Enterprise Community Loan Fund, Inc. and its Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

December 31, 2015 and 2014

Enterprise Community Loan Fund, Inc. and its Subsidiaries

Index

Independent Auditor's Report

The Board of Trustees
Enterprise Community Loan Fund, Inc. and its Subsidiaries

We have audited the accompanying consolidated financial statements of Enterprise Community Loan Fund, Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Enterprise Community Loan Fund, Inc. and its Subsidiaries as of December 31, 2015 and 2014, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Bethesda, Maryland
April 25, 2016

Enterprise Community Loan Fund, Inc. and its Subsidiaries

Consolidated Statements of Financial Position
December 31,

($ in thousands)

Assets

	2015	2014
Cash, cash equivalents and investments	$ 37,429	$ 32,916
Restricted cash, cash equivalents and investments	15,135	15,102
Contributions receivable, net	3,653	-
Interest receivable, net	540	577
Loans receivable, net	117,071	122,703
Notes receivable, net	2,000	2,090
Advances to affiliates	61	82
Investment in subsidiaries	181	124
Other receivables and other assets, net	255	264
Total assets	$ 176,325	$ 173,858

Liabilities and Net Assets

	2015	2014
Liabilities		
Accounts payable and accrued expenses	$ 464	$ 640
Due to parent	179	153
Due to affiliates	65	37
Funds held for others	5,512	4,494
Loans and notes payable	124,491	127,980
Total liabilities	130,711	133,304
Commitments and contingencies	-	-
Net assets		
Unrestricted	36,514	33,626
Temporarily restricted - program activities	7,100	4,928
Temporarily restricted - Terwilliger Fund	2,000	2,000
Total net assets	45,614	40,554
Total liabilities and net assets	$ 176,325	$ 173,858

See Notes to Consolidated Financial Statements.

Enterprise Community Loan Fund, Inc. and its Subsidiaries

Consolidated Statements of Activities
Years Ended December 31,

($ in thousands)

	2015				2014			
		Temporarily restricted				Temporarily restricted		
	Unrestricted	Program activities	Terwilliger Fund	Total	Unrestricted	Program activities	Terwilliger Fund	Total
Revenue and support								
Interest income	$ 7,311	$ -	$ -	$ 7,311	$ 7,536	$ -	$ -	$ 7,536
Investment income	217	-	-	217	224	-	-	224
Contributions	4,300	-	-	4,300	2,073	30	-	2,103
Grants	-	3,653	-	3,653	-	2,000	-	2,000
Contracts	-	-	-	-	79	-	-	79
Other revenue	402	-	-	402	529	-	-	529
Refund of contributions	-	-	-	-	-	(7)	-	(7)
	12,230	3,653	-	15,883	10,441	2,023	-	12,464
Net assets released from restrictions	1,481	(1,481)	-	-	1,180	(1,180)	-	-
Total revenue and support	13,711	2,172	-	15,883	11,621	843	-	12,464
Expenses								
Program activities								
Interest on loans	3,094	-	-	3,094	3,322	-	-	3,322
Net change in allowance for loan losses	(310)	-	-	(310)	(1,244)	-	-	(1,244)
Direct program expenses	7,056	-	-	7,056	3,036	-	-	3,036
Total program activities	9,840	-	-	9,840	5,114	-	-	5,114
Support services								
Management and general	841	-	-	841	756	-	-	756
Total support services	841	-	-	841	756	-	-	756
Total expenses	10,681	-	-	10,681	5,870	-	-	5,870
Excess of revenue and support over expenses from operations	3,030	2,172	-	5,202	5,751	843	-	6,594
Net unrealized (loss) gain on investments	(199)	-	-	(199)	240	-	-	240
Equity increase in earnings of subsidiaries	57	-	-	57	66	-	-	66
Increase in net assets	2,888	2,172	-	5,060	6,057	843	-	6,900
Net assets, beginning of year	33,626	4,928	2,000	40,554	27,569	4,085	2,000	33,654
Net assets, end of year	$ 36,514	$ 7,100	$ 2,000	$ 45,614	$ 33,626	$ 4,928	$ 2,000	$ 40,554

See Notes to Consolidated Financial Statements.

