

**Enterprise Community Partners, Inc.
and its Subsidiaries and Affiliates**

**Consolidated Financial Statements and
Independent Auditor's Report**

December 31, 2020 and 2019

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

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Independent Auditor's Report

To the Board of Trustees
Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Enterprise Community Partners, Inc. ("Partners") and its Subsidiaries and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, changes in net assets, 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 from 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 Partners, Inc. and its Subsidiaries and Affiliates as of December 31, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 59 to 64 is presented for purposes of an additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "CohnReznick LLP".

Bethesda, Maryland

May 6, 2021

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

**Consolidated Statements of Financial Position
December 31, 2020 and 2019**

(\$ in thousands)

	<u>Assets</u>	
	2020	2019
Cash and cash equivalents	\$ 172,721	\$ 91,233
Restricted cash and cash equivalents	223,954	205,364
Contributions receivable, net	14,948	11,243
Accounts and other receivables, net	122,082	110,647
Mortgage loans held for sale	351,813	101,876
Derivative assets	28,270	22,204
Investments in unconsolidated partnerships	199,910	151,124
Prepaid expenses and other assets, net	13,727	15,543
Loans and notes receivable, net	282,669	279,942
Investments	502	495
Restricted investments	26,475	52,882
Mortgage servicing rights, net	136,186	93,235
Property and equipment, net	64,358	65,211
Intangible assets, net	17,663	19,057
Goodwill	9,543	9,543
	<hr/>	<hr/>
Total assets	\$ 1,664,821	\$ 1,229,599
	<hr/>	<hr/>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and accrued expenses	\$ 66,326	\$ 75,748
Grants payable	48,224	1,332
Funds held for others	18,363	27,525
Derivative liabilities	13,131	15,930
Indebtedness	644,241	423,530
Capital contributions payable	138,131	88,599
Deferred tax liabilities, net	19,083	8,197
Losses in excess of investments in unconsolidated partnerships	1,618	1,912
Allowance for loan loss sharing	24,375	16,797
Deferred revenue and other liabilities	10,727	19,213
	<hr/>	<hr/>
Total liabilities	984,219	678,783
	<hr/>	<hr/>
Commitments and contingencies	-	-
Net assets		
Net assets without donor restrictions	402,409	295,810
Net assets without donor restrictions - noncontrolling interest	112,771	54,639
Net assets with donor restrictions	165,422	200,367
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Total net assets	680,602	550,816
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,664,821	\$ 1,229,599
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See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Consolidated Statements of Activities Years Ended December 31, 2020 and 2019

(\$ in thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support						
Gains from mortgage banking activities	\$ 160,467	\$ -	\$ 160,467	\$ 111,475	\$ -	\$ 111,475
Contributions	49,249	105,670	154,919	2,141	33,976	36,117
Syndication fees	44,766	-	44,766	47,121	-	47,121
Grants and contracts	21,207	13,726	34,933	20,927	-	20,927
Asset management fees	30,366	-	30,366	27,698	-	27,698
Interest income	27,902	-	27,902	36,389	-	36,389
Loan servicing fees	24,231	-	24,231	21,478	-	21,478
Property management fees and reimbursed costs	23,836	-	23,836	20,270	-	20,270
Rental income	10,345	-	10,345	10,544	-	10,544
Development fees	8,287	-	8,287	8,068	-	8,068
Advisory services and other fees	3,876	-	3,876	4,166	-	4,166
Investment income	986	404	1,390	3,827	423	4,250
Sales of real estate	-	-	-	1,914	-	1,914
Other revenue	17,458	-	17,458	11,145	-	11,145
	422,976	119,800	542,776	327,163	34,399	361,562
Net assets released from restrictions	156,658	(156,658)	-	73,545	(73,545)	-
Total revenue and support	579,634	(36,858)	542,776	400,708	(39,146)	361,562
Expenses						
Program activities	427,127	-	427,127	346,061	-	346,061
Management and general	16,104	-	16,104	15,544	-	15,544
Fundraising	5,218	-	5,218	5,682	-	5,682
Total expenses	448,449	-	448,449	367,287	-	367,287
Excess (deficiency) of revenue and support over expenses from operations	131,185	(36,858)	94,327	33,421	(39,146)	(5,725)
Net realized and unrealized gain on investments	367	1,913	2,280	1,050	2,898	3,948
Impairment	(3,072)	-	(3,072)	(2,370)	-	(2,370)
Equity in net income from unconsolidated partnerships	3,270	-	3,270	546	-	546
Change in net assets before income taxes	131,750	(34,945)	96,805	32,647	(36,248)	(3,601)
Income tax expense	10,101	-	10,101	4,192	-	4,192
Change in net assets	121,649	(34,945)	86,704	28,455	(36,248)	(7,793)
Change in net assets, noncontrolling interest	(35,626)	-	(35,626)	(12,816)	-	(12,816)
Change in net assets, controlling interest	\$ 86,023	\$ (34,945)	\$ 51,078	\$ 15,639	\$ (36,248)	\$ (20,609)

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

**Consolidated Statements of Functional Expenses
Years Ended December 31, 2020 and 2019**

(\$ in thousands)

Expenses	2020				2019			
	Program Activities	Management and General	Fundraising	Total	Program Activities	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 203,530	\$ 11,817	\$ 4,254	\$ 219,601	\$ 187,035	\$ 11,493	\$ 4,119	\$ 202,647
Grants	131,224	-	-	131,224	50,879	-	-	50,879
Professional and contract services	23,289	1,291	173	24,753	21,726	896	553	23,175
General operating expenses	14,412	1,370	373	16,155	16,351	1,372	321	18,044
Interest expense	15,695	132	-	15,827	22,344	-	-	22,344
Occupancy	13,292	619	238	14,149	17,022	591	242	17,855
Provision for loan losses and bad debt expense	10,743	-	-	10,743	5,618	-	-	5,618
Depreciation and amortization expense	8,926	659	72	9,657	13,650	596	63	14,309
Development contract costs	2,888	-	-	2,888	1,156	-	-	1,156
Travel and related costs	1,707	82	23	1,812	5,609	341	133	6,083
Marketing expenses	1,108	128	74	1,310	1,701	230	143	2,074
Meetings and conferences	313	6	11	330	1,094	25	108	1,227
Cost of real estate sold	-	-	-	-	1,876	-	-	1,876
	<u>\$ 427,127</u>	<u>\$ 16,104</u>	<u>\$ 5,218</u>	<u>\$ 448,449</u>	<u>\$ 346,061</u>	<u>\$ 15,544</u>	<u>\$ 5,682</u>	<u>\$ 367,287</u>

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

**Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2020 and 2019**

(\$ in thousands)

	Without Donor Restrictions			With Donor Restrictions	Consolidated Net Assets
	Controlling Interest	Noncontrolling Interest	Total		
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	295,810	54,639	350,449	200,367	550,816
Contributions	-	90,237	90,237	-	90,237
Distributions	-	(3,100)	(3,100)	-	(3,100)
Redemption of noncontrolling member's interest	-	(38,416)	(38,416)	-	(38,416)
Tax effect of sale of ownership interest in controlled subsidiary	(5,639)	-	(5,639)	-	(5,639)
Reallocation of interests to reflect ownership share	26,215	(26,215)	-	-	-
Change in net assets	<u>86,023</u>	<u>35,626</u>	<u>121,649</u>	<u>(34,945)</u>	<u>86,704</u>
Balance, December 31, 2020	<u>\$ 402,409</u>	<u>\$ 112,771</u>	<u>\$ 515,180</u>	<u>\$ 165,422</u>	<u>\$ 680,602</u>

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(\$ in thousands)

	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 86,704	\$ (7,793)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization expense	9,657	14,309
Amortization of debt issuance costs	424	601
Deferred tax expense	7,967	3,821
Taxes paid on sale of ownership interest in controlled subsidiary	(2,720)	-
Gain upon sale of investments in unconsolidated partnerships	(4,150)	(150)
Gain upon sale of affordable housing properties	(159)	(2,445)
Equity in net income from unconsolidated partnerships	(3,270)	(546)
Loss on disposition of property and equipment, net	-	59
Provision for loan losses	10,535	5,428
Bad debt expense	208	190
Impairment expense	3,072	2,370
Net realized and unrealized gain investments	(2,280)	(3,948)
Origination of mortgages held for sale	(3,304,277)	(2,287,533)
Proceeds from sales of loans to third parties	3,057,686	2,465,820
Origination of mortgage servicing rights	(59,452)	(35,671)
Amortization of mortgage servicing rights	16,598	13,564
(Increases) decreases in assets		
Contributions receivable, net	(3,705)	5,159
Accounts and other receivables, net	(11,614)	(32,896)
Loans receivable, net	(2,216)	(2,418)
Derivative assets	(6,066)	(7,235)
Homebuilding inventory	-	739
Investments in unconsolidated partnerships	(1,183)	(3,898)
Prepaid expenses and other assets	(2,841)	(3,967)
(Decreases) increases in liabilities		
Accounts payable, accrued expenses, and other liabilities	(19,493)	18,589
Grants payable	46,892	1,332
Funds held for others	(9,172)	8,390
Deferred tax liabilities, net	-	5,219
Derivative liabilities	(2,799)	6,692
Indebtedness	18	2,107
Net cash (used in) provided by operating activities	<u>(195,636)</u>	<u>165,889</u>
Cash flows from investing activities		
Advances on loans and notes receivable	(75,328)	(88,186)
Repayments of loans and notes receivable	78,347	57,095
Net proceeds from sales of investments	28,957	10,316
Purchases of property and equipment	(10,534)	(15,656)
Investments made in unconsolidated partnerships	(3,588)	(3,682)
Net cash acquired from purchase of partnerships	-	1,924
Proceeds from sale of investments in unconsolidated partnerships	4,163	155
Net proceeds from sale of affordable housing property	-	444
Cash paid upon merger with Maher	(1,215)	-
Capital contributions to unconsolidated partnerships	(298)	(113)
Distributions from investments in unconsolidated partnerships	8,904	6,598
Net cash provided by (used in) investing activities	<u>29,408</u>	<u>(31,105)</u>

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

(\$ in thousands)

	2020	2019
Cash flows from financing activities		
Proceeds from indebtedness	320,763	87,999
Indebtedness repayments	(101,678)	(237,129)
Payment of debt issuance costs	-	(499)
Contributions from noncontrolling interest holders	88,737	9,129
Distributions to noncontrolling interest holders	(41,516)	(15,244)
Net cash provided by (used in) financing activities	266,306	(155,744)
Net increase (decrease) in cash and cash equivalents	100,078	(20,960)
Cash and cash equivalents, beginning of year	296,597	317,557
Cash and cash equivalents, end of year	\$ 396,675	\$ 296,597
Supplementary disclosure of cash flow information		
Cash paid for interest during the year, net of amounts capitalized	\$ 14,874	\$ 19,578
Income taxes paid, net	\$ 3,966	\$ 832
Reconciliation of cash, cash equivalents, and restricted cash and cash equivalents presented in the statements of cash flows		
Cash and cash equivalents	\$ 172,721	\$ 91,233
Restricted cash and cash equivalents	223,954	205,364
Total cash, cash equivalents, and restricted cash and cash equivalents presented in the statements of cash flows	\$ 396,675	\$ 296,597
Supplementary disclosure of significant noncash investing and financing activities		
Commitments to make capital contributions to unconsolidated partnerships	\$ 138,131	\$ 88,301
Transfers of investments in unconsolidated partnerships	\$ 88,301	\$ 60,620
Noncontrolling member's interest was decreased and indebtedness was increased for redemption of member's interest	\$ -	\$ 4,410
Disposal of fully depreciated property and equipment	\$ 5,274	\$ 668
Recovery of loans receivable presented as a loan payable repayment	\$ -	\$ 158
Net assets without donor restrictions was increased and accounts and other receivables and deferred revenue were decreased for a change in accounting policy	\$ -	\$ 4,591
Net assets without donor restrictions was decreased and deferred tax liabilities, net were increased for the tax effect of the sale of ownership interest in a controlled subsidiary	\$ 2,919	\$ -
Loans and notes receivable, net increased and prepaid expenses and other assets, net increased for a note receivable that was received in lieu of cash for predevelopment costs	\$ 614	\$ -

See Note 1 for noncash activities related to the sale of an affordable housing property, the acquisition of an affordable housing property, the deconsolidation of two affordable housing properties as well as the merger with Maher.

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

Note 1 - Organization and nature of operations

Basis of presentation

The consolidated financial statements include the accounts and transactions of Enterprise Community Partners, Inc. ("Partners"), and our subsidiaries and affiliates (collectively, "we", "Enterprise", or "us") in which we have controlling interest, including Enterprise Community Investment, Inc. ("Investment"), Enterprise Community Loan Fund ("Loan Fund"), Bellwether Enterprise Real Estate Capital, LLC and Subsidiaries ("Bellwether") and Enterprise Community Development, Inc. and Subsidiaries ("ECD"), among others. Our consolidated financial statements have been prepared on an accrual basis and include the accounts of Partners and all for-profit subsidiaries and not-for-profit affiliates it controls. The ownership interests of other parties in entities we consolidate are presented as noncontrolling interest in our consolidated financial statements. We primarily use the equity method to account for the interests in entities we do 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 revenue recognition, evaluation of the collectability of accounts, contributions and other receivables, assessment of the value of investments in unconsolidated partnerships and goodwill, estimation of the cost of home sales, valuation of mortgage loans held for sale ("MLHS"), derivative assets and liabilities and mortgage servicing rights ("MSRs"), useful lives of property and equipment and intangible assets, estimation of potential losses relating to loans and development cost overruns, measurement of uncertain tax positions and determination of certain deferred income tax assets and liabilities and associated valuation allowances, allocation of expenses between functional expense category, determination of the fair value of unconditional contributions, and evaluation of guarantee obligations. Actual results could differ from our estimates.

Organization and business

Partners is a 501(c)(3) and 509(a)(1) publicly supported charitable foundation. Our mission is to create opportunities for low- and moderate-income people through fit, affordable housing and diverse, thriving communities. Partners accomplishes 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.

Investment is a stock based, 501(c)(4) social welfare organization. Investment supports Partners' mission by providing investment capital and development services for affordable housing and community revitalization efforts. Investment'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 ("LIHTC"), historic tax credits, new markets tax credits ("NMTC"), and/or Opportunity Zone federal tax incentives. In support of our core strategy, Investment provides asset management and

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

consulting services, offers debt financing products to affordable residential and commercial projects, provides development and management expertise relating to the construction of affordable housing projects, and provides property management services to affordable housing projects.

Loan Fund is a 501(c)(3) and 509(a)(2) organization, and a community development financial institution ("CDFI"). Loan Fund provides innovative financial products and technical assistance to support community organizations in the acquisition, development and rehabilitation of decent, affordable housing for low- and moderate-income families and to assist in the revitalization of their communities. Loan Fund's support comes principally from interest income on loans, contributions, grants and investment income.

Bellwether originates permanent loans for a wide range of institutional investors, including life insurance companies, pension funds, government agencies and banks. Bellwether also manages mortgage loan servicing for these institutional investors. Bellwether is a Federal Housing Administration ("FHA") Title II Non-supervised Mortgagee and is an approved Government National Mortgage Association ("Ginnie Mae") issuer of mortgage-backed securities. Bellwether is also a licensed Freddie Mac Optigo Seller Servicer of Conventional, Manufactured Housing Community, Senior Housing and Targeted Affordable Housing ("TAH") Loans. In addition, Bellwether is a full Delegated Underwriting and Servicing ("DUS") Lender in the Federal National Mortgage Association ("Fannie Mae") program. Bellwether is required to maintain financial eligibility and adhere to financial reporting requirements under these programs (see Note 23).

As of December 31, 2019, Investment's ownership interest and controlling voting interest in Bellwether was 59.01%.

On April 20, 2020, Bellwether entered into a Unit 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, Investment received \$26.8 million in proceeds, which reflects Investment's pro-rata share of the proceeds, based on its 59.45% ownership and controlling voting interest in Bellwether prior to the sale. In exchange for the \$26.8 million in proceeds, Investment's ownership interest in Bellwether was diluted to 51.22%, while its controlling voting interest in Bellwether was diluted to 56.48%.

