI"), a stock based 501(c)(4) social welfare organization and controlled affiliate of Partners. This change in control was accomplished through amendments to Loan Fund's governance documents, which transferred control of Loan Fund's Board of Trustees from Partners to ECI. As was required, Loan Fund obtained the consent of its lenders for the change. As a result of this change of control, during 2018, Partners recognized grant expense in the amount of \$58.1 million which was equal to the carrying value of Loan Fund's net assets as of April 1, 2018. ECI recognized contribution income during 2018 for the same amount. The grant expense and contribution income are included in intercompany grant expense and equity in increase in net assets of subsidiaries and affiliates on the combined statements of activities, respectively. Accordingly, there was no net effect on change in net assets for the year ended December 31, 2018 due to this change in control. Additionally, there was no effect on the combined statements of functional expenses.

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:

- Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions.
- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that will be met by our actions and/or the passage of time, or maintained perpetually by us.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Investment proceeds and realized/unrealized gains and losses are reported as changes in net assets without donor restrictions unless specifically limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor 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 from net assets with donor restrictions to net assets without donor restrictions.

Partners has been the recipient of several contributions which are designated to provide gap financing for affordable housing projects, capacity building support to land banks and community land bank trusts and code enforcement/housing improvements in New York. The majority of these funds are distributed as pass-through funding with a small portion of the funds being designated to cover our operating costs to administer the program. The net assets with donor restrictions balance for this program includes designated pass-through funds in the amount of \$130 million and \$169 million as of December 31, 2019 and 2018, respectively.

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 are funded from government sources and 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Grants and contracts were 24% and 12% of total revenue and support for 2019 and 2018, respectively. Approximately 83% and 58% of the grants and contract revenue is derived from federal cost reimbursement contracts in 2019 and 2018, respectively. Approximately 55% and 38% of the federal funding is provided by the U.S. Department of Housing and Urban Development ("HUD") in 2019 and 2018, respectively.

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 net assets with donor restrictions and are reclassified to net assets without donor restrictions at the time the condition for release of restriction is met. We have elected the simultaneous release option for donor-restricted contributions meaning contributions whose restrictions are met in the same reporting period as the revenue is recorded are recognized directly to net assets without donor restrictions. Unconditional promises to give with payments 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 restriction are recorded as increases in net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Conditional promises to give received during 2019 totaled \$7.5 million. As of December 31, 2019, \$0.2 million is included in net assets with donor restrictions, since the conditions were met, and the remaining \$7.3 million is included in other liabilities on the combined statements of financial position.

Contributions recognized that are to be received more than one year after the formal grant date 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 2019 and 2018 was 2.86% and 4.11%, respectively. Amortization of the discount is recorded as additional contribution revenue. 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 46% and 78% of total revenue and support for 2019 and 2018, respectively. Contributions without donor restrictions include grant revenue from uncombined affiliates of \$9.7 million and \$7.6 million for 2019 and 2018, respectively.

Contributions with donor imposed restrictions, excluding the pass-through contributions discussed in Note 1, from the top five contributors comprise approximately 50% and 29% of total contributions for 2019 and 2018, 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Investment proceeds

Investment earnings on funds held pursuant to donor-imposed restrictions are reported as investment income and added to net assets with donor restrictions. 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 net assets with donor restrictions.

Cash and 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 primarily of marketable securities. Investments in marketable securities consist of fixed income securities and corporate and foreign securities, and U.S. Treasury and agency securities, and 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 net assets without donor restrictions 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 net assets without donor restrictions unless restricted by the donor. Investments also include stock with the Federal Home Loan Bank of Atlanta, which is accounted for using the cost method and is evaluated annually for impairment. As of and for the years ended December 31, 2019 and 2018, we did not identify any events or changes in circumstances that might have a significant adverse effect on the recorded cost of this investment, and thus no impairment of the investment was necessary. The carrying value of this stock was \$0.8 million and \$0.9 million as of December 31, 2019 and 2018, respectively.

Restricted cash and cash equivalents and restricted investments

Restricted cash and cash equivalents and restricted 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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 when a loan is no longer performing 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 as the lead lender. 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 secured borrowing with a pledge of collateral. We had \$2.8 million in loan participations that did not meet the conditions for sale accounting treatment as December 31, 2019 and 2018. These loan participations were recorded in loans receivable, offset in loans payable, and represent no risk to us (see Note 9). We retain the servicing rights on participations and 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 is generally consistent regardless of the portfolio segment. Criteria considered for housing loans includes an analysis of the market, sponsor primary repayment sources, loan takeout options and collateral. For other loans and investments, more attention is focused on additional criteria, such as the borrower's business plan and cash flows from operations. 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 obligations.
- Monitored - Loans are performing but require monitoring due to change in market, sponsor or other factors that have the potential to impact the borrower's ability to repay 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 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. 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 through 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. When a third party guarantees loss coverage on a loan and a charge-off occurs, the amount received is netted against the charge-off for reporting purposes. After charge-off, we continue to pursue collection of the amount owed.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Advances to subsidiaries and affiliates

We have agreements with certain of our uncombined subsidiaries and affiliates whereby we provide management services and program personnel to assist these entities in the development of low-income housing throughout the United States. Amounts due to us are included in advances to subsidiaries and affiliates on the combined statements of financial position.