Enterprise Community Loan Fund, Inc. and its Subsidiaries

Consolidated Statements of Functional Expenses
Years Ended December 31,

($ in Thousands)

	2015				2014			
Expenses	Program activities	Management and general	Fundraising	Total	Program activities	Management and general	Fundraising	Total
Salaries	$ 1,328	$ 416	$ -	$ 1,744	$ 1,341	$ 343	$ -	$ 1,684
Professional and contract services	952	300	-	1,252	1,155	294	-	1,449
Employee benefits and taxes	249	79	-	328	229	65	-	294
Grants	4,300	-	-	4,300	-	-	-	-
Occupancy	190	39	-	229	175	31	-	206
Travel and related costs	75	15	-	90	63	11	-	74
General operating supplies	55	11	-	66	58	10	-	68
Meetings and conferences	12	2	-	14	12	2	-	14
Marketing	3	1	-	4	2	-	-	2
Interest on loans	3,094	-	-	3,094	3,322	-	-	3,322
Net change in allowance for loan losses	(310)	-	-	(310)	(1,244)	-	-	(1,244)
Miscellaneous	(108)	(22)	-	(130)	1	-	-	1
	$ 9,840	$ 841	$ -	$ 10,681	$ 5,114	$ 756	$ -	$ 5,870

See Notes to Consolidated Financial Statements.

Enterprise Community Loan Fund, Inc. and its Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31,

($ in thousands)

	2015	2014
Cash flows from operating activities		
Changes in net assets	$ 5,060	$ 6,900
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net change in allowance for loan losses	(310)	(1,244)
Increase in equity in earnings of subsidiaries	(57)	(66)
Net unrealized (loss) gain on investments	199	(240)
(Increase) decrease in contributions receivable	(3,653)	1,347
Decrease in interest receivable, net	37	200
Decrease (increase) in other receivables and other assets, net	9	(219)
Decrease in accounts payable and accrued expenses	(176)	(155)
Increase (decrease) in due to parent and affiliates	75	(118)
Increase in funds held for others	1,018	649
Net cash provided by operating activities	2,202	7,054
Cash flows from investing activities		
Advances on loans receivable	(60,085)	(73,857)
Repayments of loans receivable	65,562	64,195
Advances on notes receivable	(17,000)	(15,000)
Repayments of notes receivable	17,000	15,000
Net sales (purchases) of investments	499	(3,493)
Net cash provided by (used in) investing activities	5,976	(13,155)
Cash flows from financing activities		
Proceeds from loans and notes payable	65,086	64,155
Loan and note repayments	(68,020)	(50,731)
Net cash (used in) provided by financing activities	(2,934)	13,424
Net increase in cash and cash equivalents	5,244	7,323
Cash and cash equivalents, beginning of year	38,369	31,046
Cash and cash equivalents, end of year	$ 43,613	$ 38,369
Supplementary disclosure of cash flow information:		
Interest paid	$ 2,835	$ 3,541
Significant noncash investing and financing activities:		
Recovery of loans presented as a loan repayment	$ 555	$ -
Loans and notes receivable written off	$ 262	$ 219
Fully depreciated property and equipment written off	$ -	$ 4

See Notes to Consolidated Financial Statements.

Note 1 - Organization and nature of operations

Basis of presentation

The consolidated financial statements include the accounts and transactions of Enterprise Community Loan Fund, Inc. ("Loan Fund") and our subsidiaries and partnerships (collectively, "we," "Enterprise," or "us") in which Loan Fund has a majority voting interest and control. Our consolidated financial statements have been prepared on an accrual basis. Loan Fund uses the equity method to account for the interests in entities it does not control. Significant intercompany balances and transactions are eliminated in consolidation.