On October 15, 2020, Bellwether entered into an additional Unit Purchase Agreement with the same, previously unaffiliated third party that purchased interest on April 20, 2020, whereby they purchased certain Bellwether Class C non-voting membership units for an aggregate purchase price of \$38.9 million. Of the \$38.9 million in transaction proceeds, \$28.9 million was used to repurchase 8.64% of the outstanding Class A voting membership units from pre-existing members, while \$10.0 million was retained by Bellwether, effectively diluting existing members' interest by 2.57%. From this repurchase, Investment received \$13.8 million in proceeds. In exchange for the \$13.8 million in proceeds, Investment's ownership interest in Bellwether was diluted to 45.30%, while its controlling voting interest in Bellwether became 57.38%.

As of December 31, 2020, Investment's ownership interest in Bellwether was 45.00%, while its controlling voting interest was 56.89%.

Through our controlled affiliates Enterprise Homes, Inc. ("EHI") and Community Preservation and Development Corporation ("CPDC"), we develop and support financially sound, socially responsible affordable housing for low-income individuals, families, and communities through acquisition,

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

development and ownership, property management, and work in partnership with residents of housing developments to establish programs that strengthen their communities and increase opportunities for individual growth.

Effective January 1, 2020, EHI changed its name to ECD. Concurrently, CPDC's governance documents were amended to provide ECD with control of the appointment of CPDC's board of directors and thus control of CPDC. Investment had previously controlled CPDC. The newly combined ECD is one of the nation's largest, not-for-profit affordable housing developers. This change in control did not have any impact on these consolidated financial statements as we continue to control and consolidate ECD and its controlled affiliate, CPDC, subsequent to this reorganization.

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. We elected the simultaneous release option for donor-restricted contributions that were initially conditional contributions. We classify these contributions as net assets without donor restrictions if the restriction is met in the same reporting period the revenue is recognized. 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, except for those subject to the simultaneous release option.

Partners has been the recipient of several contributions which are designated to provide gap financing for affordable housing projects, capacity building support to land bank and community land bank trust 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 \$58 million and \$130 million as of December 31, 2020 and 2019, respectively. In addition, primarily due to the adoption of new guidance surrounding contributions made, which is discussed further in Note 2, pass-through funds for this program included in grants payable on the consolidated statements of financial position as of December 31, 2020 amounted to \$36 million.

Additionally, during the year ended December 31, 2020, Partners received non-federal donor restricted contributions to provide relief and support to organizations in response to the novel strain of coronavirus ("Covid-19") of approximately \$65 million, of which approximately \$60 million is designated as pass-through funding.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

Sale of affordable housing property

On September 27, 2019, we sold our limited partner interest in an affordable housing property that we had previously controlled and therefore consolidated into these financial statements. Subsequent to the sale of the limited partner interest, the new third-party limited partner held substantive participating rights over the significant activities of the housing property and therefore the housing property was deconsolidated as of the date the limited partner interest was sold. The effect on these financial statements upon sale is summarized as follows (\$ in thousands):

Cash and cash equivalents	\$	772
Restricted cash and cash equivalents		(328)
Accounts and other receivables, net		592
Prepaid expenses and other assets		(117)
Loans and notes receivable, net		1,221
Property and equipment, net		(18,476)
Accounts payable and accrued expenses		264
Funds held for others		72
Indebtedness		18,434
Deferred revenue		11
Gain upon sale		(2,445)

Acquisition of affordable housing property

On December 31, 2019, we purchased the limited partner interest in an affordable housing property that we had previously held the general partner interest in for \$0.7 million. Subsequent to the purchase of the limited partner interest, we wholly-own the affordable housing property and therefore upon purchase have consolidated the assets and liabilities into these financial statements. As the purchase of the affordable housing property did not constitute the purchase of a business, it has been accounted for as an asset acquisition. Under asset acquisition accounting guidance, the purchase price is allocated to the individual assets acquired and liabilities assumed based on their relative fair values, and generally no gain or loss upon purchase is recognized. The initial effect on these financial statements upon acquisition are summarized as follows (\$ in thousands):

Cash and cash equivalents	\$	75
Restricted cash and cash equivalents		740
Prepaid expenses and other assets		20
Property and equipment		7,336
Intangible assets		725
Accounts payable and accrued expenses		(1,457)
Funds held for others		(13)
Indebtedness		(7,420)
Deferred revenue		(6)

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Deconsolidation of affordable housing properties

On January 14, 2020 and May 8, 2020, respectively, two wholly-owned affordable housing properties moved from the predevelopment stage of construction to the development stage. At this time, each of these properties admitted third party limited partners as owners. Subsequent to their admission, these third party limited partners hold substantive participating rights over the significant operating activities of each of the two properties and therefore these entities were deconsolidated as of the dates the third party limited partners were admitted. The effect on these consolidated financial statements of the deconsolidation is summarized as follows (\$ in thousands):

Accounts and other receivables, net	\$	159
Prepaid expenses and other assets		(3,967)
Loans and notes receivable, net		3,967
Gain upon deconsolidation		(159)

Merger with Maher Commercial Mortgage, LLC

On October 16, 2020, Bellwether entered into an Asset Purchase Agreement with Maher Commercial Mortgage, LLC ("Maher") to combine the businesses of Maher and Bellwether. Maher is a correspondent-based mortgage banking firm headquartered in Philadelphia, Pennsylvania. The acquisition is expected to add approximately \$1.0 billion in annual loan volume and \$3.0 billion in servicing volume to Bellwether. Ownership interest in Bellwether was issued to key employees of Maher in connection with the acquisition, including total consideration of \$2.7 million, which consisted of a cash payment of \$1.2 million and equity consideration valued at \$1.5 million. This transaction was accounted for in accordance with business combinations accounting guidance. The effect on these consolidated financial statements of the combination is summarized as follows (\$ in thousands):

Cash and cash equivalents	\$	(1,225)
Restricted cash and cash equivalents		10
Prepaid expenses and other assets		6
Property and equipment		16
Mortgage servicing rights		3,443
Intangible assets		270
Accounts payable and accrued expenses		(1,010)
Funds held for others		(10)
Net assets without donor restrictions - noncontrolling interest		(1,500)

The amount recognized as accounts payable and accrued expenses is a contingent liability which represents additional payments to be made based on the achievement of specific performance factors in the future.

Note 2 - Significant accounting policies

Revenue recognition and related matters

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. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties. The guidance also requires

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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. Gains from mortgage bank activities, interest income, loan servicing fees, and contributions and grants are excluded from the new guidance and such revenue is recognized when earned and realized as detailed below.

Gains from mortgage banking activities

Gains from mortgage banking activities are recognized when we enter into a commitment to originate a loan with a borrower and when we enter into a corresponding commitment to sell that loan to an investor. We do not enter into commitments to make loans to borrowers until we have the corresponding commitment from an investor to purchase the loans. The commitments are recognized at their fair values, which reflect the fair value of the contractual loan origination related fees and sale premiums, net of costs, and the estimated fair value of the expected net cash flows associated with the servicing of the loan. Also, included in gains from mortgage banking activities are changes to the fair value of loan commitments, forward sale commitments, and loans held for sale that occur during their respective holding periods. Upon sale of the loans, no gains or losses are recognized as such loans are recorded at fair value during their holding periods. MSR's are recognized as assets upon the sale of the loans. Additionally, placement fees are recorded as gains from mortgage banking activities when we directly arrange commitments between a permanent investor and a borrower. Placement fees are recognized as revenue when all significant services have been performed.

Contributions

Contributions, which are unconditional transfers of cash or other assets as well as unconditional promises to give, are recognized as net assets with donor restrictions in the period the promise is made if there are donor stipulations on use or payments to be received in future periods. Contributions are recognized as net assets without donor restrictions if there are no donor stipulations on use or the donor permits payments to be received in future periods to be used in the current period. We reclassify net assets with donor restrictions to net assets without donor restrictions at the time the restriction for release is met. Unconditional grants made by us in accordance with the restricted purpose of a donor-restricted contribution made to us are generally considered to meet the donor-imposed restriction at the time we issue the grant, as we have no additional performance specific to the issuance of the grant. The reclassification of net assets may include payments due to us in future periods. If there are explicit stipulations or other indications that the donor-imposed restriction intends for grants to be made by us in a future period rather than the current period, then we issue the grant in such future period.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Conditional promises to give with payments received in advance are classified as liabilities. As we elected the simultaneous release option for donor-restricted contributions that were initially conditional contributions, we classify these contributions as net assets without donor restrictions if the restriction is met in the same reporting period the revenue is recognized. Conditional promises received during 2019 totaled \$7.5 million. As of December 31, 2019, \$0.2 million was included in net assets with donor restrictions, since the conditions were met, and the remaining \$7.3 million was included in other liabilities on the consolidated statements of financial position. Conditions on the remaining \$7.3 million were substantially met in 2020.

Contributions are initially measured at fair value or net realizable value if receipt is expected in less than one year. In estimating fair value, we use the income approach and apply a discount rate, determined at the time the contribution is initially recognized and commensurate with the

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risk involved. This rate is based on management's assessment of current market expectations plus a reasonable risk premium. The average discount rate for 2020 and 2019 was 1.34% and 2.86%, 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, inclusive of factors such as prior collection history, the type of contribution and other relevant factors.

Contributions with donor imposed restrictions from the top five contributors, excluding the pass-through contributions discussed in Note 1, comprise approximately 58% and 66% of total contributions for 2020 and 2019, respectively.

In addition, during the year ended December 31, 2020, we received a one-time, unrestricted contribution from a philanthropist in the amount of \$50.0 million.

Syndication fees

We earn syndication fees for services relating to forming limited partnership entities, particularly LIHTC funds (known as "Investment Funds"), selling interests in those partnerships to investors and acquiring interests in affordable housing projects that are expected to generate a stream of low-income housing tax credits. Syndication fees from the sale of partnership interests to investors and related acquisitions of interests in projects are recognized as the partnerships acquire property interests, which is deemed to be the point our performance obligation has been satisfied and control has been transferred to the customer, provided that various criteria relating to the terms of the transactions and any subsequent involvement by us with the interests sold are met. Revenue relating to transactions that do not meet the established criteria is deferred and recognized when the criteria are met. All syndication fees earned represent market rates.

We may elect to defer the collection of a portion of the fees earned for syndication services if the Investment Funds have short-term liquidity needs. If deferral is elected, we record the related revenue and receivables based on the estimated date of collection using appropriate discount rates. Accretion of interest is included in syndication fees in the consolidated statements of activities.

Grants and contracts

Grants and contracts are generally conditional promises of funding from government sources. The funding includes stipulations that must be met by us in order to be entitled to the assets transferred or promised. These are generally cost reimbursement contracts where the stipulations are met at the time costs are incurred. 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 net assets without donor restrictions if the restrictions are met in the same reporting period, in accordance with our election of the simultaneous release option.

Approximately 48% and 83% of the grants and contract revenue is derived from federal cost reimbursement contracts in 2020 and 2019, respectively. Approximately 50% and 55% of the federal funding is provided by the U.S. Department of Housing and Urban Development ("HUD") in 2020 and 2019, respectively.

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Asset management fees

We earn asset management fees in providing oversight and management services relating to investments held by various affiliated partnerships. Revenue is recognized under the terms of the related agreements, over time as we provide the contracted services to the customers and collectability is reasonably assured. Certain syndication fees are associated with certain asset management services to be performed throughout the life of the limited partnerships and these fees are deferred and recognized as a component of asset management fees over the periods that the services are performed. Advance payments received under multi-year agreements are recorded as deferred revenue and recognized over time as revenue when services are performed.

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. For certain loans and notes receivable that were initially recorded at fair value due to rules surrounding accounting for business combinations, interest income is accrued using the effective interest method.

Effective interest method

Interest income is accrued using the effective interest method on loans and notes receivable, and interest expense is accrued using the effective interest method on loans and notes payable that were recorded initially in these financial statements at their fair values due to rules surrounding accounting for business combinations.

Loan servicing fees

Loan servicing fees represent income earned for servicing loan portfolios owned by permanent investors, net of amortization of capitalized MSR's, if applicable. Loan servicing fees are generally calculated on the outstanding principal balance of the loan serviced and recognized as income as services are performed. Loan servicing costs are charged to expense as incurred.

Property management fees and reimbursed costs

We earn property management fees for providing management, marketing, and operation services to multi-family LIHTC and workforce housing projects. Fees for such services are billed and recognized over time as we provide the contracted services. For the years ended December 31, 2020 and 2019, we recognized property management fee revenue of \$6.7 million and \$5.7 million, respectively.

Under our property management agreements, we are entitled to be reimbursed for certain costs we incur on behalf of the managed housing projects, with no added mark-up. These costs consist primarily of payroll and related expenses for the housing projects where we are the employer of the employees performing services at the housing projects. This also includes certain operational costs, such as allocated IT costs, as provided in our contracts with the housing projects. We are entitled to reimbursement in the period in which the related costs are incurred. For the years ended December 31, 2020 and 2019, we recognized cost reimbursement revenue of \$17.1 million and \$14.6 million, respectively.

Rental income

Rental income, principally derived from short-term leases on apartment units, is recognized as income on the accrual basis as it is earned, and collectability is reasonably assured. Advance receipts of rental income are deferred and classified as liabilities until earned.

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Development fees

We recognize development fees primarily relating to low-income housing rental projects that we assist in developing, in accordance with development service agreements. We view our contractual obligations under these agreements as a single performance obligation and recognize revenue over time using the percentage of completion method, in accordance with our estimates of the satisfaction of the performance obligation and transfer of the development and construction management services. Certain portions of development fee revenue may be deferred due to contractual support obligations that may require funding from us after the completion of the construction period of the low-income housing rental project. These deferrals are recognized after it is reasonably estimable that we have no further support obligations that will require funding under the contract which generally occurs after construction completion and stabilization, as defined in the contract, of the low-income housing rental project. Revenue recognized in excess of billings recorded are accounted for as unbilled receivables, and cash received in excess of revenue recognized is accounted for as deferred revenue. Development fee revenue, which is contractually deferred, and will be paid out of the operating cash surpluses of the underlying project are included in deferred development fees, and discounted based upon the net present value of the expected future payments.

Under certain of our development fee agreements, we are responsible for costs that are in excess of an agreed maximum amount. In these cases, we recognize revenue under the percentage of completion method, as described above. However, if a current estimate of total contract costs indicates that costs are expected to be incurred in excess of the agreed-upon maximum amount, a loss is recognized in full in the period such excess costs are determined.

Advisory services and other fees

Revenue is recognized under the terms of the related agreements, when services are performed and collectability is reasonably assured. A liability is recognized for advance payments received under multi-year agreements, and revenue is recognized when services are performed.

Investment income

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.

Sales of real estate

We built single family and townhouse residences that we sold to the ultimate homeowners. Revenue relating to such sales was recognized at the time title to the completed units was transferred to the customer. As discussed further in Note 10, we sold our last home in 2019.

Cash and cash equivalents and investments

Our investment policies define authorized investments and establish various limitations on the credit quality, amounts and maturities of investments held. Authorized investments include corporate and U.S. government and agency obligations, certificates of deposit, banker's acceptances, repurchase agreements, and money market mutual funds. The carrying value of such investments approximates their market value. Short-term investments with maturities at dates of purchase of three months or less are classified as cash equivalents.

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Restricted cash and cash equivalents

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

Accounts and other receivables

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

Short-term loans receivable consisting of term loans, including bridge loans made by Bellwether to borrowers that are awaiting permanent financing, are carried at their uncollected principal balance, and are included in accounts and other receivables, net. Interest income, if applicable, on the short-term loans receivable is recognized on an accrual basis.

We routinely evaluate the creditworthiness of our borrowers and other related factors and establish a reserve where we believe collectability is no longer reasonably assured. These short-term loans receivable are generally collateralized by a security interest in the underlying assets and/or other assets owned by the borrowers.

Mortgage loans held for sale

We originate or acquire mortgage loans for sale to investors. Our holding period for these MLHS is generally one month. We measure our MLHS at fair value. The fair value is estimated by using current investor commitments to purchase loans, adjusted for the value attributable to obtained MSRs or obligations to approximate the value of a whole loan.