Investments in controlled and uncontrolled subsidiaries and affiliates

Our investments in controlled subsidiaries and affiliates are accounted for using the equity method in the accompanying combined financial statements. Our investments in uncontrolled subsidiaries and affiliates are accounted for using the equity method if we are able to influence the operating and financial decisions of the entities. If we are unable to influence the operating or financial decisions, then the investments are accounted for using the fair value method. Under the fair value method, investments without a readily determinable fair value may, as a practical expedient, be estimated by using the net asset value per share. Our investments in controlled subsidiaries and affiliates are those in which we have a controlling financial interest (usually defined as a majority voting interest), while our investments in uncontrolled subsidiaries and affiliate are those in which we do not have a controlling financial interest. Additional information concerning the controlled and uncontrolled 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, 2019 and 2018, 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.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loans payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense, and is computed using an imputed rate of interest on loans payable with amortizing principal payments and using the straight-line method for loans payable without amortizing payments.

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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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.

Income taxes

Partners and Loan Fund are recognized as 501(c)(3) charitable 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, 2019 and 2018. Accordingly, no provision or benefit for income taxes has been recorded in the 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 2016 remain open for examination.

For the years ended December 31, 2019 and 2018, 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 net assets without donor restrictions in the year funded.

Expense allocation

Expenses by function have been allocated among program activities and support services on the basis of an analysis performed by us. Interest expense, grant expense, and net change in allowance for loan losses are program activities by nature. Staff time is reviewed for the allocation of all other operating expenses except professional and contract services. Professional and contract services is allocated based on its nature or staff time, depending on the type of expense.

Fair value of financial instruments

The carrying amount of investments in fixed income, corporate and foreign equity securities, and investments in uncontrolled subsidiaries and affiliates not accounted for under the equity method 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.

Change in accounting principle

During 2019, we adopted new guidance related to contributions received. This update clarifies when contributions are considered to be conditional or unconditional. The changes required by the new guidance have been applied prospectively. Grants received with conditions are recorded as liabilities when the cash is received and recorded as contribution revenue upon satisfaction of the condition.

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2019 and 2018**

Effective January 1, 2019, we adopted new guidance related to the recognition of revenue from contracts with customers. This guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

We have elected to utilize the modified retrospective approach in adopting this guidance applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior period amounts continue to be reported in accordance with legacy guidance. While the effect of adopting this guidance did not have a material impact on us, it did have a material impact on certain of our controlled subsidiaries and affiliates. The cumulative effect of adopting this new guidance at the date of initial application, January 1, 2019, is \$4.6 million as reflected on the combined statements of changes in net assets. The cumulative effect includes a \$4.6 million increase in investments in controlled subsidiaries and affiliates.

In addition, the impact to the combined statements of activities of adopting this new guidance for the year ended December 31, 2019 is a decrease in equity in increase in net assets of subsidiaries and affiliates of \$0.2 million.

During 2018, we adopted new guidance related to the presentation of financial statements of not-for-profit entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return between not-for-profit entities. The changes required by the new guidance have been applied retrospectively to all periods presented. A key change of the new guidance are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Additionally, during 2018, we adopted new guidance related to accounting for equity securities that are not accounted for under the equity method of accounting or result in consolidation of an investee. The change in accounting under the new guidance requires these equity securities to be measured at fair value with changes in the fair value recognized through changes in net assets. In addition, the guidance no longer allows for accounting for these types of equity securities under the cost method.

Finally, during 2018, we adopted new guidance related to the presentation of the statement of cash flows. The change in presentation under the new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. Prior to this guidance, there was significant diversity in practice on how to present changes in restricted cash and cash equivalents on the statement of cash flows.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Upcoming accounting standards

As previously disclosed, the Financial Accounting Standards Board ("FASB") issued new guidance related to contributions received, which we adopted during 2019 as required by the guidance. The guidance also provided similar guidance to contributions made. However this portion of the guidance is not required to be adopted until annual periods beginning after December 15, 2019. We are currently evaluating the impact to the combined financial statements under the new guidance for contributions made.

The FASB also issued new guidance related to the accounting for leases. This guidance will require lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statement of activities and cash flows will be generally consistent with the current guidance. The guidance is currently effective for us for fiscal years beginning after December 15, 2020. As of the report date, the FASB has voted unanimously to consider amending the effective date of this guidance for private companies and not-for-profit entities for fiscal years beginning after December 15, 2021. When adopted, the guidance will be applied using a modified retrospective transition method to the beginning of the year of adoption. We are currently evaluating the impact to the combined financial statements under the new guidance.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Note 3 - Liquidity

Our financial assets as of December 31, 2019 available to meet general expenditures over the next 12 months consist of the following (\$ in thousands):

	2019	2018
Financial assets		
Cash and cash equivalents and investments	\$ 21,792	\$ 28,707
Restricted cash and cash equivalents and investments	212,224	237,053
Contributions receivable, net	11,101	16,402
Contracts receivable, net	4,105	7,434
Interest receivable, net	1,230	1,448
Loans and notes receivable, net	244,215	225,413
Advances to subsidiaries and affiliates	6,242	1,076
Investments in controlled and uncontrolled subsidiaries and affiliates	276,826	262,363
Total financial assets	777,735	779,896
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents and investments	(212,224)	(237,053)
Contributions receivable, net	(11,101)	(16,402)
Loans receivable and notes receivable, net	(219,829)	(214,999)
Investments in controlled and uncontrolled subsidiaries and affiliates	(276,826)	(262,363)
Financial assets available to meet general expenditures over the next 12 months	\$ 57,755	\$ 49,079

We consider general expenditures to be operating expenses that will be paid with funds that do not have a donor restriction. Our overall operating expenses are substantially supported by restricted contributions. Our annual operating expenses, which do not include pass through grants and programmatic professional and contract services, are approximately \$50 million. As previously stated, while our restricted cash, cash equivalents, and investments are generally donor restricted for purpose, geography, or time we expect to be able to utilize a portion of these funds to cover salaries and other operating costs to fulfill our mission as the restrictions are met. In addition, we manage a restricted grant totaling \$16 million and \$14 million as of December 31, 2019 and 2018, respectively, that provides for an annual distribution of 5% of the three-year average market value to fund general expenditures. Contributions receivable have donor-imposed restrictions that restrict the use of the contributions, or are not expected to be collected in 2020. Loans payable could be drawn to finance a portion of loans and notes receivable that is currently funded with our cash, providing the cash for additional liquidity.