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 revenue and expenses recognized during the reporting period. Significant estimates are inherent in the preparation of these consolidated 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

Loan Fund is a community development financial institution ("CDFI") that was formed in 1990 as a non-stock corporation in the state of Maryland and began operations in 1991. Loan Fund is tax-exempt under section 501(c)(3) of the Internal Revenue Code, as amended, and is a 509(a)(3) supporting organization to Enterprise Community Partners, Inc. ("Partners").

Our mission is to deliver innovative financial products and technical assistance to mission-aligned organizations to acquire, develop and preserve quality affordable housing for low and moderate income families, and to revitalize their communities by providing access to good jobs, quality affordable housing, first-rate schools, transportation and healthy living environments. We are supported primarily from interest income and fees on loans. Generally we use contributions and grants to support our lending activities rather than our operations. We also receive loans from various not-for-profit organizations and financial institutions to fund loans to community development organizations..

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:

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

Revenue is reported as increases in unrestricted net assets 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 unrestricted net assets unless specifically limited by donor-imposed restrictions. 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:

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.

Contributions and grants

Contributions and grants 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 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. 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 receivable at December 31, 2015 were promises expected to be collected in less than one year. There were no contributions receivable at December 31, 2014.

Government contracts

Amounts funded from government sources are generally cost reimbursement contracts where revenue is recognized at the time costs are incurred. Additionally, certain 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.

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 and corporate and U.S. agency bonds and notes, all with an equivalent rating of A2/P2 or higher.

Investments consist of stock and marketable securities. Investment in stock is accounted for using the cost method. This investment is not evaluated for impairment because we are exempt from estimating fair value under GAAP and we did not identify any events or changes in circumstances that might have a significant adverse effect on the fair value of this investment. Investments in marketable securities consist of fixed income securities and 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 consolidated statements of activities as an increase or decrease in unrestricted net assets unless restricted by donor.

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.

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 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. 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 consolidated financial statements and reflect the participation component of the loan as a liability. 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 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:

- <u>Performing</u> - Loans are performing and borrower is expected to fully repay future obligations.

- Monitored - Loans are performing but require monitoring due to change in market, sponsor or other factors that has the potential to impact the borrower's ability 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 consolidated 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 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.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. 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, 2015 and 2014, we have not recognized any reduction in the carrying value of property and equipment. 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. 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. As of December 31, 2015, all of our property and equipment was fully amortized. Accumulated depreciation and amortization is approximately $0.3 million as of December 31, 2015 and 2014.

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 consolidated statements of financial position. Amortization expense for the years ended December 31, 2015 and 2014 was $9,000 and $3,000, respectively, and is included as a component of interest expense on the accompanying consolidated statements of activities. Estimated amortization expense for each of the ensuing years through December 31, 2020 is $9,000.

Investment in subsidiaries
We account for our investment in subsidiaries by applying the equity method of accounting. Under the equity method, the initial investment is recorded at cost, increased by our share of income and contributions and decreased by our share of losses and distributions. See Note 6 for additional information.

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.

Income taxes
Loan Fund is recognized as a 501(c)(3) charitable organization and is 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, 2015 and 2014. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying consolidated 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 2012 remain open for examination.

Accordingly, these consolidated financial statements do not reflect a provision for income taxes and there are no other tax positions which must be considered for disclosure.

Expense allocation
Expenses by function have been allocated among program activities and support services on the basis of an analysis performed by us.

Grant expense

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

Fair value of financial instruments
The carrying amount of investments in marketable securities is 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 consolidated financial statements.