Derivative assets and liabilities

We enter into interest rate lock commitments with borrowers on loans intended to be held for sale and enter into forward sale commitments with investors. These commitments are not entered into on a speculative basis as each commitment to lend has a corresponding commitment from an investor to purchase. These commitments are considered freestanding derivative instruments and, as such, must be reflected at fair value with changes included in earnings within our consolidated financial statements. Fair value of derivatives related to these loan commitments includes the effects of interest rate movements between the time of the commitment and the time of the loan funding and investor purchase, any loan origination fees and premiums on the anticipated sale of the loan, net of costs, and the fair value of the expected net cash flows associated with the servicing of the loan as part of the fair value of the underlying commitments.

Principles of consolidation - limited partnerships and similar entities

We have subsidiaries and controlling interests in entities subject to not-for-profit consolidation principles, and subsidiaries and controlling interests in entities subject to for-profit consolidation principles. Not-for-profit consolidation principles require limited partnerships or similar entities to be consolidated by the general partner or managing member under the presumption that the general partner or managing member controls the entity. The presumption of control by a general partner or managing member can be overcome if the limited partners are able to exercise substantive kick-out or participating rights. We do not consolidate limited partnerships or similar entities in which we own a general partner or managing member interest and for which the presumption of control has been overcome, and instead account for these interests using the equity method of accounting. For limited partnerships or similar entities in which we are solely a limited partner or investor member, we account for these interests using the equity method of accounting if we are able to influence the operating or financial decisions of the entity, or using the fair value method if we are not able to influence those decisions.

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Interests in other entities held by our subsidiaries and controlled entities subject to for-profit consolidation principles are evaluated to determine if the entities are variable interest entities ("VIEs"). If the entities are determined to be VIEs, we then make a determination as to whether or not we are the primary beneficiary. The primary beneficiary is the party with both the power to direct the activities of a VIE that most significantly impact its economic performance and the obligation to absorb losses or right to receive benefits of the VIE that could potentially be significant to the VIE. We consolidate VIEs in which we are the primary beneficiary and account for our noncontrolling interests in VIEs and other entities we do not control using 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. As a general partner or managing member, our investment balance may be reduced below zero. Distributions we receive from investments with carrying amounts less than zero are recognized as income to the extent the distribution is not indicative of future funding obligation.

Under the fair value method, the investment is carried at fair value with changes in the fair value recognized through changes in net assets. Under the fair value method, investments without a readily determinable fair value, as a practical expedient, may be estimated using the net asset value per share. If no net asset value per share is available, then the investment may be measured at cost minus impairment and adjusted to fair value if a future event occurs that provides us with enough observable inputs to determine the fair value.

If events or circumstances indicate an other than temporary decline in value, the carrying amount of our investment in an unconsolidated partnership is written down to fair value, with the write down being classified as impairment.

Loans and notes receivable

We make loans to and enter into notes with 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 and notes in our portfolio - housing loans and notes and other loans and notes. Housing loans and notes are primarily for the purpose of acquiring, renovating and/or constructing multi-family residential housing. Our other loans and notes 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 and notes that encourage community development through the support of growth and operating needs of organizations in low-income communities. Our loans and notes are generally collateralized by real estate. The majority of the loans and notes 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 or notes 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 or note is no longer performing under the current loan or note 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 consolidated financial statements and reflect the participation component of the loan as a secured borrowing with a pledge of collateral. We had \$1.5 million and \$2.8 million in loan participations that

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did not meet the conditions for sale accounting treatment as December 31, 2020 and 2019, respectively. These loan participations were recorded in loans and notes receivable, offset in indebtedness, and represent no risk to us (see Note 17). 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 and note approval process, underwriting criteria is generally consistent regardless of the portfolio segment. Criteria considered for housing loans and notes includes an analysis of the market, sponsor primary repayment sources, loan takeout options and collateral. For other loans and notes and investments, more attention is focused on additional criteria, such as the borrower's business plan and cash flows from operations. Once loans and notes are approved, our monitoring processes are consistently applied across portfolio segments.

As a result of these monitoring processes, we generally group our loans and notes into three categories:

- Performing - Loans and notes are performing and borrower is expected to fully repay obligations.
- Monitored - Loans and notes 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 or notes, we discontinue the accrual of interest income in our statements of activities. Interest payments received on these loans or notes 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 and notes 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 or note 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 write-offs, net of recoveries. Loans and notes are written off when repayment is not expected to occur. When a third party guarantees loss coverage on a loan or note and a write-off occurs, the amount received is netted against the write-off for reporting purposes. After write-off, we continue to pursue collection of the amount owed.

Restricted investments

Restricted investments at December 31, 2020 and 2019, consisted of stock, marketable securities, and mutual funds. Investment in stock is 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 year ended December 31, 2020 and 2019, we did not identify any events or changes in circumstances that might have a significant adverse effect on the recorded cost of this investment requiring the recording of a loss on impairment. Investments in marketable securities consist of U.S.

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Treasury and agency securities, which are classified as held to maturity and carried at amortized cost. 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 a donor.

Mutual fund investments are selected by the participants in our nonqualified deferred compensation plan. The investments in such mutual funds are measured at fair value with changes in value recorded as an offset to the corresponding liability at the end of each reporting period.

Mortgage servicing rights and mortgage servicing obligations

MSRs are recognized as separate assets when purchased, when the servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained, or when the right to service a loan originated by others is assumed. Whenever we obtain an obligation to service a loan, we assess whether a servicing asset or liability should be recognized. A mortgage servicing asset is recognized whenever the compensation for servicing is expected to exceed current market servicing costs. Likewise, mortgage servicing liabilities are recognized when servicing fees to be received are not expected to adequately compensate us for the current market expected cost to service. The MSRs are initially recognized at fair value based on the expected future net cash flow to be received over the estimated life of the loan discounted at market rates. Subsequently, the mortgage servicing assets or liabilities are amortized in proportion to, and over the period of, estimated servicing income. The amortization expense is included as a reduction of loan servicing fees in the consolidated statements of activities.

The fair value of MSRs is estimated using an internal valuation model at the time of capitalization. This model determines fair value by estimating the present value of anticipated future net servicing cash flows. Estimates of the fair value involve assumptions, including discount rates, servicing costs, and other economic factors which are subject to change over time.

Changes in the underlying assumptions could cause the fair value of MSRs to change significantly. To the extent that the carrying value of MSRs exceeds fair value, the asset is considered to be impaired and a valuation reserve is recorded as a reduction of servicing income in current earnings. Valuation reserves are adjusted to reflect changes in the measurement of impairment. At December 31, 2020 and 2019, no valuation reserve was necessary.

MSRs are also reviewed for other-than-temporary impairment. Other-than-temporary impairment exists when the recoverability of a recorded valuation allowance is determined to be remote, taking into consideration historical and projected interest rates and loan pay-off activity. When this situation occurs, the unrecoverable portion of the valuation allowance is applied as a direct write-down to the carrying value of the MSRs. Unlike a valuation allowance, a direct write-down permanently reduces the carrying value of the MSR and the valuation allowance, precluding subsequent recoveries. For the years ended December 31, 2020 and 2019, no impairment charge was recorded.

Property and equipment and intangible assets

Property and equipment and intangible assets 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. 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 and certain intangible assets is depreciated or amortized using the straight-line method over the estimated useful lives of the related assets, which range from one to 40 years. Some intangible assets are amortized ratably

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as related fees are earned. Land is not depreciated, while leasehold improvements are capitalized and depreciated over the shorter of their useful lives or lease terms. In addition, certain intangible assets are not amortized, rather they are reviewed for impairment annually and whenever a triggering event occurs.

Goodwill

Goodwill is not amortized; rather, it is reviewed for impairment annually. New guidance was issued which allows private companies and not-for-profit entities to forgo the evaluation of goodwill impairment triggering events occurring throughout a reporting period. This change in the guidance was applied by us prospectively in 2020, our year of adoption.

Grants payable and grant expense

Unconditional grants made by us are reported as decreases in net assets without donor restrictions in the period the grant is made. Unconditional grants made by us in accordance with the restricted purpose of a donor-restricted contribution to us consider the period of performance and payment terms of the restricted contribution received by us. Conditional grants made by us are reported as decreases in net assets without donor restrictions in the period the conditions are substantially met by the grantee. Conditional grants include stipulations by us that must be met before the recipient is entitled to the transfer of assets and include a right of return of the assets or release of the obligation to transfer assets if the stipulations are not met. All grants payable outstanding as of December 31, 2020 are expected to be paid during the year ended December 31, 2021.

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.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the notes payable and line of credit borrowings 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 notes payable with amortizing principal payments and using the straight-line method for line of credit borrowings.

Repayable grants and forgivable notes payable

We account for grants with repayments terms should compliance requirements not be met and notes that are forgivable should certain compliance requirements be met as loans and notes payable. We recognize the grant income or the debt forgiveness income only when all compliance requirements have been met and no ongoing obligations exist at the end of the compliance period. For loans and notes payable that are forgiven in tranches, we recognized the debt forgiveness income in accordance with the timing of the legal forgiveness of the loans and notes.

Allowance for loan loss sharing

We bear a portion of the risk of loan losses for certain mortgages we originate and service based on the terms set forth in our agreements with investors. We maintain an allowance for loan loss sharing for loans at a level that, in management's judgment, is adequate to provide for estimated potential losses. This judgment is based upon various risk assessments including the value of the collateral, the operating results of the properties, the remaining years of available tax credits, the borrower's financial condition and our loss experience with similar loans.

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Guarantee obligations

We account for our exposure to losses under guarantees by recording a liability equal to the estimated value of the guarantee based on the facts and circumstances existing at the time 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 certain affiliates consolidated in these financial statements are exempt from income taxes with respect to their charitable activities, except for unrelated business income. These tax-exempt entities did not have any unrelated business income during the years ended December 31, 2020 and 2019. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying consolidated financial statements related to our tax-exempt activities. However, we are liable for federal and state income taxes with respect to some of our for-profit subsidiaries. These subsidiaries are primarily involved in our mortgage, LIHTC asset management, Opportunity Zone federal tax incentive, and certain non-tax credit affordable housing investment fund activities. In addition, certain of our subsidiaries that act as the general partners of affordable housing projects have made Internal Revenue Code Section 168(h) elections, which causes them to be treated as taxable corporations. The provision for or benefit from income taxes has been recorded on the accompanying consolidated financial statements.

We use the asset and liability method to record deferred income taxes. Under this method, assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the enactment date. We only recognize deferred tax assets to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including tax planning strategies and other factors.

We recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will be sustained upon examination. If the more-likely-than-not threshold is met, the tax position is to be measured at the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement.

Income tax returns are subject to examination by the Internal Revenue Service for a period of three years. The 2018 income tax return of a controlled affiliate is currently being examined by the IRS but we do not expect the result of the examination to impact the tax-exempt status of this controlled affiliate. While no other income tax returns are currently being examined, tax years since 2017 remain open for examination.

Expense allocation

Expenses by function have been allocated among program activities and support services on the basis of an analysis performed by us. Staff time is reviewed for the allocation of 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. Cost of home sales, interest

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expense other than interest expense incurred on corporate borrowings, grant expense, provision for loan losses, and development contract costs are program activities by nature.

Fair value of financial instruments

The carrying amount of investments in fixed income, corporate, and foreign equity securities, MLHS, derivative assets and liabilities and certain investments in unconsolidated partnerships not accounted for under the equity method are recorded at fair value. The carrying amount of other financial instruments approximates their fair values.

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.

Business combinations

Upon the occurrence of a business combination, we generally allocate the purchase price of the entity based upon the fair value of the assets and liabilities acquired.

Transaction costs arising from business combinations, such as broker fees, transfer taxes, legal, accounting, valuation, and other professional and consulting fees, are expensed as incurred.

Changes in accounting principles

New guidance was issued that updates disclosure requirements for fair value measurements. Among other things, the updated guidance requires the disclosure of transfers into and out of Level 3 assets and liabilities and purchases and issuances of Level 3 assets and liabilities. This change in the disclosure requirement was applied by us prospectively in 2019, our year of adoption. See Note 26 for additional information.

In addition, new guidance clarifying the evaluation of transactions as contributions or exchange transactions and the determination of contributions as unconditional or conditional was issued in June 2018. We adopted this guidance for contributions received effective January 1, 2019. The impact of the new guidance on the consolidated financial statements for the year ended December 31, 2019 as it relates to contributions received was an increase in other liabilities and decrease in net assets without donor restrictions of \$7.3 million. For contributions made we applied the guidance on a modified prospective basis to agreements that were not completed prior to January 1, 2020 or were entered into after January 1, 2020. The impact of this new guidance on the financial statements is an increase in grants payable and grant expense of \$41.5 million as of, and for the year ended December 31, 2020.

As previously disclosed, effective January 1, 2019, we adopted new guidance related to the recognition of revenue from contracts with customers. We elected to utilize the modified retrospective approach in adopting this guidance applied to all contracts not completed as of January 1, 2019. The cumulative effect of adopting this new guidance at the date of initial application, January 1, 2019, was \$4.6 million as reflected on the consolidated statements of changes in net assets. This cumulative effect included a \$5.1 million decrease in deferred revenue and a \$0.5 million decrease in development fees receivable.

Under legacy guidance we deferred the recognition of syndication fees for certain milestones that the affordable housing projects had to meet subsequent to the sale of the partnership interests in those projects to investors. Under the new guidance, we consider all performance obligations to be

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satisfied upon the sale of the partnership interests in the projects to investors and therefore will no longer defer recognition of the related syndication fees for these milestones.

In addition, under the new guidance the timing of when we recognize development fees has changed to align the recognition of these fees with when the promised services are transferred to the customer.

The impact to the consolidated statements of activities of adopting this new guidance for the year ended December 31, 2019 is summarized as follows (\$ in thousands):

	For the year ended December 31, 2019		
	Under New Guidance	Under Legacy Guidance	Impact of New Guidance
Syndication fees	\$ 47,121	\$ 47,209	\$ (88)
Development fees	8,068	8,288	(220)

Upcoming Accounting Standards

The Financial Accounting Standards Board ("FASB") has 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 statements 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 effective for us 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 consolidated financial statements under the new guidance.

The FASB has also issued new guidance which requires enhanced disclosures around contributed nonfinancial assets by all not-for-profit entities. The guidance is effective for us for fiscal years beginning after June 30, 2021. When adopted, the guidance will be applied retrospectively. We are currently evaluating the impact to the consolidated financial statements under the new guidance.

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Note 3 - Liquidity

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

	2020	2019
Financial assets		
Cash and cash equivalents and investments	\$ 173,223	\$ 91,728
Restricted cash and cash equivalents and investments	250,429	258,246
Contributions receivable, net	14,948	11,243
Accounts and other receivables, net	122,082	110,647
Mortgage loans held for sale	351,813	101,876
Derivative assets	28,270	22,204
Investments in unconsolidated partnerships	199,910	151,124
Prepaid expenses and other assets, net	3,774	6,208
Loans and notes receivable, net	282,669	279,942
Mortgage servicing rights, net	136,186	93,235
Total financial assets	1,563,304	1,126,453
Less amounts not available to be used within one year		
Restricted cash and cash equivalents and investments	(250,429)	(258,246)
Contributions receivable, net	(14,948)	(11,101)
Accounts and other receivables, net	(54,803)	(53,257)
Mortgage loans held for sale	(347,427)	(100,285)
Derivative assets	(20,141)	(20,012)
Investments in unconsolidated partnerships	(186,312)	(138,710)
Prepaid expenses and other assets, net	(1,309)	-
Loans and notes receivable, net	(244,650)	(253,810)
Mortgage servicing rights, net	(119,692)	(79,109)
Total financial assets not available to be used within one year	(1,239,711)	(914,530)
Financial assets available to meet general expenditures over the next twelve months	\$ 323,593	\$ 211,923

We consider general expenditures to be operating expenses that will be paid with funds that do not have donor restrictions. A portion of our overall operating expenses are supported by restricted contributions. In addition, a portion of our overall operating expenses are supported by cost reimbursements from Investment Funds we manage. Our overall operating expenses, which do not include grants, depreciation and amortization, and certain programmatic professional and contract services, are approximately \$284 million and \$280 million as of December 31, 2020 and 2019, respectively.

Reasons for differences between financial assets and amounts not expected to be available to be used within one year are as follows:

- A small portion of contributions receivable as of December 31, 2019 was used for general operations in 2020.