We also maintain lines of credit for potential liquidity needs. Commitments on these lines totaled \$65 million at December 31, 2019 and 2018, \$60 million and \$59 million of which, as of December 31, 2019 and 2018, respectively, was undrawn.

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2019 and 2018**

Note 4 - Contributions receivable, net

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

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in		
Less than one year	\$ 10,071	\$ 14,559
One year to five years	<u>1,059</u>	<u>1,921</u>
	11,130	16,480
Less unamortized discount	<u>(29)</u>	<u>(78)</u>
Contributions receivable, net	<u><u>\$ 11,101</u></u>	<u><u>\$ 16,402</u></u>

Note 5 - Loans receivable, net

Since 1981, we have closed approximately \$2.08 billion of loans to various community organizations. The sources of lending capital used and anticipated to be used to fund such loans are loans payable, private contributions, and net assets. As of December 31, 2019 and 2018, \$87.3 million and \$65.9 million, respectively, of loans receivable are due within one year. Loans are secured through a variety of collateral arrangements. As of December 31, 2019, 79% of loans receivable were secured by first liens placed on the underlying real estate; 8% were unsecured or secured by subordinate liens; and 13% were secured by non-real estate assignments including developer fees, equity pay-ins, third party credit enhancements or guarantees, and cash and investments. The loans bear interest at varying rates which in the aggregate approximate 5.5% and 5.6% as of December 31, 2019 and 2018, respectively. In accordance with historical practice, 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 \$47.0 million and \$36.0 million at December 31, 2019 and 2018, respectively.

The allowance for loan losses based on total loans receivable was 3.63% and 3.72% as of December 31, 2019 and 2018, respectively. After adjusting for loan participations that did not meet the requirements for sale treatment, the allowance for loan losses was 3.67% and 3.77% for the same periods.

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

	<u>2019</u>	<u>2018</u>
Loans to unaffiliated organizations	\$ 244,714	\$ 224,365
Less: Allowance for loan losses	<u>(8,872)</u>	<u>(8,356)</u>
Loans receivable, net	<u><u>\$ 235,842</u></u>	<u><u>\$ 216,009</u></u>

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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

	2019			2018		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan losses						
Balance at beginning of year	\$ (5,306)	\$ (3,050)	\$ (8,356)	\$ (4,211)	\$ (1,960)	\$ (6,171)
Net change in allowance for loan losses	(646)	145	(501)	(1,073)	(1,090)	(2,163)
Write-offs	-	-	-	-	-	-
Recoveries	(15)	-	(15)	(22)	-	(22)
Balance at end of year	<u>\$ (5,967)</u>	<u>\$ (2,905)</u>	<u>\$ (8,872)</u>	<u>\$ (5,306)</u>	<u>\$ (3,050)</u>	<u>\$ (8,356)</u>

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

	2019			2018		
	Housing	Other	Total	Housing	Other	Total
Performing	\$ 159,882	\$ 73,417	\$ 233,299	\$ 140,118	\$ 67,749	\$ 207,867
Monitored	8,499	2,916	11,415	10,466	6,032	16,498
Impaired						
With an increased allowance for loan losses	-	-	-	-	-	-
Without an increased allowance for loan losses	-	-	-	-	-	-
Total	<u>\$ 168,381</u>	<u>\$ 76,333</u>	<u>\$ 244,714</u>	<u>\$ 150,584</u>	<u>\$ 73,781</u>	<u>\$ 224,365</u>
Average investment in impaired loans	<u>\$ -</u>	<u>\$ 138</u>	<u>\$ 138</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 125</u>
Interest income recognized on impaired loans - cash basis	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

During the year ended December 31, 2019, one housing loan was modified through a troubled debt restructuring. The balance at restructuring was \$0.9 million. The loan was in default prior to restructure. Upon the restructure, the loan is deemed in compliance per the loan terms, thus additional commitments to lend were \$0.8 million as of December 31, 2019. No loans were restructured during 2018. No loans were more than 30 days past due as of December 31, 2019 and 2018.

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2019 and 2018**

Note 6 - Notes receivable, net

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

	<u>2019</u>	<u>2018</u>
Notes receivable		
Notes to unaffiliated organizations	\$ 2,587	\$ 1,902
Notes to affiliated organizations	<u>7,750</u>	<u>8,745</u>
	<u>10,337</u>	<u>10,647</u>
Notes receivable allowance:		
Notes to unaffiliated organizations	<u>(1,964)</u>	<u>(1,243)</u>
	<u>(1,964)</u>	<u>(1,243)</u>
Notes receivable, net	<u><u>\$ 8,373</u></u>	<u><u>\$ 9,404</u></u>

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

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ (1,243)	\$ (3,269)
Net change in allowance for		
loan losses	(692)	(774)
Write-offs	-	2,800
Recoveries	<u>(29)</u>	<u>-</u>
Balance at end of year	<u><u>\$ (1,964)</u></u>	<u><u>\$ (1,243)</u></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 controlled subsidiaries and affiliates, accounted for under the equity method, at December 31 consist of the following (\$ in thousands):