Note 3 - Cash, cash equivalents and investments

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

	2015		
	Unrestricted	Restricted	Total
Cash and cash equivalents	$ 28,635	$ 14,978	$ 43,613
Stock	-	157	157
Fixed income securities	5,638	-	5,638
Corporate and foreign equity securities	3,156	-	3,156
	$ 37,429	$ 15,135	$ 52,564

	2014		
	Unrestricted	Restricted	Total
Cash and cash equivalents	$ 24,125	$ 14,244	$ 38,369
Certificates of deposit	-	858	858
Fixed income securities	5,587	-	5,587
Corporate and foreign equity securities	3,204	-	3,204
	$ 32,916	$ 15,102	$ 48,018

The following summarizes the components of investment return and their classifications in the consolidated statements of activities for the years ended December 31, ($ in thousands):

	2015	2014
Investment income	$ 217	$ 224
Unrealized (loss) gain, net	(199)	240
	$ 18	$ 464

Investment returns of $18,000 and $464,000 are net of investment fees of $5,000 and $8,000 for the years ended December 31, 2015 and 2014, respectively.

In June 2012, we received a donation of stock that does not trade on an active market. During our analysis of the fair valuation of the stock, we were unable to obtain comfort with the inputs utilized to assess the value of the stock and accordingly, no value has been assigned either at the time of donation or as of December 31, 2015 and 2014.

Note 4 - Loans receivable

Since 1981, we have closed approximately $1.43 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, 2015 and 2014, $57.1 million and $67.9 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 5.4% and 5.7% as of December 31, 2015 and 2014, 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 $23.6 million and $20.3 million at December 31, 2015 and 2014, respectively.

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

	2015	2014
Loans to unaffiliated organizations	$ 123,715	$ 129,031
Loans to affiliated organizations	-	936
	123,715	129,967
Allowance for loan losses:		
Loans to unaffiliated organizations	(6,644)	(7,217)
Loans to affiliated organizations	-	(47)
	(6,644)	(7,264)
Loans receivable, net	$ 117,071	$ 122,703

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

	2015			2014		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan losses						
Balance at beginning of year	$ (5,687)	$ (1,577)	$ (7,264)	$ (7,518)	$ (1,193)	$ (8,711)
Net change in allowance for loan losses	426	(26)	400	1,628	(384)	1,244
Write-offs	237	-	237	219	-	219
Recoveries	(17)	-	(17)	(16)	-	(16)
Balance at end of year	$ (5,041)	$ (1,603)	$ (6,644)	$ (5,687)	$ (1,577)	$ (7,264)

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

	2015			2014		
	Housing	Other	Total	Housing	Other	Total
Performing	$ 90,467	$ 25,619	$ 116,086	$ 87,390	$ 25,232	$ 112,622
Monitored	3,879	-	3,879	9,530	1,442	10,972
Impaired						
With an increased allowance for loan losses	900	1,995	2,895	3,234	2,226	5,460
Without an increased allowance for loan losses	855	-	855	913	-	913
Total	$ 96,101	$ 27,614	$ 123,715	$ 101,067	$ 28,900	$ 129,967
Average investment in impaired loans	$ 3,406	$ 2,069	$ 5,475	$ 4,725	$ 2,321	$ 7,046

The allowance for loan losses related to impaired housing loans was $0.7 million and $1.4 million at December 31, 2015 and 2014, respectively. The allowance for loan losses related to impaired other loans was $0.3 million for both years ended December 31, 2015 and 2014. We discontinue accrual of interest income on all impaired loans. Payments received for such loans are either recorded as principal reductions or interest income pursuant to our accounting policy. On a cash basis, we recognized interest income on impaired housing loans of $17,000 and $16,000 for the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, two housing loans were modified through a troubled debt restructuring with balances at restructuring of $8.7 million. As of December 31, 2015, these loans have 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):

	2015			2014		
	Housing	Other	Total	Housing	Other	Total
Past due						
31-60 days	$ -	$ -	$ -	$ -	$ -	$ -
61-90 days	-	-	-	-	-	-
Over 90 days	250	1,969	2,219	2,222	-	2,222
Total	250	1,969	2,219	2,222	-	2,222
Current	95,851	25,645	121,496	98,845	28,900	127,745
Total	$ 96,101	$ 27,614	$ 123,715	$ 101,067	$ 28,900	$ 129,967

All loans 90 or more days past due were no longer accruing interest.