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- A portion of accounts and other receivables are not expected to be collected, or when collected are expected to be used to pay back line of credit borrowings.
- As disclosed in Note 7, only a small portion of MLHS represent trading gains expected to be earned when the loans are sold. The remaining proceeds from the sale of these loans will be used to pay back line of credit borrowings.
- Similar to MLHS, as disclosed in Note 9, only a portion of the derivative assets represent accrued fees which will be available to meet general expenditures.
- We bridge capital to our held for sale investments until they are sold to Investment Funds. This bridged capital is expected to be repaid to us and will then be available to meet general expenditures.
- We expect to be reimbursed for capitalized predevelopment costs paid to third-parties upon closing of the related developments. The remaining balance of prepaid expenses and other assets does not include financial assets.
- Loans and notes 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. In addition, a portion of loans and notes receivable is expected to be collected and is not expected to be used to pay loans and notes payable.
- A portion of MSRs are not expected to be collected.

We also maintain line of credits for potential liquidity needs (see Note 17). Commitments on these lines totaled \$874 million and \$660 million at December 31, 2020 and 2019, respectively, with \$484 million and \$520 million undrawn as of December 31, 2020 and 2019, respectively. Of the undrawn amounts as of December 31, 2020 and 2019, \$125 million and \$116 million, respectively, may be used for general corporate purposes while the remaining capacity is generally used to fund our warehousing and lending activity.

Note 4 - Restricted cash and cash equivalents

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

The significant restricted cash and cash equivalent balances held as of December 31, 2020 and 2019 largely relates to us receiving several grants in 2018 which are designated to provide gap financing for affordable housing projects, capacity building support to land bank and community land bank trust 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 and grants payable balances for this program as of December 31, 2020 and 2019 totaled \$94 million and \$130 million, respectively, with the majority of such amounts being included within restricted cash and cash equivalents in the consolidated statements of financial position.

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**Notes to Consolidated Financial Statements
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Note 5 - Contributions receivable, net

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

	2020	2019
	<hr/>	<hr/>
Unconditional promises expected to be collected in		
Less than one year	\$ 7,242	\$ 10,213
One year to five years	<hr/> 7,824	<hr/> 1,059
	15,066	11,272
Less unamortized discount	<hr/> (118)	<hr/> (29)
Total	<hr/> <hr/> \$ 14,948	<hr/> <hr/> \$ 11,243

Note 6 - Accounts and other receivables, net

Accounts and other receivables, net at December 31 are summarized as follows (\$ in thousands):

	2020	2019
	<hr/>	<hr/>
Fees receivable, net	\$ 66,980	\$ 56,934
Borrower bridge loans	34,044	36,550
Interest receivable, net	9,176	7,578
Bridge loans to unconsolidated partnerships	6,927	5,480
Contracts receivable, net	<hr/> 4,955	<hr/> 4,105
Total	<hr/> <hr/> \$ 122,082	<hr/> <hr/> \$ 110,647

Fees receivable, net includes fees due from unconsolidated partnerships, development fees receivable, and other fees receivable.

Fees due from unconsolidated partnerships are primarily attributable to syndication and asset management fees earned related to Investment Funds in which we hold a general partner or managing member interest. The syndication and asset management fees are funded by the limited partners in the Investment Funds. As the entities that hold the limited partner interests are generally highly-rated financial institutions, we do not expect that any of the limited partners will fail to meet their obligations and we believe that credit risk with respect to these syndication and asset management fee receivables is not significant. The receivables are due on demand; however, we may elect to defer collection. At December 31, 2020 and 2019, fees due from unconsolidated partnerships totaled \$50.5 million and \$43.6 million, respectively.

Development fees receivable includes fees that have been billed and uncollected, or unbilled amounts for which revenue was recognized as services provided were transferred to the customer. These development fees are due generally from the customer's annual surplus cash and mature upon expiration of the LIHTC compliance period. As of December 31, 2020 and 2019, the balance of development fees receivable was \$12.7 million and \$10.9 million, respectively.

Other fees receivable which amounted to \$5.2 million and \$3.6 million as of December 31, 2020 and 2019, respectively, are primarily related to uncollected advisory service fees.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

For the years ended December 31, 2020 and 2019, the allowance for loss on fees receivable was \$1.4 million and \$1.2 million, respectively.

As of December 31, 2020 and 2019, borrower bridge loans are short-term loans made by Bellwether to borrowers that are awaiting permanent financing and bear interest at rates ranging from 6.0% to 6.5% and mature no later than May 31, 2021. The loans are secured by the respective underlying properties.

Interest receivable primarily relates to interest earned on both long and short-term loans and notes receivable.

As of December 31, 2020 and 2019, bridge loans to unconsolidated partnerships consists of short-term bridge loans and predevelopment loans. The bridge loans are made to unconsolidated partnerships, are noninterest-bearing and are generally due within six months of the loan date. The predevelopment loans are made to LIHTC projects, bear interest at rates ranging from 0.00% to 6.95% and are generally due within 12 months of the loan date.

Contracts receivable primarily consists of amounts due from government entities.

Note 7 - Mortgage loans held for sale

At December 31, 2020 and 2019, MLHS were recorded at fair value and consist of the following (\$ in thousands):

	2020	2019
Unpaid principal of MLHS	\$ 341,688	\$ 98,417
Trading gains on MLHS	4,386	1,591
Gains on MSRs	5,739	1,868
Total	<u>\$ 351,813</u>	<u>\$ 101,876</u>

The unpaid principal balance of MLHS at December 31, 2020 and 2019 are current. The difference between the carrying amount of the MLHS and the unpaid principal balance consists of trading gains and gains on originated MSRs, both of which are included in gains from mortgage banking activities on the accompanying consolidated statements of activities. The loans were sold at amounts equal to their carrying value subsequent to year-end, less amounts attributable to the fair value of MSRs retained by us.

Note 8 - Gains from mortgage banking activities

Gains from mortgage banking activities consist of the following for the years ended December 31 (\$ in thousands):

	2020	2019
Originated MSRs	\$ 59,452	\$ 35,671
Contractual loan origination and related fees, net	51,786	52,757
Trading gains	31,694	18,386
Derivative gains on outstanding commitments	17,535	4,661
Total	<u>\$ 160,467</u>	<u>\$ 111,475</u>

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Note 9 - Derivative instruments

Derivative assets and liabilities consist of the forward commitments to fund and sell 86 loans as of December 31, 2020, and to fund 57 and sell 59 loans as of December 31, 2019 respectively. The amounts related to these commitments are summarized as follows (\$ in thousands):

December 31, 2020	Asset	Liability	Net
Interest rate	\$ 13,131	\$ 13,131	\$ -
Accrued fees	8,129	-	8,129
MSRs	7,010	-	7,010
Total	<u>\$ 28,270</u>	<u>\$ 13,131</u>	<u>\$ 15,139</u>
December 31, 2019	Asset	Liability	Net
Interest rate	\$ 15,930	\$ 15,930	\$ -
Accrued fees	2,192	-	2,192
MSRs	4,082	-	4,082
Total	<u>\$ 22,204</u>	<u>\$ 15,930</u>	<u>\$ 6,274</u>

The interest rate component of the net derivative relates to a forecasted movement in interest rates between the time of the commitment and the time of the loan funding and investor purchase. As we do not enter into speculative commitments, our interest rate exposure is completely hedged with respect to these commitments. The accrued fees relate to origination fees and trading gains that we expect to collect related to the commitments. The MSRs relate to the expected servicing right assets that will be realized upon the sale of the loans to the investors. Income related to these derivatives is included in gains from mortgage banking activities on the accompanying consolidated statements of activities.

There were no transfers into or out of Level 3 assets, as defined in Note 26, during the year. Derivative instruments on mortgage banking activity classified as Level 3 assets were entered into during the year, with the exception of \$4.9 million and \$2.6 million in net derivative instruments associated with commitments as of December 31, 2020 and 2019, respectively, that were entered into in previous years.

Note 10 - Sales of real estate

We built single family and townhouse residences that we sold to the ultimate homeowners as part of the Renaissance Square development project. All homes had been sold as of December 31, 2019.

The land for the Renaissance Square development project was conveyed by Baltimore County per an agreement of sale dated August 16, 2007. Upon conveyance, management determined that the land had no value. Additionally, Baltimore County had agreed to contribute toward land development costs. This contribution was expected to cover the total cost of land development at Renaissance Square. The Baltimore County contribution was provided proportionally at the beginning of each of the three phases of the project. The total amount of land development costs

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contributed by Baltimore County was \$4.2 million, which represents the entire amount Baltimore County contributed.

Gross profit on real estate sales is equal to real estate sales less cost of real estate sold, and is computed as follows for the year ended December 31, 2019 (\$ in thousands):

Sales of real estate	\$ 1,914
Cost of real estate sold	<u>(1,876)</u>
Gross profit on sales of real estate	<u>\$ 38</u>

Note 11 - Loans and notes receivable, net

Loans and notes receivable, net consist of the following at December 31 (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Loans and notes to unaffiliated organizations	\$ 297,408	\$ 291,698
Allowance for loan losses	<u>(14,739)</u>	<u>(11,756)</u>
Loans and notes receivable, net	<u>\$ 282,669</u>	<u>\$ 279,942</u>

Affordable housing and community revitalization loans

Loan Fund makes 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. These 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. As of December 31, 2020 and 2019, the net balance of these loans receivable totaled \$224.3 million and \$235.8 million, respectively. The sources of funds used and anticipated to be used to originate these loans are loans and notes payable, and net assets. Of these amounts, \$99.7 million and \$87.3 million as of December 31, 2020 and 2019, respectively, were due within one year. The loans are secured through a variety of collateral arrangements. As of December 31, 2020, 78% of these loans receivable were secured by first liens placed on the underlying real estate; 6% were unsecured or secured by subordinate liens; and 16% 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 aggregate, approximate 5.4% and 5.5% as of December 31, 2020 and 2019, respectively. In accordance with Loan Fund's 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 credit, and repayment is not threatened.

Loan participations outstanding totaled \$45.7 million and \$47.0 million at December 31, 2020 and 2019, respectively.

The allowance for loan losses based on the above loans receivable portfolio was 4.10% and 3.63% as of December 31, 2020 and 2019, respectively. After adjusting for loan participations that did not meet the requirements for sale treatment, the allowance for loan losses was 4.12% and 3.67% as of December 31, 2020 and 2019, respectively. The increase in the allowance for this loan portfolio is due to additional loans moving from performing to monitored, due to the impact of Covid-19.

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In addition, we hold notes receivable that support affordable housing communities and their residents. These notes mature at various dates between 2024 and 2029, and bear interest at rates ranging from 1.0% and 4.5%. As of December 31, 2020 and 2019, the net carrying balance of these notes receivable was \$8.4 million.

Loans to affiliate affordable housing projects

We also hold loans and notes receivable due from affordable housing projects which we developed and own a general partner interest in. Payment terms on a majority of these loans and notes are generally annual payments of interest and principal due contingent on available cash flow with the balance due upon maturity. Some of these loans and notes are short-term construction financing loans or bridge loans that fund the affordable housing project until it closes on permanent financing, at which time the loans and notes mature. These loans and notes mature at various dates between 2021 and 2074, and bear interest at rates ranging from 0% to 8%.

As part of various acquisitions, fair value adjustments were recorded to numerous loans and notes in this portfolio. These fair value adjustments are being amortized over the remaining life of the loans and notes using the effective interest method. Amortization of the fair value discounts included in interest income on the accompanying consolidated statements of activities was \$1.2 million and \$0.9 million for the years ended December 31, 2020 and 2019, respectively. The remaining unamortized discounts were \$8.2 million and \$9.4 million as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, 85% of the gross principal balance of these loans and notes to affordable housing properties was secured by either deeds of trust on the underlying property or other collateral. The remaining balances are unsecured as the loans and notes were generally made to fund operating deficits of the properties or provide grant funding and will be repaid with available cash flow. As of December 31, 2020 and 2019, the net carrying balance of these loans and notes totaled \$39.2 million and \$26.0 million, respectively.

Employee loans

Loans and notes receivable also includes notes to employees of Bellwether that were made to assist the employees acquiring equity interest in Bellwether. Principal and accrued interest on these notes are due in quarterly installments through the maturity dates which range from December 31, 2023 to October 1, 2030. The employee notes are secured by their member interest in Bellwether. As of December 31, 2020 and 2019, the outstanding balance of these notes totaled \$10.8 million and \$9.7 million, respectively.

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

	2020			2019		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan losses						
Balance at beginning of year	\$ (6,552)	\$ (5,204)	\$ (11,756)	\$ (5,641)	\$ (4,368)	\$ (10,009)
Net change in allowance for loan losses	(285)	(2,541)	(2,826)	(896)	(807)	(1,703)
Write-offs	-	-	-	-	-	-
Recoveries	(157)	-	(157)	(15)	(29)	(44)
Balance at end of year	<u>\$ (6,994)</u>	<u>\$ (7,745)</u>	<u>\$ (14,739)</u>	<u>\$ (6,552)</u>	<u>\$ (5,204)</u>	<u>\$ (11,756)</u>

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

	2020			2019		
	Housing	Other	Total	Housing	Other	Total
Performing	\$ 182,583	\$ 75,518	\$ 258,101	\$ 174,868	\$ 98,538	\$ 273,406
Monitored	15,535	22,947	38,482	15,376	2,916	18,292
Impaired						
With an increased allowance for loan losses	-	-	-	-	-	-
Without an increased allowance for loan losses	825	-	825	-	-	-
Total	\$ 198,943	\$ 98,465	\$ 297,408	\$ 190,244	\$ 101,454	\$ 291,698
Average investment in impaired loans	\$ 279	\$ -	\$ 279	\$ -	\$ 138	\$ 138
Interest income recognized on impaired loans - cash basis	\$ -	\$ -	\$ -	\$ -	\$ 11	\$ 11

During the years ended December 31, 2020 and 2019, three and one loans, respectively, were modified through troubled debt restructuring, and the additional commitments to lend as of year-end, by portfolio segment, are as follows (\$ in thousands):

	2020			2019		
	Housing	Other	Total	Housing	Other	Total
Number	2	1	3	1	-	1
Balance at modification	\$ 2,748	\$ 1,283	\$ 4,031	\$ 929	\$ -	\$ 929

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

	2020			2019		
	Housing	Other	Total	Housing	Other	Total
Past due						
31-60 days	\$ 230	\$ -	\$ 230	\$ -	\$ -	\$ -
61-90 days	-	-	-	-	-	-
Over 90 days	1,725	-	1,725	-	-	-
Total	1,955	-	1,955	-	-	-
Current	196,988	98,465	295,453	190,244	101,454	291,698
Total	\$ 198,943	\$ 98,465	\$ 297,408	\$ 190,244	\$ 101,454	\$ 291,698

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Note 12 - Investments in unconsolidated partnerships

Investments in unconsolidated partnerships at December 31 are summarized as follows (\$ in thousands):

	2020	2019
Held for sale investments	\$ 151,728	\$ 100,715
Traditional investments in affordable housing	15,869	18,963
Direct investments in affordable housing partnerships	23,455	25,094
Social impact investments	1,389	1,069
Other investments	7,469	5,283
Total	<u>\$ 199,910</u>	<u>\$ 151,124</u>

Held for sale investments

We purchase and hold interests in projects for sale to Investment Funds. Such projects are multi-family low-income housing tax credit properties that are under construction. Their balance sheets consist primarily of land, building, and construction in progress balances, as well as any related mortgage debt. Operating activities for these entities are generally minimal.

At December 31, 2020 and 2019, we held for sale investments in ten and eight projects, respectively. The balance consists of future capital contribution commitments to these projects in the amount of \$138 million and \$89 million at December 31, 2020 and 2019, respectively, with the remaining balance relating to cash investments and other adjustments. The capital contributions payable is reflected as a liability on the consolidated statements of financial position.

We acquire limited partnership interests (generally 99%) in these properties that are expected to earn tax credits and transfer those interests to Investment Funds for the investor(s) benefit. Our holding period for these investments is generally three to nine months and, during that period, we account for our interest using the equity method of accounting. Typically, due to the short holding period, the carrying amount of the investments approximates their fair value. However, if events or circumstances indicate that the carrying amount exceeds its estimated fair value, an investment will be written down to the fair value. There were no impairment charges incurred for the years ended December 31, 2020 and 2019.