	<u>2019</u>	<u>2018</u>
Investment in		
ECI	\$ 270,004	\$ 255,219
Others	<u>289</u>	<u>368</u>
Total	<u><u>\$ 270,293</u></u>	<u><u>\$ 255,587</u></u>

Enterprise Community Partners, Inc. and Affiliate

**Notes to Combined Financial Statements
December 31, 2019 and 2018**

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

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 722,669</u>	<u>\$ 794,599</u>
Total liabilities	\$ 452,376	\$ 539,012
Total net assets without donor restrictions	215,654	205,986
Total net assets without donor restrictions - noncontrolling interest	<u>54,639</u>	<u>49,601</u>
Total liabilities and net assets	<u>\$ 722,669</u>	<u>\$ 794,599</u>

Statements of Activities

	<u>2019</u>	<u>2018</u>
Revenue	\$ 296,487	\$ 384,668
Expenses	<u>275,852</u>	<u>238,014</u>
Changes in net assets	<u>\$ 20,635</u>	<u>\$ 146,654</u>

The following table reconciles changes in net assets of our controlled subsidiaries and affiliates per the table above to total equity in increase in net assets of subsidiaries and affiliates per our consolidated statements of activities for the year ended December 31 (\$ in thousands):

	<u>2019</u>	<u>2018</u>
Increases in net assets - controlled subsidiaries and affiliates	\$ 20,635	\$ 146,654
(Decreases) increases in net assets - uncontrolled subsidiaries and affiliates	<u>(94)</u>	<u>159</u>
Increase in net assets of subsidiaries and affiliates	20,541	146,813
Add back net unrealized loss on investments attributable to uncontrolled subsidiaries and affiliates	<u>135</u>	<u>-</u>
Equity in increase in net assets of subsidiaries and affiliates	<u>\$ 20,676</u>	<u>\$ 146,813</u>

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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 and offers debt financing products to affordable residential and commercial projects. ECI, through its controlled subsidiary Enterprise Homes, Inc. ("EHI"), provides development and management expertise relating to the construction of affordable housing projects, and provides property management services to affordable housing projects. ECI, through Bellwether Enterprise Real Estate Capital, LLC and Subsidiaries ("Bellwether"), 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. As of December 31, 2019 and 2018, ECI holds a controlling ownership interest in Bellwether of 59.01% and 55.14%, respectively. Subsequent to December 31, 2019, a portion of ECI's ownership interest in Bellwether was sold. See Note 16 for more information on this sale. As of April 1, 2018, ECI also obtained control of Loan Fund as discussed in Note 1.

On January 1, 2018, ECI obtained control of Community Preservation and Development Corporation and Subsidiaries, namely Community Housing, Inc. ("CHI") (collectively, "CPDC"). Community Preservation and Development Corporation and CHI are both 501(c)(3) not-for-profit organizations. ECI obtained control as a result of amendments made to CPDC's governance documents which provided ECI with majority representation on CPDC's board of directors. CPDC specializes in the acquisition, redevelopment, and operation of affordable housing for low- and moderate-income individuals and families. In addition, CPDC provides comprehensive resident services to the residents of its developments aimed primarily at youth and seniors. As there was no consideration paid by ECI when control was obtained, and the fair value of assets acquired exceeded the fair value of liabilities acquired, contribution income of \$83.9 million was recognized by ECI upon acquisition, of which \$7.5 million was attributable to holders of noncontrolling interest. These amounts are included in equity in increase in net assets of subsidiaries and affiliates and change in net assets attributable to noncontrolling interest, respectively, on the combining statements of activities.

Under a formal memorandum of understanding, ECI uses the services of our senior management and certain of our professional and administrative personnel. The amounts we billed under the agreement for these services and activities were \$1.9 million and \$2.6 million during the years ended December 31, 2019 and 2018, respectively. These billings are included in services provided to subsidiaries and affiliates in the accompanying combined statements of activities. Additionally, we are reimbursed by ECI for certain out-of-pocket costs incurred on their behalf. These reimbursements totaled \$1.8 million and \$1.7 million for the years ended December 31, 2019 and December 31, 2018, respectively.

Under the same formal memorandum of understanding referenced above, we use ECI's personnel for such services as information technology, human resources, finance, legal, and office management. The amounts billed to us under the agreement were \$11.6 million and \$12.2 million during the years ended December 31, 2019 and 2018, respectively. The amount is reflected as a component of both program activities and support services, management and general in the accompanying combined statements of activities. We also reimburse ECI for other costs they incur on behalf of us. These costs totaled \$0.9 million and \$1.7 million for each of the years ended December 31, 2019 and 2018, respectively.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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 revenue generated by those business lines at a prevalent market rate. For the years ended December 31, 2019 and 2018, this revenue totaled \$4.0 million and \$6.0 million, respectively. These amounts are reflected as royalty income in the accompanying combined statements of activities.

We also received unrestricted grants from ECI in the amount of \$9.7 million and \$7.6 million for the years ended December 31, 2019 and 2018, respectively. These amounts are reflected as contributions in the accompanying combined statements of activities.

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 are based on what ECI can access from external lenders. At both December 31, 2019 and 2018, the borrowing capacity under this facility was \$17 million. Interest is payable at a fluctuating interest rate, which was 4.01% and 4.77% at December 31, 2019 and 2018, respectively. There were no outstanding borrowings under this facility at December 31, 2019 and 2018. The credit facility is extended automatically on January 1st for successive one-year periods unless we give 30 days' notice not to extend.