Note 5 - Notes receivable

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

	2015	2014
Notes to unaffiliated organizations	$ 2,945	$ 2,970
Less:		
Notes receivable allowance	(945)	(880)
Notes receivable, net	$ 2,000	$ 2,090

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

	2015	2014
Balance at beginning of year	$ (880)	$ (880)
Net change in allowance for for loan losses	(90)	-
Write-offs	25	-
Balance at end of year	$ (945)	$ (880)

Note 6 - Investments in subsidiaries

We own a 33.33% interest in the Bay Area Transit Oriented Affordable Housing Fund, LLC ("Bay Area TOD"), a California limited liability company. The Bay Area TOD was created to provide loans for low-income housing and community services located close to accessible transportation within the San Francisco Bay Area of California. We also own a 25% interest in GSAF, LLC, a California limited liability company. GSAF, LLC was created to establish an affordable housing revolving development and acquisition program to implement the state of California's Affordable Housing Innovation Fund. These interests are accounted for under the equity method of accounting.

Our investment in subsidiaries totaled $181,000 and $124,000 at December 31, 2015 and 2014, respectively. Our equity increase in earnings of subsidiaries totaled $57,000 and $66,000 for the years ended December 31, 2015 and 2014, respectively. These entities had outstanding loans of $26 million and $36 million at December 31, 2015 and 2014, respectively. The net assets of these entities are not available to pay our obligations, and the creditors of these entities have no recourse to our assets.

Note 7 - Transactions with parent and certain affiliates

We have extended an unsecured line of credit to Enterprise Community Investment ("ECI"), a wholly-owned subsidiary of Partners. 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. The borrowing capacity under this facility was $17 million and $15 million at December 31, 2015 and 2014, respectively. The interest rate on these borrowings was LIBOR plus 2.25%. There were no outstanding borrowings under this facility at December 31, 2015 and 2014. The credit facility is extended automatically on January 1 for successive one-year periods unless Loan Fund gives 30 days notice not to extend.

We have entered into various loan agreements with other affiliates of Partners. No loans remain outstanding at December 31, 2015. At December 31, 2014, two loans were outstanding at an amount of $1.0 million. One loan was a construction loan that was fully repaid through permanent financing from a third party. The other loan was a revolving line of credit that was part of a syndication and has also been repaid.

In 2012, Partners entered into a loan agreement with us for $0.6 million for the purpose of partially funding green retrofit loans. Interest is at 0%, and the loan matures in 2022. As of December 31, 2015 and 2014, amounts outstanding on the loan were $0.3 million. Any losses incurred on the loans to borrowers will be shared by Partners and based on the percentage funded.

In the normal course of business, we utilize the services of certain officers and professional and administrative personnel of Partners, where such services relate to our shared charitable purpose of creating low-income housing. We reimburse Partners for these services as well as for certain operating and administrative expenses. The cost incurred for such services from Partners was $1.4 million and $1.7 million, in 2015 and 2014, respectively. As of December 31, 2015 and 2014, amounts due to Partners for such services and other administrative services was $0.2 million and is presented as due to parent on the accompanying statements of financial position.

We have agreements with affiliates for services. As of December 31, 2015 and 2014, advances to affiliates was $61,000 and $82,000, respectively, and due to affiliates was $65,000 and $37,000, respectively.

During 2015, two donors contributed $4.3 million to us for a land bank program to be administered by Partners. The contributions were provided to Partners through grant expense.

Partners made contributions to us during 2014 including $2 million on an unrestricted basis and $0.1 million for credit enhancements, reduction of loan interest, and costs related to the origination of several loans.