Traditional investments in affordable housing partnerships

We hold investor member interests ranging from 2.28% to 5% in three non-tax credit affordable housing investment funds, one of which was acquired during 2019. We also serve as the managing member of these funds. The funds provide returns to investors through cash flow and residual proceeds, with an expected investment holding period of approximately seven years. We determined these entities are not VIEs and that we do not control these entities. We account for our interest in these entities on the equity method, subject to the specified investment period of the funds. Our investment in these funds totaled \$2.5 million and \$1.7 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the funds held 30 and 28 investments, respectively.

The Enterprise Homes Preservation Fund, LLC ("EHPF") was formed as a single-investor Investment Fund, for the purpose of acquiring ownership interests in affordable housing properties located in the Mid-Atlantic region. Similar to our other non-tax credit affordable housing investment

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funds, EHPF is expected to provide returns through cash flow and residual proceeds to us and the investor. We had a maximum capital commitment of \$21.1 million, all of which was contributed in a prior year, and a 29.64% general partner interest in EHPF. We determined that the limited partner in EHPF can exercise substantive participating rights on the operations of EHPF, resulting in the presumption of control by the general partner being overcome. Therefore, we account for our interest in EHPF on the equity method. As of December 31, 2020 and 2019, our investment in EHPF was \$13.4 million and \$17.3 million, respectively. As of December 31, 2020 and 2019, the fund held 31 and 33 investments, respectively.

Direct investments in affordable housing partnerships

At December 31, 2020 and 2019, we held a direct general partner interest of 0.1% in one and two different low-income affordable housing projects, respectively. We agreed to assume the general partnership interest in these entities pursuant to our fiduciary role in tax credit Investment Funds that hold a majority limited partner interest in the underlying real estate project. We accounted for these entities on the equity method due to significant variable interests and related rights held by lenders, investors and other parties and due to our limited exposure to the variability in operating activities.

We consider our exposure to loss relating to these partnerships to be insignificant. As our share of losses from these investments exceeds our nominal contributions, we classify our negative investment balances in these entities as losses in excess of investments in unconsolidated partnerships in the liability section of our consolidated statements of financial position.

In addition, at December 31, 2020 and 2019, we held a direct general partner interest in 82 and 81 real estate projects, respectively. Our general partner interest in these projects ranges from 0.005% to 15%. We also directly held two and three limited partner interests as of December 31, 2020 and 2019, respectively, with related interests ranging from 14.99% to 49%. During 2020, we sold one general partner interest. We also held and sold our portion of the limited partner interest in the project that was sold during 2020. As a result of this sale we recognized a gain of \$4.2 million which is included in other income on the consolidated statements of activities. In addition, during 2020 two general partner interests were deconsolidated. As a result of guarantees we provide as the general partner to the project limited partners, our investment in certain projects may be negative. We account for these interests on the equity method due to significant participating rights held by the entities' third party limited partners. As of December 31, 2020 and 2019, our net investment in these projects was \$19.0 million and \$20.3 million, respectively. Included in these net amounts as of December 31, 2020 and 2019 are negative investments of \$0.3 million, which are included in losses in excess of investments in unconsolidated partnerships on the consolidated statements of financial position.

As of December 31, 2020 and 2019, we wholly-owned 4 and 6 Investment Funds, respectively, and therefore consolidate them into these financial statements. Each of these Investment Funds holds direct, limited partner interests in operating partnerships that are either beyond the tax credit delivery period, or that have de minimis tax credits remaining. We account for these investments on the equity method, and had no investment balance at December 31, 2020 and 2019. We paid \$2.8 million for two limited partner interests acquired during 2019. Consolidation of the purchased interests resulted in a net increase in cash of \$1.1 million, a decrease in accounts and other receivables of \$0.2 million, and an increase in deferred gain which is included in deferred revenue and other liabilities on the consolidated statements of financial position of \$0.9 million. During 2020, two of the Investment Funds dissolved resulting in the recognition of deferred gain of \$0.5 million, which is included in other revenue on the consolidated statements of activities.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

As of December 31, 2020 and 2019, we hold a 0.01% limited partner interest in an affordable housing property. Our total capital commitment of \$5.0 million, all of which was paid in a prior year, is expected to yield a 6% annual return. Our earnings and return of capital are in a first priority position. As of December 31, 2020 and 2019, our investment in this property was \$4.2 million and \$4.5 million, respectively.

Social Impact investments

We hold limited partner interests in two partnerships that seek to address pressing social and environmental challenges through debt and equity investments. As of December 31, 2020 and 2019, our ownership interests in these investments are 0.72% and 1.6%. Total capital commitments for both investments is \$1.9 million. Based on the size of our ownership interests in each of the investments, along with the fact that we are unable to influence the operating or financial decisions of the partnerships, these investments are not accounted for on the equity method, rather these investments are accounted for using the fair value method. As of December 31, 2020 and 2019, our investment in the two partnerships was \$1.4 million and \$1.1 million, respectively. As of December 31, 2020 and 2019, we have uncalled capital commitments totaling \$0.3 million and \$0.6 million to these two partnerships, respectively.

Other investments

We hold between 1.0% and 46.8% limited partner interests in eight and ten Investment Funds as of December 31, 2020 and 2019, respectively. Two of the Investment Funds dissolved during 2020. The dissolution of these Investment Funds resulted in the recognition of a gain of \$0.1 million, which is included in other income on the consolidated statements of activities. Each of these Investment Funds holds investments in operating partnerships that are either beyond the tax credit delivery period, or that have de minimis tax credits remaining. We determined that these entities are VIEs, and that we are not the primary beneficiary. Accordingly, we account for our interest in these Investment Funds on the equity method. The balance of our investment in these Investment Funds was \$0.7 million and \$0.9 million at December 31, 2020 and 2019, respectively.

We hold a 33.33% co-member interest in Rivermont Enterprise Capital, LLC ("REC"). This entity is the manager of a Qualified Opportunity Fund ("QOF") named Rivermont Enterprise Emergent Communities Fund I, LP ("REECF") which holds investments in Qualified Opportunity Zones as designated by the 2017 tax legislation commonly referred to as the Tax Cuts and Jobs Act. In addition, we hold a 10.00% limited partner interest in REECF. This fund's principal business activity is to be a QOF that invests in qualified assets in the Southeastern United States. We determined that these entities are VIEs, and that we are not the primary beneficiary as control is shared amongst the members. Accordingly, we account for our interest in these entities on the equity method. The balance of our investment in these entities was \$0.9 million and \$1.0 million at December 31, 2020 and 2019, respectively. As of December 31, 2020, we have fully funded our commitments into these entities.

We hold interests in four limited liability companies, three located in California and one located in Georgia. As of December 31, 2020 and 2019, our ownership interest in these investments ranges from 20% to 33.33%. The purpose of these limited liability companies is to provide loans for affordable housing and community services in specific locales in California and Georgia. The balance of our investment in these limited liability companies was \$1.2 million and \$0.4 million as of December 31, 2020 and 2019, respectively.

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We hold a 1.69% investor member interest in Housing Partnership Equity Trust LLC ("HPET"). HPET was formed by 12 mission focused non-profit organizations and is operated by Housing Partnership Network. HPET is a social-purpose real estate investment trust that provides a ready source of long-term capital enabling its members and partners to quickly and efficiently acquire affordable multifamily properties. Enterprise and HPET jointly own two multifamily properties. Based on our ownership interest in HPET, along with the fact that we are unable to influence the operating or financial decisions of the entity, this investment is not accounted for on the equity method, rather this investment is accounted for using the fair value method. Under the fair value method, the investment is carried at fair value with changes in the fair value recognized through changes in net assets. As there is no available net asset per share for this investment, the investment is generally measured at cost minus impairment. As of December 31, 2020 and 2019, our investment in HPET was \$0.8 million.

We hold several other investments that are accounted for on the equity method. The balance of our investment in these was \$3.9 million and \$2.2 million as of December 31, 2020 and 2019, respectively.

Investment Funds

We hold general partner or managing member interests of between 0.005% and 1.0% in Investment Funds. These Investment Funds invest in affordable housing and commercial projects that qualify for income tax credits. We determined that certain of these Investment Funds were VIEs, and that we were not the primary beneficiary. We account for our interest in these Investment Funds and other entities that we do not control on the equity method.

We obtained our first interest in one of these tax credit Investment Funds in 1988 and typically obtain an interest in several new Investment Funds each year. The limited partners in these Investment Funds are generally financial institutions that contribute committed capital to fund investments and meet working capital reserve requirements. Most of the real estate partnerships in which these Investment Funds invest must meet certain requirements to be eligible for tax credits. Once the credits are fully earned and tax compliance requirements are met, it is anticipated that the partnerships will be dissolved. Due to the funding obligations of our limited partners, management believes our exposure to loss in excess of our fees relating to these Investment Funds to be insignificant. However, under the equity method of accounting, we are required to record our share of losses from these Investment Funds, and our share of losses generally exceeds our nominal contributions resulting in negative investment balances in these Investment Funds. These negative balances are classified as losses in excess of investments in unconsolidated partnerships in the liability section of our consolidated statements of financial position. As the majority of our share of losses from these Investment Funds relate to noncash charges, such as depreciation expense, management believes that this liability generally will not result in a funding requirement by Enterprise and will likely reverse at dissolution of the Investment Funds.

Note 13 - Mortgage servicing rights and obligations, net

As of December 31, 2020 and 2019, we were servicing 3,960 and 3,525 loans, respectively, with outstanding principal balances of approximately \$32.6 billion and \$25.8 billion, respectively.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

Changes in the carrying value of the MSR, net consist of the following for the years ended December 31 (\$ in thousands):

	<u>2020</u>	<u>2019</u>
MSRs, net beginning balance	\$ 93,235	\$ 69,871
MSRs originated, net of obligations recognized	59,452	35,671
MSRs purchased, net of obligations recognized	3,443	-
Settlement of prior year derivatives to MSRs	525	765
Amortization expense and write-offs of MSRs	(16,598)	(13,564)
Change related to MLHS	<u>(3,871)</u>	<u>492</u>
MSRs, net ending balance	<u>\$ 136,186</u>	<u>\$ 93,235</u>

Included in the \$136.2 million and \$93.2 million net MSR balances above are servicing contracts related to private/equity loans that are cancellable within 30-90 days and were initially recorded at fair value during previous mergers and acquisitions. Such loans have a net book value of \$4.2 million and \$1.2 million at December 31, 2020 and 2019, respectively. For financial statement presentation, these assets are classified with MSRs, as they are being amortized and accounted for similar to other MSRs in the overall pool.

We determine the value of servicing assets and liabilities by considering factors such as net future cash flows and discount rates. Management uses industry trends and portfolio data to make certain assumptions in determining discount rates that are commensurate with risks involved in the portfolio, market assumptions, prepayment and default rates and other relevant factors. We amortize the initial carrying value of servicing assets and liabilities over the expected servicing period, generally 10 years, and assess for impairment or increased obligation annually, unless we have specific information giving rise to the need to make adjustments on a more current basis.

At December 31, the fair value and key economic assumptions used to estimate the fair value of MSRs were as follows (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 166,533	\$ 143,532
End of year	\$ 198,548	\$ 166,533
Weighted average discount rate	11%	11%
Weighted average contractual servicing life	266 months	269 months
Weighted average term to payoff	123 months	128 months

For the years ended December 31, 2020 and 2019, we have not provided for impairment on any MSRs.

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**Notes to Consolidated Financial Statements
December 31, 2020 and 2019**

Note 14 - Property and equipment, net

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

	2020	2019
Software applications	\$ 50,757	\$ 48,496
Building and improvements	34,355	34,084
Office equipment	4,112	5,910
Land	13,193	13,142
Leasehold improvements	6,577	6,289
Furniture and fixtures	6,357	6,786
	<hr/>	<hr/>
	115,351	114,707
Accumulated depreciation and amortization	(50,993)	(49,496)
	<hr/>	<hr/>
Property and equipment, net	\$ 64,358	\$ 65,211
	<hr/>	<hr/>

The software applications asset consists primarily of investments made in proprietary software applications developed for use in our various reporting segments.

ECD controls several operating affordable housing properties and affordable housing properties in the predevelopment stage. These properties held significant building and improvements and land balances as of December 31, 2020 and 2019.

Depreciation and amortization expense on property and equipment was \$8.0 million and \$11.8 million for the years ended December 31, 2020 and 2019, respectively.

During 2019, we began implementation of a new human resources and financial enterprise resource planning system. Since 2019, we have capitalized certain costs associated with this implementation. During 2020, we performed a review of these previously capitalized costs, as well as costs related to other existing systems to identify which systems would be retired and which assets had no future value. As a result of this review, we charged off \$3.3 million.

In addition, during 2019 we impaired a different software application that had a carrying value as of December 31, 2019 of \$0.9 million, as those costs were determined to not be recoverable.

Both amounts are included in impairment on the consolidated statements of activities.

Note 15 - Intangible assets, net and goodwill

We recognized goodwill of \$9.6 million related to mortgage companies acquired in previous years. Goodwill was recognized due to expected synergies from combining operations of these companies with that of Bellwether. Goodwill is not amortized, rather it is reviewed for impairment annually.

Through previous acquisitions, we acquired the rights to receive certain fees from affordable housing properties, many in which ECD holds the general partner interest. These include rights to property management fees, community service fees, incentive management fees, and other miscellaneous fees. These intangible assets are shown net of the related liabilities on our consolidated statements of financial position. The related liabilities represent anticipated costs we expect to incur in performing services to earn these fees. The intangible assets related to these

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

fees will not be amortized, rather reviewed for impairment annually, and whenever a triggering event occurs. The value of these fees at their time of their acquisitions was \$7.6 million. During 2019, certain triggering events occurred including a change in the terms of some of the fee contracts, as well as a decline in performance of certain of the properties which caused us to reevaluate the value of a portion of these intangible assets. Based on this reevaluation using a discounted cash flow analysis, we recorded impairment expense of \$0.6 million during 2019. The balance of these intangible assets as of December 31, 2020 and 2019 was \$7.0 million.

In addition to the aforementioned intangible assets with indefinite lives, we have also recognized several intangible assets with finite lives that are being amortized, which consist of the following at December 31 (\$ in thousands):

	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Borrower relationships	\$ 8,402	\$ 5,950	\$ 2,452
Rights to development fees	2,183	1,236	947
Ground leases	7,667	277	7,390
Total	<u>\$ 18,252</u>	<u>\$ 7,463</u>	<u>\$ 10,789</u>

	2019		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Borrower relationships	\$ 8,132	\$ 5,137	\$ 2,995
Rights to development fees	2,802	1,131	1,671
In-place lease	29	-	29
Ground leases	7,667	179	7,488
Total	<u>\$ 18,630</u>	<u>\$ 6,447</u>	<u>\$ 12,183</u>

Amortization expense on these intangible assets was \$1.7 million and \$2.5 million for the years ended December 31, 2020 and 2019, respectively.

The rights to development fees, in-place leases, and ground leases were all recognized from a prior year acquisition.

During 2019, we recognized \$28,965 of in-place leases and \$0.7 million of ground leases as part of the acquisition of an affordable housing property discussed in Note 1. In addition, during 2019 one of the ground leases was cancelled. This cancellation caused a triggering event which impaired the full value of the ground lease of \$1.1 million at the time of cancellation. This impairment of \$1.1 million, net of a gain on the cancellation of a related note of \$0.2 million, is included in impairment on the consolidated statements of activities.

During 2020, as part of the merger with Maher discussed in Note 1, we recognized \$0.3 million of borrower relationships.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

All intangible assets, other than goodwill, as of December 31, 2020 and 2019 are included in intangible assets, net on the consolidated statements of financial position.

Future amortization expense with respect to intangible assets is estimated as follows (\$ in thousands):

2021	\$	1,578
2022		959
2023		657
2024		481
2025		213
Thereafter		<u>6,901</u>
Total	\$	<u><u>10,789</u></u>

Note 16 - Income taxes

As described in Note 1, Investment is a 501(c)(4) social welfare organization. While Investment's LIHTC syndication, development, property management and NMTC activities are exempt from income taxes, other activities are taxable including mortgage, LIHTC asset management, Opportunity Zone federal tax incentive, and certain non-tax credit affordable housing investment fund operations. Investment's taxable and tax-exempt increase in net assets before income taxes was \$72.1 million and \$10.5 million for the year ended December 31, 2020 and \$23.9 million and \$8.6 million for the year ended December 31, 2019, respectively.