Other Controlled Subsidiaries and Affiliates

We also have an interest in other controlled subsidiaries and affiliates that support our mission of providing affordable housing and/or other resources to low-income communities throughout the United States. These investments are accounted for under the equity method.

Investments in Noncontrolled Subsidiaries and Affiliates

We have an interest in certain noncontrolled subsidiaries and affiliates that support our mission of providing affordable housing and/or other resources to low-income communities throughout the United States. These investments are accounted for under the equity method, or carried at fair value.

As of December 31, 2019 and 2018, investments in noncontrolled subsidiaries and affiliates totaled \$6.5 million and \$6.8 million, respectively.

Note 8 - Property and equipment, net

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

	2019	2018
Office equipment	\$ 1,392	\$ 1,152
Software applications	13,366	11,915
Furniture and fixtures	1,331	1,214
Leasehold improvements	1,897	1,906
	17,986	16,187
Accumulated depreciation and amortization	(12,753)	(10,856)
Total	\$ 5,233	\$ 5,331

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Note 9 - Loans payable

Loans payable bear interest at rates which vary from 0% to 4.15% and are repayable through 2047. Most of our borrowings are structured as unsecured. We have three facilities that require that we pledge collateral. Based on the requirements of the lender, we pledge the underlying loans receivable, government and agency securities, and/or cash to collateralize draws. Secured loans payable were \$62.8 million and \$57.0 million as of December 31, 2019 and 2018, respectively. Most of our loans payable reflect borrowings which have been restricted by the lender for lending to various community development organizations. Some borrowings are further restricted for use in certain locations or in certain sectors and/or initiatives. Some of our loans payable may be utilized for working capital purposes. Additionally, certain of these loans payable contain covenants that require Loan Fund to provide reporting on a periodic basis and to meet and maintain specific financial ratios.

We had \$2.8 million of loans payable related to loan participation agreements that did not meet the conditions for sale accounting treatment at December 31, 2019 and 2018. These loans payable were offset by loans receivable and represent no risk to Loan Fund (see Note 2).

Certain of these loans payable is 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, 2019 and 2018, loans payable included \$7.0 million and \$15.8 million of EQ2 investments, respectively.

Loan Fund offers an Impact Note program to individuals, including employees and board members, and institutions. All outstanding Impact Notes were repurchased in August 2018 by Loan Fund and the existing program was restructured. Loan Fund began issuing notes under the new program in March of 2019. Investments are a minimum of \$25,000 for one to 10 years at interest rates ranging from 0% to 3.5%. As of December 31, 2019, the amount outstanding under the program was \$9.5 million. As of December 31, 2018, there was no outstanding balance under the program.

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

Due in 2020	\$	13,571
2021		30,017
2022		19,484
2023		28,418
2024		13,863
Thereafter		<u>103,180</u>
Total	\$	<u><u>208,533</u></u>

The debt due in 2020 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Debt issuance costs, net of accumulated amortization, totaled approximately \$0.7 million and \$0.8 million as of December 31, 2019 and 2018, respectively, related to these borrowings, and is included as a component of loans payable, net on the combined statements of financial position.

Note 10 - Restrictions and limitations on net asset balances

During the years ended December 31, 2019 and 2018, net assets released from donor restrictions and the events or transactions which caused the restrictions to expire totaled \$68.7 million and \$53.9 million, respectively, for expenses incurred for donor specified purposes or time restrictions.

Net assets with donor restrictions at December 31 consist of the following (\$ in thousands):

	2019	2018
Gifts and other unexpended revenue restricted to specific programs or locations	\$ 188,793	\$ 216,202
Contributions receivable due in future periods, net	10,933	15,074
Net assets with donor restrictions of uncombined affiliate	641	5,339
Total	<u>\$ 200,367</u>	<u>\$ 236,615</u>

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 contributions and our matching contributions are vested over a three-year period. We made matching contributions to the plan of \$0.6 million during the years ended December 31, 2019 and 2018.

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 over six years. After six years of service, all future contributions are automatically vested. Total expenses under this plan totaled \$0.9 million and \$0.8 million for the years ended December 31, 2019 and 2018, respectively.

Note 12 - Commitments and contingencies

Commitments and contingencies not reflected in the combined statement of financial position at December 31, 2019 are indicated below:

Grants and contracts

At December 31, 2019, we had commitments under grants and contracts from federal and various state governments of \$36 million. This amount will be received through 2023 as we provide services under the terms of the grants and contracts.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Loans

At December 31, 2019, we have commitments to fund loans to various community development organizations of approximately \$84 million. We also have additional commitments for debt to assist in funding these loans of approximately \$145 million. Our loans may also be partially funded with net assets without donor restrictions.

Custodial accounts

During 2019, we held funds in an agency capacity through custodial accounts for a participation program. The cash and corresponding liability of \$8.4 million at December 31, 2019 is not reflected in the combined financial statements.

Office leases

We, as a lessee, have entered into operating leases, primarily for office space, expiring at various dates through 2031. A portion of the space leased is allocated for use to ECI.

Annual minimum rent payments due under operating leases in effect at December 31, 2019 are as follows (\$ in thousands):

2020	\$	2,572
2021		2,433
2022		2,153
2023		1,853
2024		1,575
Thereafter		<u>7,854</u>
Total	\$	<u>18,440</u>

We also pay our proportionate share of rent on certain space leased by ECI, including office sharing arrangements, in several regional office locations.