Note 8 - Loans and notes payable

Loans payable bear interest at rates which vary from 0% to 4%, are repayable through 2043. Most of our loans payable are unsecured, but two of our loans payable under two different government programs require us to pledge the underlying loans receivable to borrowers as collateral. Secured loans payable were $12.5 and $0.7 million as of December 31, 2015 and 2014. Most of our loans payable reflect borrowings that 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 are guaranteed by Partners and contain covenants that require us 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, 2015 and 2014, 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 2 to 10 years at interest rates of 0% to 3.5%. As of December 31, 2015 and 2014, amounts outstanding under this program were $31.6 million and $26.3 million, respectively. As of December 31, 2015 and 2014, the balance due to employees and the board of directors was $0.8 million and $0.9 million, respectively.

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

Due in 2016	$	20,644
2017		7,113
2018		5,293
2019		22,318
2020		24,642
Thereafter		44,481
	$	124,491

The debt due in 2016 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 9 - Restrictions and limitations on net asset balances

During the years ended December 31, 2015 and 2014, net assets released from temporary donor restrictions and the events or transactions which caused the restrictions to expire totaled $1.5 million and $1.2 million, respectively.

As of December 31, 2015 and 2014, temporarily restricted net assets were $9.1 million and $6.9 million, respectively, representing contributions receivable due in future periods and gifts and other unexpended revenue restricted to specific programs.

As of December 31, 2015 and 2014, we had no permanently restricted net assets.

Note 10 - 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 the 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 Board 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 for the years ended December 31, 2015 and 2014 of $52,000.

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. These contributions vest after six years. After six years of service, all future contributions are automatically vested. Total expenses under this plan totaled $68,000 and $73,000 for the years ended December 31, 2015 and 2014, respectively.

Note 11 - Commitments and contingencies

Commitments and contingencies not reflected in the consolidated statement of financial position at December 31, 2015 are indicated below:

Loans

At December 31, 2015, we have commitments to fund loans to various community development organizations of approximately $58 million. We also have additional commitments for debt to fund these loans of approximately $102 million. The commitments for additional debt include $38 million from the Federal Financing Bank through a Qualified Issuer as part of the Department of the Treasury's CDFI Bond Guarantee Program.

Custodial accounts

During 2015, we held funds in an agency capacity through custodial accounts for a participation program. The cash and corresponding liability of $0.3 million at December 31, 2015 is not reflected in the consolidated financial statements.

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 the consolidated financial statements.

Note 12 - 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 certain deposits may exceed federally insured limits, we have not experienced any losses with respect to our cash and cash equivalent balances. Accordingly, management does not believe that we are exposed to significant credit risk with respect to cash and cash equivalents.

Note 13 - Risks and uncertainties

Our assets consist of corporate, foreign, 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 Partners' investment committee and board of trustees and approved by our board and Partners' board. 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 statement of financial position as of December 31, 2015. The investment policy and guidelines consider liquidity and risks to our pool of assets and attempt to diversify asset classes to mitigate risks over applicable time horizons.

Note 14 - 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 Inputs - Quoted prices for identical instruments in active markets.

- Level 2 Inputs - 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 Inputs - 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, 2015	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	$ 8,794	$ -	$ -	$ 8,794
Total	$ 8,794	$ -	$ -	$ 8,794

December 31, 2014	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	$ 8,791	$ -	$ -	$ 8,791
Total	$ 8,791	$ -	$ -	$ 8,791

Investments in marketable securities can consist of fixed income securities and corporate and foreign securities. Marketable securities are carried at fair value based on quoted prices.

Except for the stock donation with no assigned value that is discussed in Note 3, no Level 3 assets were held during the years ended December 31, 2015 and 2014.

Note 15 - Subsequent events

Events that occur after the consolidated statement of financial position date but before the consolidated 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 consolidated statement of financial position date are recognized in the accompanying consolidated financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated statement of financial position date require disclosure in the accompanying notes. We evaluated our activity through April 25, 2016 (the date the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.