The income tax provision consists of the following for the years ended December 31 (\$ in thousands):

	<u>2020</u>	<u>2019</u>
Current tax expense	\$ 2,134	\$ 371
Deferred tax expense	<u>7,967</u>	<u>3,821</u>
Income tax expense	<u><u>\$ 10,101</u></u>	<u><u>\$ 4,192</u></u>

Current income tax expense includes tax refunds as well as interest and penalties relating to income tax obligations. We benefit from the allocation of tax credits from certain tax credit partnerships in which we hold an interest. This allocation of tax credits reduces our current income tax expense.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements December 31, 2020 and 2019

Income tax expense is reconciled to the amount computed by applying the federal corporate income tax rate of 21% for the years ended December 31, 2020 and 2019, as follows (\$ in thousands):

	2020	2019
Tax at statutory rate on income before taxes	\$ 17,343	\$ 6,824
State income tax, net of federal income tax benefits	1,088	327
Valuation allowance	849	431
Tax effect at statutory rate on income not subject to federal taxes	(2,197)	(716)
Tax effect at statutory rate on income related to noncontrolling interest	(7,481)	(2,691)
Tax refunds	(100)	(64)
Tax credits	(86)	(240)
Other	685	321
Income tax expense	<u>\$ 10,101</u>	<u>\$ 4,192</u>

Deferred tax assets, net consist of the following at December 31 (\$ in thousands):

	2020	2019
Total deferred assets	\$ 4,671	\$ 18,585
Total deferred liabilities	<u>(23,754)</u>	<u>(26,782)</u>
Deferred liabilities, net	<u>\$ (19,083)</u>	<u>\$ (8,197)</u>

The deferred tax assets relate primarily to deferred compensation, allowance for doubtful accounts, deferred revenue and assets created through our combination with Bellwether. Deferred tax liabilities consist primarily of the tax effects of MSR revenue and amortization expense, which are recognized for book purposes but not for income tax purposes until the related servicing activities are performed in subsequent years, accelerated depreciation for tax purposes, book to tax differences in investments in unconsolidated partnerships and deferred fees.

At December 31, 2020 and 2019, we have federal and state net operating loss carryforwards totaling \$28.2 million and \$35.7 million, respectively. These loss carryforwards will expire between 2034 and 2040 for federal and state purposes. A valuation allowance of \$1.2 million and \$1.7 million has been established as of December 31, 2020 and 2019, respectively, due to the uncertainty of realizing certain of these state loss carryforwards and certain other deferred tax assets. Based on projections of future taxable income, management believes that it is more likely than not that the deferred tax assets, net of any valuation allowance, will be realized. The amount of deferred tax assets considered realizable could be reduced if estimates of future taxable income are reduced.

As discussed in Note 1, Investment sold a portion of its interest in Bellwether in 2020. These partial sales had a direct tax impact on us in 2020, which amounted to \$5.6 million. This amount is accounted for as a direct reduction to net assets without donor restrictions due to the fact that Investment maintained control of Bellwether after these partial sales.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

Uncertain tax positions

We conduct business throughout the United States and, as a result, we file income tax returns in federal and various state jurisdictions. Although there are currently no ongoing examinations by state jurisdictions, the statute of limitations has not yet expired on several of our tax filings. We also remain subject to examination of all of our federal income tax returns for 2017 and subsequent years. We also generally remain subject to the examination of our various state income tax returns for a period of four to five years from the date the return was filed. Our most significant state tax exposure is within Maryland, the location of our headquarters.

The filing of income tax returns requires management to assess and measure uncertain tax positions. Upon examination of tax positions taken, management concluded that all positions taken on its tax returns exceed the more-likely-than-not threshold and expects to realize the benefit of all positions if examined by a taxing authority. As a result, management concluded that there were no uncertain positions that required measurement in or adjustment to our consolidated financial statements.

Note 17 - Indebtedness

A summary of indebtedness at December 31 is as follows (\$ in thousands):

	2020	2019
Loans payable	\$ 271,095	\$ 291,647
Credit line agreements	374,383	133,112
Debt issuance costs	(1,237)	(1,229)
Total	<u>\$ 644,241</u>	<u>\$ 423,530</u>

Loans payable

Loan Fund maintains loans payable that fund its lending activity (see Note 11). Total loans payable, net associated with these borrowings as of December 31, 2020 and 2019, were \$172.5 million and \$199.0 million, respectively. Debt issuance cost, net associated with these borrowings as of December 31, 2020 and 2019 was \$0.6 million and \$0.7 million, respectively. These loans payable bear interest at rates which vary from 0% to 4.15% and are repayable through 2047. Most of these borrowings are structured as unsecured. Three of these loans 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 \$61.0 million and \$62.8 million as of December 31, 2020 and 2019, respectively. Most of these 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 these 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. As of December 31, 2020, the guaranteed amount was \$73 million.

Certain of these loans payable are considered Equity Equivalent ("EQ2") investments. EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest and have a rolling maturity. The lender cannot accelerate repayment unless an uncured event of default exists. As of December 31, 2020 and 2019, loans payable included \$7.0 million of EQ2 investments.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

In addition, Loan Fund had \$1.5 and \$2.8 million of loans payable related to loan participation agreements that did not meet the conditions for sale accounting treatment at December 31, 2020 and 2019, respectively. These loans payable are offset by loans receivable and represent no risk to Loan Fund (see Note 11).

Loan Fund also offers an unsecured Impact Note program to individuals, including employees and board members, and institutions. Loan Fund began issuing notes under the program in March 2019. Investments are at a minimum of \$25,000 for 1 to 10 years at interest rates of 0% to 3.5%. As of December 31, 2020 and 2019, the amount outstanding under the program was \$20.8 million and \$9.5 million, respectively. As of December 31, 2020 and 2019, the balance due to employees and board members was \$76,000 and \$25,000, respectively.

Total interest cost for Loan Fund borrowings was \$5.6 million for the years ended December 31, 2020 and 2019. Amortization of debt issuance costs for these borrowings amounted to \$0.1 million for the years ended December 31, 2020 and 2019.

On November 2, 2018, we entered into an unsecured \$30.0 million note payable with two lenders. The note bears interest at a fixed interest rate of 5.19% and matures on May 2, 2024. The outstanding balance as of December 31, 2020 and 2019 was \$24.2 million and \$28.6 million, respectively. Total interest cost under this note payable was \$1.4 million and \$1.5 million for the year ended December 31, 2020 and 2019, respectively.

On April 1, 2019, we entered into unsecured notes payable in conjunction with the redemption of certain noncontrolling members' interest in Bellwether. The notes bear interest at a fixed rate of 4.0% and are repayable through 2024. The outstanding balance as of December 31, 2020 and 2019 was \$1.6 million and \$3.6 million, respectively. Total interest cost under these notes was \$0.2 million and \$0.1 million for the year ended December 31, 2020 and 2019, respectively.

ECD and an affordable housing property that ECD controls hold forgivable notes. ECD lends any funds from the forgivable notes to the LIHTC properties it holds a general partner interest in (see Note 11). These notes are secured by deeds of trust, and bear interest at rates which vary from 0% to 1%. The carrying value of these notes payable as of December 31, 2020 and 2019 was \$3.9 million and \$1.9 million, respectively. The borrowings will be forgiven if the underlying LIHTC properties maintain their respective compliance requirements for periods ranging from 15 to 40 years. The forgiveness of these notes occurs either at the end of the compliance periods, or in tranches throughout the compliance periods. These notes were recorded at fair value as part of previous acquisitions, resulting in actual contractual obligations under these notes payable exceeding their carrying value. Total contractual obligations under these loans payable as of December 31, 2020 and 2019 was \$16.5 million and \$16.0 million, respectively. Based on the history of compliance by the properties in which ECD holds a general partner interest, no future payments are expected related to these notes.

Loans held by affordable housing properties that ECD controls bear interest at rates which vary from 1% to 8.25% and are repayable through 2055. Most of these borrowings are secured by the underlying real estate. The carrying value of these loans payable as of December 31, 2020 and 2019 was \$48.1 million and \$49.0 million, respectively. Debt issuance cost, net associated with these borrowings as of December 31, 2020 and 2019 was \$0.2 million. These loans were recorded at fair value as part of previous acquisitions, resulting in actual contractual obligations under these loans payable exceeding their carrying value. Total contractual obligations under these loans payable as of December 31, 2020 and 2019 was \$52.8 million and \$51.1 million, respectively.

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

Total interest cost on borrowings ECD and its controlled affordable housing properties holds was \$1.8 million and \$5.7 million for the years ended December 31, 2020 and 2019, respectively. Amortization of debt issuance costs for these borrowings amounted to \$0.1 million for the year ended December 31, 2020. There was no amortization of debt issuance costs in 2019.

Credit line agreements

We have three credit facilities with KeyBank National Association ("KeyBank"). We are subject to an Amended and Restated Master Participation and Facility Agreement (the "Agreement") with KeyBank. Under the terms of the Agreement, we have agreed to sell beneficial ownership interest in eligible loans funded under the Agreement to KeyBank subject to KeyBank's approval. The Agreement is used by us to fund certain of our MLHS. At December 31, 2020 and 2019, the available warehouse facility under the Agreement was \$350 million and \$200 million, respectively. Interest is payable at a fluctuating interest rate, which was 1.5625% and 3.2125% at December 31, 2020 and 2019, respectively, and is secured by KeyBank's participation in the eligible loans funded under the Agreement. At December 31, 2020 and 2019, the outstanding balance under these facilities was \$122.4 million and \$9.7 million, respectively. We expect to extend the Agreement at similar terms before the maturity date of July 1, 2021.

We also have a separate Master Participation and Facility Agreement (the "Bridge Agreement") with KeyBank. Under the terms of the Bridge Agreement, we have agreed to sell beneficial ownership interest in eligible loans that will serve as bridge loans pending closing of permanent refinancing, funded under the Bridge Agreement to KeyBank subject to KeyBank's approval. At December 31, 2020 and 2019, the borrowing capacity was \$55 million. Interest is payable at a fluctuating interest rate, which was 3.50% and 4.3125% at December 31, 2020 and 2019, respectively, and is secured by KeyBank's participation in the eligible loans funded under the Bridge Agreement. A closing fee is payable with the purchase of each participation at the greater of \$7,500 or 15bps of the purchase price. At December 31, 2020 and 2019, the outstanding balance under this facility was \$23.1 million and \$27.9 million, respectively. We expect to extend the Bridge Agreement at similar terms before the maturity date of July 1, 2021.

In addition, we have a Warehousing Credit and Security Agreement ("Security Agreement") with PNC Bank, National Association ("PNC"). Under the terms of the Security Agreement, we have agreed to sell beneficial ownership interest in eligible loans funded under the Security Agreement to PNC subject to PNC's approval. At December 31, 2020, the available warehouse was \$250 million, and the facility can be expanded in size up to \$500 million in \$50 million increments for a period of 60 days. At December 31, 2019, the available warehouse facility was \$125 million and the facility could be expanded in size up to \$200 million for certain periods of time. The Security Agreement is used to fund MLHS, and is secured by PNC's participation in the eligible loans funded under the Security Agreement. Interest is payable at a fluctuating interest rate, which was 1.5875% and 3.0625% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the outstanding balance under this facility was \$118.8 million and \$24.4 million, respectively. Debt issuance costs, net of accumulated amortization, totaled \$0.3 million and \$0.1 million as of December 31, 2020 and 2019, respectively, related to this borrowing. We expect to extend the Agreement at similar terms before the maturity date of September 24, 2021.

We entered into a Master Repurchase Agreement ("Repurchase Agreement") with JPMC. Under the terms of the Repurchase Agreement, we have agreed to sell beneficial ownership interest in eligible loans funded under the Repurchase Agreement to JPMC subject to JPMC's approval. As of December 31, 2020 and 2019, the available facility was \$450 million. The Repurchase Agreement will be used by us to fund its MLHS, and is secured by JPMC's participation in the eligible loans

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Notes to Consolidated Financial Statements December 31, 2020 and 2019

funded under the Repurchase Agreement. Interest will be payable at a fluctuating interest rate, which was 1.9189% and 3.2375% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the outstanding balance was \$100.4 million and \$27.4 million, respectively. We expect to extend the Agreement at similar terms before the maturity date of August 23, 2021.

On May 13, 2019, we entered into a Revolving Loan and Security Agreement with KeyBank for a maximum commitment of \$30 million for corporate borrowing purpose. This facility is secured by the fair value of our Fannie Mae mortgage servicing rights. Interest will be payable at a fluctuating interest rate, which was 2.6875% and 4.3125% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the outstanding balance was \$9.5 million and \$6.8 million, respectively. The facility matures on May 13, 2022. Debt issuance costs, net of accumulated amortization, totaled \$0.1 million and \$0.2 million as of December 31, 2020 and 2019, respectively related to this borrowing.

On June 17, 2019, we entered into a Mortgage Warehousing Credit and Security Agreement with MUFG Union Bank, N.A. ("Union"), for a one-year term. The facility was a revolving line of credit to be used to finance the origination of multifamily mortgage loans, subject to approval by Union. The facility was secured by a first priority, perfected security interest in the loan funded under the Agreement. As of December 31, 2019, the availability facility was \$150 million. Interest was payable at a fluctuating interest rate, which was 3.12% at December 31, 2019. At December 31, 2019, the outstanding balance under this facility was \$36.9 million. The balance was repaid in 2020 prior to its June 21, 2020 maturity.

On June 22, 2020, we entered into a Delinquency Advance Warehouse Credit and Security Agreement with PNC Bank for a one-year term. The sole purpose is to provide advances to satisfy Bellwether's obligations to make delinquency advances to Fannie Mae. Interest is payable at a fluctuating interest rate which was 2.1875% at December 31, 2020. As of December 31, 2020, the available facility was \$40 million with the ability to expand to \$80 million. There was no balance outstanding under this facility as of December 31, 2020.

During 2020, we increased the size of our \$35 million credit facility up to \$50 million. The borrowings under this facility are subject to the following:

Up to \$50 million and \$35 million at December 31, 2020 and 2019, respectively, can be borrowed on an unsecured basis for general corporate purposes or letters of credit. We had \$6.5 million and \$2.4 million in letters of credit issued through this facility as of December 31, 2020 and 2019, respectively. Interest is payable at a fluctuating interest rate, which was 2.0439% and 3.6625% at December 31, 2020 and 2019, respectively.

Borrowings on this credit facility mature on November 2, 2021, with any letters of credit on the facility maturing on November 2, 2023. We expect to extend the credit facility at similar terms before the maturity date.

Except for the letters of credit noted above, there were no outstanding borrowings under this facility at December 31, 2020 and 2019. Debt issuance costs, net of accumulated amortization, totaled \$34,415 and \$44,710 as of December 31, 2020 and 2019, respectively, related to this borrowing.

Total interest cost under these credit facilities was \$6.3 million and \$10.0 million for the years ended December 31, 2020 and 2019, respectively. Amortization of debt issuance costs amounted to \$0.3

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million and \$0.4 million for the years ended December 31, 2020 and 2019, and is included within interest expense on the consolidated statements of activities.

All of these credit facilities have certain covenants and restrictions. The most restrictive of these limits the levels of debt we may incur and require us to maintain specified minimum levels of debt service coverage and net worth. We have maintained compliance with these restrictions, and they have not limited our normal business activities.

Future contractual maturities

Future contractual maturities of indebtedness, not including forgivable notes, for each of the next five years and thereafter are summarized as follows (\$ in thousands):

2021	\$	397,591
2022		38,834
2023		29,925
2024		25,714
2025		4,942
Thereafter		<u>149,327</u>
Total	\$	<u>646,333</u>

The debt due in 2021 consists primarily of borrowings related to loan facilities that are used to fund outstanding loans and notes receivable and MLHS. We expect to make payments at or before the scheduled maturity dates of the related loans from proceeds from the collection of loans and notes receivable and MLHS, the refinancing of loan facilities, or through the use of operating cash.

As previously noted, certain loans were recorded at fair value upon the acquisition of CPDC, resulting in actual contractual obligations under these loans payable exceeding their carrying value. Accordingly, the total future contractual maturities noted above is greater than the balance of indebtedness on the consolidated statements of financial position.