After allocations to and from ECI, rent expense was \$2.5 million and \$2.3 million for the years ended December 31, 2019 and 2018, respectively, and is included as a component of occupancy on the accompanying statements of functional expenses. We were paid \$1.0 million under these arrangements during both the years ended December 31, 2019 and 2018.

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 may be involved in lawsuits, claims and assessments. In the opinion of management, the result of any such claims will not have a material impact on our combined financial statements.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Conditional grants

As of December 31, 2019, conditional promises to us totaled \$51.8 million of which \$22.8 million are conditional for future matching requirements, \$15.2 million are conditional for the performance of a future event, and \$13.8 are conditional due to federal cost principles.

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 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 2019, the related matching requirements, amounts expended and matching program services and the costs achieved as of December 31, 2019 are summarized as follows (\$ in thousands):

Capacity Building Grant	Award Year	Award Amount	Required Matching Commitments	Amount Expended	Matching Commitment Achieved
CB 18	2014	\$ 15,888	\$ 47,665	\$ 15,883	\$ 47,665
CB 19	2015	14,635	43,904	14,635	43,904
CB 20	2016	14,265	42,794	12,417	42,794
CB 21	2017	14,452	43,355	7,233	27,912
CB 22	2018	13,962	41,887	666	1,171

Note 13 - Concentration of credit risk

Cash, cash equivalents, and restricted 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

Note 14 - Risks and uncertainties

Our investments consist of commercial paper, corporate and U.S. agency bonds and notes, and diversified funds which invest in fixed income securities, and equities. 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, 2019. The investment policy and guidelines consider liquidity and risks 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 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.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

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, 2019	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	\$ 46,010	\$ -	\$ -	\$ 46,010
Investments in uncontrolled subsidiaries	-	-	1,069	1,069
Total	\$ 46,010	\$ -	\$ 1,069	\$ 47,079

December 31, 2018	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	\$ 51,834	\$ -	\$ -	\$ 51,834
Investments in uncontrolled subsidiaries	-	-	1,050	1,050
Total	\$ 51,834	\$ -	\$ 1,050	\$ 52,884

Investments in marketable securities can consist of U.S. Government agency obligations, fixed income securities and corporate and foreign securities and U.S. Treasury and agency securities. Marketable securities are carried at fair value based on quoted prices. Certain of our investments in uncontrolled subsidiaries are measured at fair value which is measured by our net asset value per share in each of the investments.

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 28, 2020 (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. Management determined that the following subsequent events require disclosure in the combined financial statements.

Effective January 1, 2020, EHI changed its name to Enterprise Community Development, Inc. ("ECD"). Concurrently, CPDC's governance documents have been amended to provide ECD with control of the appointment of CPDC's board of directors and thus control of CPDC. The newly combined ECD is one of the nation's largest affordable housing developers. This is not expected to have any impact on these combined financial statements as Partners, through its control of ECI, will continue to control the newly formed ECD subsequent to this reorganization.

Enterprise Community Partners, Inc. and Affiliate

Notes to Combined Financial Statements December 31, 2019 and 2018

The World Health Organization declared the novel strain of coronavirus ("Covid-19") a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. As of April 28, 2020, all of our reporting segments, and the reporting segments of our controlled subsidiaries and affiliates remain operational. However, Partners and our controlled subsidiaries and affiliates are seeing a small number of requests for forbearance related to Covid-19 in the Bellwether and Loan Fund portfolios, as well as an increase in economic vacancy in a subset of properties in ECI's low income housing tax credit and conventional equity portfolios, as well as ECD's portfolio. Presently, management estimates the collective impact of these described situations will not have a material impact on our combined financial statements. As of this date, we cannot reasonably estimate the remaining length or severity of this pandemic, or the extent to which the disruption may materially impact our combined financial position, combined activities, and combined cash flows in fiscal year 2020. Management is actively working to identify and mitigate financial, operational, liquidity and mission-related risks related to this pandemic.

On April 20, 2020, Bellwether entered into a Unit Purchase Agreement ("Purchase Agreement") with an unaffiliated third party, whereby the third party purchased certain Bellwether Class B voting membership units and Class C non-voting membership units for an aggregate purchase price of \$45.0 million. Bellwether used the \$45.0 million in transaction proceeds to repurchase 13.85% of the outstanding Class A voting membership units from pre-existing members. From this repurchase, ECI received \$26.8 million in proceeds, which reflects ECI's pro-rata share of the proceeds, based on ECI's 59.45% ownership and controlling voting interest in Bellwether prior to the sale. In exchange for the \$26.8 million in proceeds, ECI's ownership interest in Bellwether was diluted to 51.22%, while ECI's controlling voting interest in Bellwether was diluted to 56.48%. Prospectively, we expect this transaction to have a material impact on our combined financial statements, as noncontrolling interest holders share of Bellwether activities and net assets will increase.