Note 18 - Allowance for loan loss sharing

As a Fannie Mae DUS lender, Bellwether assumes responsibility for a portion of any loss that may result if borrowers default on loans we originated and service. Under a loss-sharing formula with Fannie Mae, Bellwether is generally responsible for funding 100% of the mortgagor's delinquency up to the first 5% of the unpaid principal balance and a portion of any additional losses to a maximum of 20% of the original principal balance.

As a U.S. Department of Agriculture ("USDA") lender, Bellwether assumes a 10% risk position on loans originated in the Rural Housing Services Section 538 Guaranteed Rural Rental Housing Program. Bellwether is responsible for 10% of the loss in the event a borrower defaults on a loan.

In addition, there are other programs in which Bellwether assumes responsibility for a portion of loan losses.

Allowance for loan loss sharing under all programs was \$24.4 million and \$16.8 million at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, there were no reserves related to specific loans included in our allowance for loan loss sharing provision.

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Note 19 - Deferred revenue

Deferred revenue consists of the following at December 31 (\$ in thousands):

	2020	2019
Syndication fees	\$ 5,257	\$ 5,942
Asset management and other fees	1,663	1,456
Total	<u>\$ 6,920</u>	<u>\$ 7,398</u>

Deferred revenue consists of amounts we have recorded related to our asset management or other obligations to be performed in future periods, or due to certain contingencies. In general, revenue deferrals with respect to the syndication fees consist of estimated costs expected to be incurred and paid by us in managing tax credit Investment Funds in which we own a 0.005% to 1.0% general partner or managing member ownership interest. Our exposure could be greater than the amount of revenue deferred. During the years ended December 31, 2020 and 2019, we amortized \$0.8 million and \$0.6 million, respectively, of syndication deferred revenue into asset management fees.

We provide asset management, development, and other services to third parties with respect to affordable housing and commercial real estate in emerging and under-served communities. Some of these fees for these services are prepaid by the third parties for services to be performed in the future. The remaining deferral of asset management and other fees consists of various advisory service agreements.

Deferred revenue is included in deferred revenue and other liabilities on the consolidated statements of financial position.

Note 20 - Related party transactions

We provide syndication, asset management, development, property management, and other advisory services to certain affiliated entities in which we, or one of our subsidiaries, own an interest and are compensated for these services. For the years ended December 31, 2020 and 2019, we recorded revenue of \$118.2 million and \$113.4 million, respectively, for such services.

We also manage a \$120 million credit facility as of December 31, 2020 and 2019, on behalf of select Investment Funds that are admitted as borrowers to the facility. Borrowings are secured by capital commitments payable from the investors in Investment Funds with repayments to come from investor capital contributions. We manage this facility on behalf of the Investment Funds but are not considered a borrower. As such, our assets are not provided as collateral for the facility and we do not provide a guarantee for repayment of borrowings. However, we have agreed to pay certain interest and fees associated with this facility. Interest related to borrowings is payable at a fluctuating interest rate which was 1.8875% and 3.7125% as of December 31, 2020 and 2019, respectively. The credit facility is set to expire on December 14, 2021, at which time we expect to extend the credit facility at similar terms. Total outstanding borrowings under the facility were \$78.3 million and \$99.4 million as of December 31, 2020 and 2019, respectively. Interest costs incurred by us for this facility totaled \$0.7 million and \$1.2 million for the years ended December 31, 2020 and 2019, respectively. These costs are included in program activities in the accompanying consolidated statements of activities.

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Note 21 - Restrictions and limitations on net assets

During the years ended December 31, 2020 and 2019, net assets released from donor restrictions and the events or transactions which caused the restrictions to expire total \$156.7 million and \$73.5 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):

	2020	2019
Gifts and other unexpended revenue restricted to specific programs or locations	\$ 150,542	\$ 189,434
Contributions receivable due in future periods, net	14,880	10,933
Total	<u>\$ 165,422</u>	<u>\$ 200,367</u>

Note 22 - 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 \$3.2 million and \$2.9 million during the years ended December 31, 2020 and 2019, respectively.

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 over six years. After six years of service, all future contributions are automatically vested. Total expenses under this plan totaled \$2.6 million and \$4.1 million for the years ended December 31, 2020 and 2019, respectively.

We also have a nonqualified deferred compensation plan covering certain of Investment's employees. This plan provides for employer annual discretionary contributions. Covered employees were previously able to make pre-tax contributions of up to \$25,000 annually. Under this plan, contributions made prior to 2011 are not paid to the covered employees until their separation from Enterprise. Beginning in 2011, employer contributions now vest after three years and upon vesting, the employer contributions are paid to the covered employees. Such payments from plan assets to covered employees began in 2014. Additionally, employees are vested and paid immediately if they are at least 55 years old and have five years or more of service to Enterprise. Our expense under these plans was approximately \$1.5 million and \$1.9 million for the years ended December 31, 2020 and 2019, respectively. Subsequent to year end, this plan has been terminated and contributions to this plan will no longer be made.

Compensation deferrals and employer contributions are invested on behalf of the participants in various participant directed investment options. The investments amounted to \$6.0 million and \$6.6 million at December 31, 2020 and 2019, respectively, and are included in restricted investments on the consolidated statements of financial position. Obligations to the plan participants at December 31, 2020 and 2019 totaled \$6.2 million and \$8.5 million, respectively, and are included in accounts

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payable and accrued expenses in the consolidated statements of financial position. The vested amounts of these obligations were \$3.6 million and \$4.3 million at December 31, 2020 and 2019, respectively.

Note 23 - Commitments and contingencies

Commitments and contingencies not reflected in the consolidated statements of financial position at December 31, 2020 are indicated below:

Net worth and liquidity requirements

As discussed in Note 1, Bellwether is an FHA Title II Non-Supervised Mortgagee, and as such, is required under this program to maintain adjusted net worth of \$2.5 million, of which no less than \$0.5 million must be liquid assets. As a Ginnie Mae issuer of mortgage-backed securities, the adjusted net worth required is \$1 million plus 1% of the outstanding principal balance of securities and commitment authority in excess of \$25 million up to \$175 million, plus 0.2% in excess of \$175 million. The Ginnie Mae program also requires liquid assets of 20% of the adjusted net worth. At December 31, 2020, Bellwether met these requirements with an adjusted net worth of \$179.8 million, and \$30.6 million of such liquid assets.

Additionally, under the Fannie Mae DUS program, a subsidiary of Bellwether is required to maintain acceptable net worth and liquidity. The subsidiary's net worth requirement at December 31, 2020, which is a function of its portfolio balance at December 31, 2020, is \$34.7 million. At December 31, 2020, the subsidiary had adjusted net worth of \$138.8 million applicable to this requirement and therefore met the requirement. At December 31, 2020, the subsidiary's operational liquidity requirement was \$6.1 million and the restricted liquidity requirement was approximately \$15.6 million. The subsidiary had \$10.0 million and \$15.6 million of applicable assets to meet the operational and restricted liquidity requirements, respectively. The restricted liquidity requirement is calculated monthly by Fannie Mae's custodian, U.S. Bank, N.A., and is based upon current portfolio size and types of collateral. The requirement is classified as restricted cash and cash equivalents on the accompanying consolidated statements of financial position.

As a licensed Freddie Mac Optigo Seller Servicer of Conventional and TAH loans, Bellwether is required to maintain acceptable net worth and liquidity. At December 31, 2020, Bellwether's required net worth was \$5.0 million and its required liquidity was \$0.5 million. At December 31, 2020, Bellwether met these requirements with net worth of \$202.6 million and liquid assets totaling \$30.6 million.

Grants and contracts

At December 31, 2020, we had commitments under grants and contracts from federal and various state governments of \$35 million. This amount will be received through 2023 as we provide services under the terms of the grants and contracts.

Loans

At December 31, 2020, we have commitments to fund loans to various community development organizations of approximately \$69 million. We also have additional commitments for debt to fund these loans of approximately \$157 million. Our loans may also be partially funded with net assets without donor restrictions.

Minimum equity requirement

Pursuant to certain partnership agreements of entities managed by us, we are required to maintain a minimum equity amount that is generally stated as a fixed amount or a percentage of the

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investment partnership's invested equity. This requirement is less restrictive than a similar requirement in our credit facilities (see Note 17) and has not limited our ability to conduct our business.

Loan origination commitments

We are a party to financial instruments in the normal course of business to meet the financing needs of our customers and to reduce our own exposure to fluctuations in interest rates, that are not reflected in our consolidated statements of financial position. These financial instruments include (a) commitments to extend credit and (b) forward contracts to deliver and sell loans to investors. Those instruments involve, to varying degrees, elements of credit and market risk in excess of the amount recognized on the consolidated statements of financial position.

Our exposure to credit loss in the event of nonperformance by the other parties to these financial instruments represented by the contract amount of the instruments. We use the same credit policies in making commitments and forward contracts as we do for on-statement of financial position instruments.

Commitments to extend credit are agreements to lend to a customer and generally have fixed expiration dates. Since most of the commitments are expected to be drawn upon, the total commitment amounts represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. The collateral held is commercial and multifamily real estate.

Forward contracts are contracts for delayed delivery of loans or mortgage-backed securities in which the seller agrees to make delivery at a future date of a specified instrument, at a specified price or yield. These contracts are used primarily to reduce the exposure to interest rate fluctuations for loans in process and in loan inventory held for sale to investors. Most forward contracts are for terms of 30 days to 90 days.

As of December 31, 2020, we had entered into commitments to originate loans approximating \$892.9 million and commitments to sell loans of \$911.6 million, \$18.7 million of which is included in MLHS on our consolidated statements of financial position. As discussed in Note 2, we account for these commitments as derivatives recorded at fair value.

Custodial accounts

During 2020, we held funds in an agency capacity through custodial accounts for participation and syndication programs. The cash and corresponding liability of \$7.4 million at December 31, 2020 is not reflected in the consolidated financial statements.

Escrow accounts

The servicing of mortgage loans includes collection of loan and escrow payments from commercial mortgagors, deposit of these collections into restricted trust accounts, periodic remittance of principal and interest to investors, payment of property taxes and insurance premiums, and periodic inspection of certain properties. As of December 31, 2020, we held fiduciary funds of \$694.2 million representing undisbursed collections from mortgagors. These trust funds and the corresponding fiduciary trust liability are not included in our consolidated financial statements, as they do not represent assets or liabilities of Enterprise.

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Office leases

We, as a lessee, have entered into operating leases, primarily for office space, expiring at various dates through 2035. Rent expense was \$8.7 million for the years ended December 31, 2020 and 2019.

Annual minimum rent payments due under operating leases in effect at December 31, 2020 are as follows (\$ in thousands):

2021	\$	8,879
2022		7,917
2023		7,478
2024		7,077
2025		6,479
Thereafter		<u>30,504</u>
Total	\$	<u><u>68,334</u></u>

New markets tax credits

The NMTCs are contingent on our ability to maintain compliance with various rules and regulations of the CDFI Fund and applicable sections of Section 45D of the Internal Revenue Code. Failure to maintain compliance could result in recapture of previously taken NMTCs and the loss of future NMTCs.

Litigation

In the ordinary course of business, we are involved in a number of lawsuits, claims and assessments. In the opinion of management, there is no pending legal liability and accordingly no loss contingencies are required to be recorded in the accompanying consolidated financial statements.

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 consolidated financial statements for adjustments, if any, which may result from an audit.

Conditional grants

As of December 31, 2020, conditional promises to us totaled \$37.1 million of which \$24.7 million are conditional for future matching requirements, \$10.9 million are conditional due to federal cost principles, and \$1.5 million are conditional for the performance of a future event.

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.

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The awards, outstanding at any time during 2020, the related matching requirements, amounts expended and matching program services and the costs achieved as of December 31, 2020 are summarized as follows (\$ in thousands):

Capacity Building Grant	Award Year	Award Amount	Required Matching Commitments	Amount Expended	Matching Commitment Achieved
CB 20	2016	\$ 14,265	\$ 42,794	\$ 14,265	\$ 42,794
CB 21	2017	14,452	43,355	12,200	42,470
CB 22	2018	13,962	41,887	6,010	19,366
CB 23	2020	14,315	42,945	423	-

Note 24 - Guarantee obligations

We enter into certain guarantees in the ordinary course of business. The guarantees and obligations are described below.

We provide construction completion, operating deficit, development deficit, environmental, and/or tax credit guarantees to investors related to our performance under various development agreements. The maximum future payments we could be required to pay under these guarantees range from a fixed amount to unlimited based on the nature of the guarantee. However, in management's judgment, there are several factors that reduce or limit loss exposure, including requiring general contractors to post construction completion bonds. After considering our risk management strategies, we have determined that our risks are not significant with respect to these guarantees.

We have letters of credit relating to certain partnerships for which we provide syndication and/or development services, including \$6.5 million issued through one of our credit facilities at December 31, 2020. The estimated maximum exposure to loss under these guarantees is \$6.5 million at December 31, 2020. Management believes that there is sufficient collateral from partnership assets to support these instruments and, therefore, no risk of loss has been recognized in these consolidated financial statements.

We provide guarantees to certain lenders who provide financing for the acquisition and construction of affordable housing properties we develop. Under these guarantees, we provide repayment guarantees for the associated loans. These guarantees are generally in effect until the maturity date of the loan, or in the case of construction loans, the conversion to permanent financing. As of December 31, 2020, we had provided guarantees on three loans, of which \$25.7 million was outstanding at year end.

We also provide guarantees to Ohio Housing Finance Agency ("OHFA") related to certain LIHTC projects which have received a Housing Development Loan ("HDL") from OHFA. The intent of the HDLs is to bridge a portion of the investor equity that would typically be paid during construction or at completion over a 10-year period in order to increase the value of the LIHTCs. Our guaranty serves as collateral for the loan's repayment to OHFA. The guaranty is in the amount of the outstanding principal and interest on the HDL, and remains in place until the HDL is fully repaid. As payments are made over the term of the HDL, the guaranty is effectively reduced by the amount of the payments. The estimated maximum exposure to loss under these guarantees is \$11.5 million at December 31, 2020. As the source of repayment for the HDL is investor capital contributions which

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are deemed to be highly probable based on history and the financial health of the investors, we have determined that our risk is not significant, and as such, no related liability has been recorded.

We provide a guarantee to the investor in an affordable housing property developed in a Qualified Opportunity Zone. Under the guarantee, we would be responsible to cover a portion of losses incurred by the investor if the losses were the result of the property failing to maintain its compliance with rules designated under the Opportunity Zone program. At December 31, 2020, the estimated maximum exposure to loss under this guarantee was \$0.2 million.

Note 25 - 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 consolidated statement of financial position as of December 31, 2020. 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.

The World Health Organization declared Covid-19 a global pandemic on March 11, 2020, and recommended containment and mitigation measures worldwide. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on Enterprise. Management is actively working to identify and mitigate financial, operational, liquidity, and mission-related risks related to this pandemic.

Note 26 - 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 our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

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

Level 2 - Quoted 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.

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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. Furthermore, in other instances, we retain independent pricing vendors to assist in valuing certain instruments.

The following table presents the fair value of assets measured on a recurring basis at December 31, (\$ in thousands):

2020	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities and CDs	\$ 26,154	\$ -	\$ -	\$ 26,154
MLHS	-	351,813	-	351,813
Derivative assets	-	-	28,270	28,270
Investments in unconsolidated partnerships	-	-	1,389	1,389
Total	\$ 26,154	\$ 351,813	\$ 29,659	\$ 407,626
Liabilities				
Derivative liabilities	\$ -	\$ -	\$ 13,131	\$ 13,131
Total	\$ -	\$ -	\$ 13,131	\$ 13,131
2019	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities and CDs	\$ 52,568	\$ -	\$ -	\$ 52,568
MLHS	-	101,876	-	101,876
Derivative assets	-	-	22,204	22,204
Investments in unconsolidated partnerships	-	-	1,069	1,069
Total	\$ 52,568	\$ 101,876	\$ 23,273	\$ 177,717
Liabilities				
Derivative liabilities	\$ -	\$ -	\$ 15,930	\$ 15,930
Total	\$ -	\$ -	\$ 15,930	\$ 15,930

Marketable securities can consist of exchange traded mutual funds, U.S. Government agency obligations, fixed-income securities, and corporate and foreign securities and U.S. Treasury and agency securities, and are measured at their unadjusted, quoted net asset value. Certificates of deposits ("CDs") are measured at cost plus accrued interest, which approximates their fair value. MLHS are measured using market values provided by third party investors for similar loans, plus the value of the related servicing rights. Derivative instruments consist of interest rate lock commitments and forward sale agreements. These instruments are valued using a discounted cash flow model based on changes in the U.S. Treasury rate and other observable market data for similar instruments. Certain of our investments in unconsolidated partnerships, our social impact investments, are measured at fair value which is measured by our net asset value per share in each of those investments.