Supplementary Information

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information Combining Statements of Financial Position December 31, 2019 (\$ in thousands)

	<u>Assets</u>				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash and cash equivalents	\$ 5,703	\$ 15,594	\$ 21,297	\$ -	\$ 21,297
Restricted cash and cash equivalents	136,505	29,395	165,900	-	165,900
Investments	-	495	495	-	495
Contributions receivable, net	10,177	924	11,101	-	11,101
Contracts receivable, net	4,105	-	4,105	-	4,105
Interest receivable, net	88	1,142	1,230	-	1,230
Loans receivable, net	4,955	230,887	235,842	-	235,842
Notes receivable, net	7,750	623	8,373	-	8,373
Advances to subsidiaries and affiliates	6,278	(36)	6,242	-	6,242
Restricted investments	41,577	4,747	46,324	-	46,324
Investments in controlled subsidiaries and affiliates	338,099	-	338,099	(67,806)	270,293
Investments in uncontrolled subsidiaries and affiliate	480	6,053	6,533	-	6,533
Property and equipment, net	4,836	397	5,233	-	5,233
Other receivables and other assets, net	612	23	635	-	635
Total assets	<u>\$ 561,165</u>	<u>\$ 290,244</u>	<u>\$ 851,409</u>	<u>\$ (67,806)</u>	<u>\$ 783,603</u>
	<u>Liabilities and Net Assets</u>				
Liabilities					
Accounts payable and accrued expenses	\$ 8,288	\$ 1,201	\$ 9,489	\$ -	\$ 9,489
Funds held for others	2,061	6,059	8,120	-	8,120
Loans payable, net	-	207,840	207,840	-	207,840
Other liabilities	-	7,338	7,338	-	7,338
Total liabilities	<u>10,349</u>	<u>222,438</u>	<u>232,787</u>	<u>-</u>	<u>232,787</u>
Commitments and contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets					
Net assets without donor restrictions	295,810	54,505	350,315	(54,505)	295,810
Net assets without donor restrictions - noncontrolling interest	54,639	-	54,639	-	54,639
Net assets with donor restrictions	<u>200,367</u>	<u>13,301</u>	<u>213,668</u>	<u>(13,301)</u>	<u>200,367</u>
Total net assets	<u>550,816</u>	<u>67,806</u>	<u>618,622</u>	<u>(67,806)</u>	<u>550,816</u>
Total liabilities and net assets	<u>\$ 561,165</u>	<u>\$ 290,244</u>	<u>\$ 851,409</u>	<u>\$ (67,806)</u>	<u>\$ 783,603</u>

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information Combining Statements of Financial Position December 31, 2018 (\$ in thousands)

	<u>Assets</u>				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash and cash equivalents	\$ 12,679	\$ 16,028	\$ 28,707	\$ -	\$ 28,707
Restricted cash and cash equivalents	160,074	24,273	184,347	-	184,347
Investments	-	-	-	-	-
Contributions receivable, net	12,277	4,125	16,402	-	16,402
Contracts receivable, net	7,434	-	7,434	-	7,434
Interest receivable, net	225	1,223	1,448	-	1,448
Loans receivable, net	3,937	212,072	216,009	-	216,009
Notes receivable, net	8,765	639	9,404	-	9,404
Advances to subsidiaries and affiliates	635	441	1,076	-	1,076
Restricted investments	43,841	8,865	52,706	-	52,706
Investments in controlled subsidiaries and affiliates	320,788	-	320,788	(65,201)	255,587
Investments in uncontrolled subsidiaries and affiliate	480	6,296	6,776	-	6,776
Property and equipment, net	4,948	383	5,331	-	5,331
Other receivables and other assets, net	535	24	559	-	559
Total assets	<u>\$ 576,618</u>	<u>\$ 274,369</u>	<u>\$ 850,987</u>	<u>\$ (65,201)</u>	<u>\$ 785,786</u>
	<u>Liabilities and Net Assets</u>				
Liabilities					
Accounts payable and accrued expenses	\$ 10,658	\$ 1,035	\$ 11,693	\$ -	\$ 11,693
Funds held for others	1,417	4,412	5,829	-	5,829
Loans payable, net	-	203,721	203,721	-	203,721
Other liabilities	-	-	-	-	-
Total liabilities	<u>12,075</u>	<u>209,168</u>	<u>221,243</u>	<u>-</u>	<u>221,243</u>
Commitments and contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets					
Net assets without donor restrictions	278,327	51,617	329,944	(51,617)	278,327
Net assets without donor restrictions - noncontrolling interest	49,601	-	49,601	-	49,601
Net assets with donor restrictions	<u>236,615</u>	<u>13,584</u>	<u>250,199</u>	<u>(13,584)</u>	<u>236,615</u>
Total net assets	<u>564,543</u>	<u>65,201</u>	<u>629,744</u>	<u>(65,201)</u>	<u>564,543</u>
Total liabilities and net assets	<u>\$ 576,618</u>	<u>\$ 274,369</u>	<u>\$ 850,987</u>	<u>\$ (65,201)</u>	<u>\$ 785,786</u>

See Independent Auditor's Report.

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information Combining Statements of Activities Year Ended December 31, 2019 (\$ in thousands)

	Without Donor Restrictions					With Donor Restrictions				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined	With Donor Restrictions - Enterprise Community Partners, Inc.	With Donor Restrictions - Enterprise Community Loan Fund, Inc.	Eliminations	Combined	Combined total
Revenue and support										
Grants and contracts	\$ 20,927	\$ -	\$ 20,927	\$ -	\$ 20,927	\$ -	\$ 960	\$ -	\$ 960	\$ 21,887
Contributions	10,122	-	10,122	-	10,122	32,838	-	-	32,838	42,960
Interest income	231	12,851	13,082	-	13,082	-	-	-	-	13,082
Royalty income	4,027	-	4,027	-	4,027	-	-	-	-	4,027
Services provided to subsidiaries and affiliates	1,966	-	1,966	-	1,966	-	-	-	-	1,966
Investment income	3,827	433	4,260	-	4,260	423	-	-	423	4,683
Other revenue	2,818	1,127	3,945	-	3,945	-	-	-	-	3,945
	43,918	14,411	58,329	-	58,329	33,261	960	-	34,221	92,550
Net assets released from restrictions	67,426	1,243	68,669	-	68,669	(67,426)	(1,243)	-	(68,669)	-
Total revenue and support	111,344	15,654	126,998	-	126,998	(34,165)	(283)	-	(34,448)	92,550
Expenses										
Program activities										
Program services	49,037	5,555	54,592	-	54,592	-	-	-	-	54,592
Grants	50,879	-	50,879	-	50,879	-	-	-	-	50,879
Public policy	2,939	-	2,939	-	2,939	-	-	-	-	2,939
Interest on loans	-	5,688	5,688	-	5,688	-	-	-	-	5,688
Total program activities	102,855	11,243	114,098	-	114,098	-	-	-	-	114,098
Support services										
Management and general	3,476	1,428	4,904	-	4,904	-	-	-	-	4,904
Fundraising	5,965	-	5,965	-	5,965	-	-	-	-	5,965
Total support services	9,441	1,428	10,869	-	10,869	-	-	-	-	10,869
Total expenses	112,296	12,671	124,967	-	124,967	-	-	-	-	124,967
Excess (deficiency) of revenue and support over expenses from operations	(952)	2,983	2,031	-	2,031	(34,165)	(283)	-	(34,448)	(32,417)
Net realized and unrealized gain (loss) on investments	1,185	(135)	1,050	-	1,050	2,898	-	-	2,898	3,948
Intercompany grant (expense) income	-	-	-	-	-	-	-	-	-	-
Equity in increase (decrease) in net assets of subsidiaries and affiliates	28,222	40	28,262	(2,888)	25,374	(4,698)	-	-	(4,698)	20,676
Change in net assets	28,455	2,888	31,343	(2,888)	28,455	(35,965)	(283)	-	(36,248)	(7,793)
Change in net assets, attributable to noncontrolling interest	(12,816)	-	(12,816)	-	(12,816)	-	-	-	-	(12,816)
Change in net assets, attributable to controlling interest	\$ 15,639	\$ 2,888	\$ 18,527	\$ (2,888)	\$ 15,639	\$ (35,965)	\$ (283)	\$ -	\$ (36,248)	\$ (20,609)

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information Combining Statements of Activities Year Ended December 31, 2018 (\$ in thousands)

	Without Donor Restrictions					With Donor Restrictions				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined	With Donor Restrictions - Enterprise Community Partners, Inc.	With Donor Restrictions - Enterprise Community Loan Fund, Inc.	Eliminations	Combined	Combined Total
Revenue and support										
Grants and contracts	\$ 20,842	\$ -	\$ 20,842	\$ -	\$ 20,842	\$ -	\$ 9,300	\$ -	\$ 9,300	\$ 30,142
Contributions	8,348	100	8,448	-	8,448	192,126	-	-	192,126	200,574
Interest income	174	11,877	12,051	-	12,051	-	-	-	-	12,051
Royalty income	6,012	-	6,012	-	6,012	-	-	-	-	6,012
Services provided to subsidiaries and affiliates	2,765	-	2,765	-	2,765	-	-	-	-	2,765
Investment income	2,098	447	2,545	-	2,545	409	-	-	409	2,954
Other revenue	2,887	713	3,600	-	3,600	-	-	-	-	3,600
	43,126	13,137	56,263	-	56,263	192,535	9,300	-	201,835	258,098
Net assets released from restrictions	50,574	3,276	53,850	-	53,850	(50,574)	(3,276)	-	(53,850)	-
Total revenue and support	93,700	16,413	110,113	-	110,113	141,961	6,024	-	147,985	258,098
Expenses										
Program activities										
Program services	46,650	7,086	53,736	-	53,736	-	-	-	-	53,736
Grants	34,827	-	34,827	-	34,827	-	-	-	-	34,827
Public policy	2,873	-	2,873	-	2,873	-	-	-	-	2,873
Interest on loans	-	5,307	5,307	-	5,307	-	-	-	-	5,307
Total program activities	84,350	12,393	96,743	-	96,743	-	-	-	-	96,743
Support services										
Management and general	3,650	1,300	4,950	-	4,950	-	-	-	-	4,950
Fundraising	5,347	-	5,347	-	5,347	-	-	-	-	5,347
Total support services	8,997	1,300	10,297	-	10,297	-	-	-	-	10,297
Total expenses	93,347	13,693	107,040	-	107,040	-	-	-	-	107,040
Excess (deficiency) of revenue and support over expenses from operations	353	2,720	3,073	-	3,073	141,961	6,024	-	147,985	151,058
Net realized and unrealized loss on investments	(509)	-	(509)	-	(509)	(1,454)	-	-	(1,454)	(1,963)
Intercompany grant (expense) income	(49,219)	2,022	(47,197)	-	(47,197)	(11,560)	-	-	(11,560)	(58,757)
Equity in increase in net assets of subsidiaries and affiliates	134,656	59	134,715	(4,801)	129,914	18,923	-	(2,024)	16,899	146,813
Change in net assets	85,281	4,801	90,082	(4,801)	85,281	147,870	6,024	(2,024)	151,870	237,151
Change in net assets, attributable to noncontrolling interest	(17,079)	-	(17,079)	-	(17,079)	-	-	-	-	(17,079)
Change in net assets, attributable to controlling interest	\$ 68,202	\$ 4,801	\$ 73,003	\$ (4,801)	\$ 68,202	\$ 147,870	\$ 6,024	\$ -2,024	\$ 151,870	\$ 220,072

See Independent Auditor's Report.



Independent Member of Nexia International

cohnreznick.com