There were no transfers between any of the levels within the fair value hierarchy during 2020 or 2019.

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The following table presents information about significant unobservable inputs used in the measurement of the fair value of our Level 3 assets and liabilities measured on a recurring basis at December 31 (\$ in thousands):

	Fair value		Valuation technique	Unobservable input	Input value
	2020	2019			
Derivative assets	\$ 28,270	\$ 22,204	Discounted cash flow	Counterparty credit risk	-
Derivative liabilities	13,131	15,930	Discounted cash flow	Counterparty credit risk	-
Derivative assets, net	\$ 15,139	\$ 6,274			

Significant increases (decreases) in counterparty credit risk may lead to significantly lower (higher) fair value measurements. Given the credit quality of our counterparties, the short duration between funding the loan to the borrower and subsequent sale of the loan to the investor, and our historical experience with the agreements, the risk of nonperformance by our counterparties is not considered to be significant.

Nonrecurring fair value measurements

We evaluate mortgage servicing rights and obligations, our investments in unconsolidated partnerships, and intangible assets annually for impairment. We estimate the fair value of mortgage servicing rights and obligations as described in Note 13. We estimate the fair value of investments in unconsolidated partnerships that are held for sale using market yields to investors as of the measurement date. These valuations represent Level 3 fair value measurements due to significant unobservable inputs. We recognize impairment to the extent transferring the unconsolidated partnerships to the investment partnership will result in a loss to us. For all other investments in unconsolidated partnerships, we estimate the fair value based on the residual value to Enterprise of the investment as of the measurement date. During the year ended December 31, 2019, intangible assets were impaired by \$1.5 million. During the year ended December 31, 2020, there was no impairment of mortgage servicing rights and obligations, investments in unconsolidated partnerships, or intangible assets.

Note 27 - 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. Management evaluated the activity of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates through May 6, 2021 (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. Management determined that in addition to the subsequent events disclosed in Notes 7 and 22, the following subsequent event requires disclosure in the notes to the consolidated financial statements.

On February 26, 2021, ECD acquired an affordable housing property located in Silver Spring, MD, through its newly created, wholly-owned subsidiary ECD Naples Manor, LLC, for an estimated contractual sales price of \$16 million.

Supplementary Information

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Financial Position December 31, 2020 (\$ in thousands)

	<u>Assets</u>				All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total		
Cash and cash equivalents	\$ 53,921	\$ 20,419	\$ -	\$ 74,340	\$ 98,381	\$ 172,721
Restricted cash and cash equivalents	156,634	35,277	-	191,911	32,043	223,954
Contributions receivable, net	14,948	-	-	14,948	-	14,948
Accounts and other receivables, net	4,955	2,071	-	7,026	115,056	122,082
Advances to subsidiaries and affiliates	5,254	(615)	-	4,639	(4,639)	-
Mortgage loans held for sale	-	-	-	-	351,813	351,813
Derivative assets	-	-	-	-	28,270	28,270
Investments in controlled subsidiaries and affiliates	462,901	-	(91,308)	371,593	(371,593)	-
Investments in uncontrolled subsidiaries and affiliates	480	6,797	-	7,277	192,633	199,910
Prepaid expenses and other assets, net	3,125	2	-	3,127	10,600	13,727
Loans and notes receivable, net	14,562	224,469	-	239,031	43,638	282,669
Investments	-	502	-	502	-	502
Restricted investments	19,699	823	-	20,522	5,953	26,475
Mortgage servicing rights, net	-	-	-	-	136,186	136,186
Property and equipment, net	4,724	523	-	5,247	59,111	64,358
Intangible assets, net	-	-	-	-	17,663	17,663
Goodwill	-	-	-	-	9,543	9,543
Total assets	\$ 741,203	\$ 290,268	\$ (91,308)	\$ 940,163	\$ 724,658	\$ 1,664,821
	<u>Liabilities and Net Assets</u>					
Liabilities						
Accounts payable and accrued expenses	\$ 10,762	\$ 1,578	\$ -	\$ 12,340	\$ 53,986	\$ 66,326
Grants payable	48,224	-	-	48,224	-	48,224
Funds held for others	1,615	4,654	-	6,269	12,094	18,363
Derivative liabilities	-	-	-	-	13,131	13,131
Indebtedness	-	192,728	-	192,728	451,513	644,241
Capital contributions payable	-	-	-	-	138,131	138,131
Deferred tax liabilities, net	-	-	-	-	19,083	19,083
Losses in excess of investments in unconsolidated partnerships	-	-	-	-	1,618	1,618
Allowance for loan loss sharing	-	-	-	-	24,375	24,375
Deferred revenue and other liabilities	-	-	-	-	10,727	10,727
Total liabilities	60,601	198,960	-	259,561	724,658	984,219
Commitments and contingencies	-	-	-	-	-	-
Net assets						
Net assets without donor restrictions	402,409	68,402	(68,402)	402,409	-	402,409
Net assets without donor restrictions - noncontrolling interest	112,771	-	-	112,771	-	112,771
Net assets with donor restrictions	165,422	22,906	(22,906)	165,422	-	165,422
Total net assets	680,602	91,308	(91,308)	680,602	-	680,602
Total liabilities and net assets	\$ 741,203	\$ 290,268	\$ (91,308)	\$ 940,163	\$ 724,658	\$ 1,664,821

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Financial Position December 31, 2019 (\$ in thousands)

	<u>Assets</u>				All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total		
Cash and cash equivalents	\$ 4,777	\$ 15,594	\$ -	\$ 20,371	\$ 70,862	\$ 91,233
Restricted cash and cash equivalents	137,431	29,395	-	166,826	38,538	205,364
Contributions receivable, net	10,177	924	-	11,101	142	11,243
Accounts and other receivables, net	4,193	1,142	-	5,335	105,312	110,647
Advances to subsidiaries and affiliates	6,278	(36)	-	6,242	(6,242)	-
Mortgage loans held for sale	-	-	-	-	101,876	101,876
Derivative assets	-	-	-	-	22,204	22,204
Investments in controlled subsidiaries and affiliates	338,099	-	(67,806)	270,293	(270,293)	-
Investments in uncontrolled subsidiaries and affiliates	480	6,053	-	6,533	144,591	151,124
Prepaid expenses and other assets, net	612	23	-	635	14,908	15,543
Loans and notes receivable, net	12,705	231,510	-	244,215	35,727	279,942
Investments	-	495	-	495	-	495
Restricted investments	41,577	4,747	-	46,324	6,558	52,882
Mortgage servicing rights, net	-	-	-	-	93,235	93,235
Property and equipment, net	4,836	397	-	5,233	59,978	65,211
Intangible assets, net	-	-	-	-	19,057	19,057
Goodwill	-	-	-	-	9,543	9,543
Total assets	\$ 561,165	\$ 290,244	\$ (67,806)	\$ 783,603	\$ 445,996	\$ 1,229,599
	<u>Liabilities and Net Assets</u>					
Liabilities						
Accounts payable and accrued expenses	\$ 6,956	\$ 1,201	\$ -	\$ 8,157	\$ 67,591	\$ 75,748
Grants payable	1,332	-	-	1,332	-	1,332
Funds held for others	2,061	6,059	-	8,120	19,405	27,525
Derivative liabilities	-	-	-	-	15,930	15,930
Indebtedness	-	207,840	-	207,840	215,690	423,530
Capital contributions payable	-	-	-	-	88,599	88,599
Deferred tax liabilities, net	-	-	-	-	8,197	8,197
Losses in excess of investments in unconsolidated partnerships	-	-	-	-	1,912	1,912
Allowance for loan loss sharing	-	-	-	-	16,797	16,797
Deferred revenue and other liabilities	-	7,338	-	7,338	11,875	19,213
Total liabilities	10,349	222,438	-	232,787	445,996	678,783
Commitments and contingencies	-	-	-	-	-	-
Net assets						
Net assets without donor restrictions	295,810	54,505	(54,505)	295,810	-	295,810
Net assets without donor restrictions - noncontrolling interest	54,639	-	-	54,639	-	54,639
Net assets with donor restrictions	200,367	13,301	(13,301)	200,367	-	200,367
Total net assets	550,816	67,806	(67,806)	550,816	-	550,816
Total liabilities and net assets	\$ 561,165	\$ 290,244	\$ (67,806)	\$ 783,603	\$ 445,996	\$ 1,229,599

See Independent Auditor's Report.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Activities Year Ended December 31, 2020 (\$ in thousands)

	Without Donor Restrictions						With Donor Restrictions						
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Consolidated Total
Revenue and support													
Gains from mortgage banking activities	\$ -	\$ -	\$ -	\$ -	\$ 160,467	\$ 160,467	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,467
Contributions	57,229	10,050	-	67,279	(18,030)	49,249	105,387	250	-	105,637	33	105,670	154,919
Syndication fees	-	-	-	-	44,766	44,766	-	-	-	-	-	-	44,766
Grants and contracts	21,207	-	-	21,207	-	21,207	-	13,726	-	13,726	-	13,726	34,933
Asset management fees	-	-	-	-	30,366	30,366	-	-	-	-	-	-	30,366
Interest income	323	13,195	-	13,518	14,384	27,902	-	-	-	-	-	-	27,902
Loan servicing fees	-	1,031	-	1,031	23,200	24,231	-	-	-	-	-	-	24,231
Property management fees	-	-	-	-	23,836	23,836	-	-	-	-	-	-	23,836
Rental income	-	-	-	-	10,345	10,345	-	-	-	-	-	-	10,345
Development and construction management fees	-	-	-	-	8,287	8,287	-	-	-	-	-	-	8,287
Services provided to subsidiaries and affiliates	1,223	-	-	1,223	(1,223)	-	-	-	-	-	-	-	-
Advisory services and other fees	-	-	-	-	3,876	3,876	-	-	-	-	-	-	3,876
Investment income	986	-	-	986	-	986	404	-	-	404	-	404	1,390
Royalty income	4,737	-	-	4,737	(4,737)	-	-	-	-	-	-	-	-
Other revenue	3,500	88	-	3,588	13,870	17,458	-	-	-	-	-	-	17,458
	89,205	24,364	-	113,569	309,407	422,976	105,791	13,976	-	119,767	33	119,800	542,776
Net assets released from restrictions	151,981	4,371	-	156,352	306	156,658	(151,981)	(4,371)	-	(156,352)	(306)	(156,658)	-
Total revenue and support	241,186	28,735	-	269,921	309,713	579,634	(46,190)	9,605	-	(36,585)	(273)	(36,858)	542,776
Expenses													
Program activities	181,636	14,300	-	195,936	231,191	427,127	-	-	-	-	-	-	427,127
Management and general	3,275	1,487	-	4,762	11,342	16,104	-	-	-	-	-	-	16,104
Fundraising	5,554	-	-	5,554	(336)	5,218	-	-	-	-	-	-	5,218
Total expenses	190,465	15,787	-	206,252	242,197	448,449	-	-	-	-	-	-	448,449
Excess (deficiency) of revenue and support over expenses from operations	50,721	12,948	-	63,669	67,516	131,185	(46,190)	9,605	-	(36,585)	(273)	(36,858)	94,327
Net realized and unrealized gain on investments	141	226	-	367	-	367	1,913	-	-	1,913	-	1,913	2,280
Impairment	(1,604)	-	-	(1,604)	(1,468)	(3,072)	-	-	-	-	-	-	(3,072)
Equity in increase (decrease) in net assets of subsidiaries and affiliates	72,391	723	(13,897)	59,217	(55,947)	3,270	(273)	-	-	(273)	273	-	3,270
Change in net assets before income taxes	121,649	13,897	(13,897)	121,649	10,101	131,750	(44,550)	9,605	-	(34,945)	-	(34,945)	96,805
Income tax expense	-	-	-	-	10,101	10,101	-	-	-	-	-	-	10,101
Change in net assets	121,649	13,897	(13,897)	121,649	-	121,649	(44,550)	9,605	-	(34,945)	-	(34,945)	86,704
Change in net assets, noncontrolling interest	(35,626)	-	-	(35,626)	-	(35,626)	-	-	-	-	-	-	(35,626)
Change in net assets, controlling interest	\$ 86,023	\$ 13,897	\$ (13,897)	\$ 86,023	\$ -	\$ 86,023	\$ (44,550)	\$ 9,605	\$ -	\$ (34,945)	\$ -	\$ (34,945)	\$ 51,078

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Activities Year Ended December 31, 2019 (\$ in thousands)

	Without Donor Restrictions						With Donor Restrictions						
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Consolidated Total
Revenue and support													
Gains from mortgage banking activities	\$ -	\$ -	\$ -	\$ -	\$ 111,475	\$ 111,475	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,475
Contributions	10,122	-	-	10,122	(7,981)	2,141	32,838	960	-	33,798	178	33,976	36,117
Syndication fees	-	-	-	-	47,121	47,121	-	-	-	-	-	-	47,121
Grants and contracts	20,927	-	-	20,927	-	20,927	-	-	-	-	-	-	20,927
Asset management fees	-	-	-	-	27,698	27,698	-	-	-	-	-	-	27,698
Interest income	231	13,284	-	13,515	22,874	36,389	-	-	-	-	-	-	36,389
Loan servicing fees	-	924	-	924	20,554	21,478	-	-	-	-	-	-	21,478
Property management fees	-	-	-	-	20,270	20,270	-	-	-	-	-	-	20,270
Rental income	-	-	-	-	10,544	10,544	-	-	-	-	-	-	10,544
Development and construction management fees	-	-	-	-	8,068	8,068	-	-	-	-	-	-	8,068
Services provided to subsidiaries and affiliates	1,966	-	-	1,966	(1,966)	-	-	-	-	-	-	-	-
Advisory services and other fees	-	-	-	-	4,166	4,166	-	-	-	-	-	-	4,166
Investment income	3,827	-	-	3,827	-	3,827	423	-	-	423	-	423	4,250
Sales of real estate	-	-	-	-	1,914	1,914	-	-	-	-	-	-	1,914
Royalty income	4,027	-	-	4,027	(4,027)	-	-	-	-	-	-	-	-
Other revenue	2,818	203	-	3,021	8,124	11,145	-	-	-	-	-	-	11,145
	43,918	14,411	-	58,329	268,834	327,163	33,261	960	-	34,221	178	34,399	361,562
Net assets released from restrictions	67,426	1,243	-	68,669	4,876	73,545	(67,426)	(1,243)	-	(68,669)	(4,876)	(73,545)	-
Total revenue and support	111,344	15,654	-	126,998	273,710	400,708	(34,165)	(283)	-	(34,448)	(4,698)	(39,146)	361,562
Expenses													
Program activities	102,855	11,243	-	114,098	231,963	346,061	-	-	-	-	-	-	346,061
Management and general	3,476	1,428	-	4,904	10,640	15,544	-	-	-	-	-	-	15,544
Fundraising	5,965	-	-	5,965	(283)	5,682	-	-	-	-	-	-	5,682
Total expenses	112,296	12,671	-	124,967	242,320	367,287	-	-	-	-	-	-	367,287
(Deficiency) excess of revenue and support over expenses from operations	(952)	2,983	-	2,031	31,390	33,421	(34,165)	(283)	-	(34,448)	(4,698)	(39,146)	(5,725)
Net realized and unrealized gain (loss) on investments	1,185	(135)	-	1,050	-	1,050	2,898	-	-	2,898	-	2,898	3,948
Impairment	-	-	-	-	(2,370)	(2,370)	-	-	-	-	-	-	(2,370)
Equity in increase (decrease) in net assets of subsidiaries and affiliates	28,222	40	(2,888)	25,374	(24,828)	546	(4,698)	-	-	(4,698)	4,698	-	546
Change in net assets before income taxes	28,455	2,888	(2,888)	28,455	4,192	32,647	(35,965)	(283)	-	(36,248)	-	(36,248)	(3,601)
Income tax expense	-	-	-	-	4,192	4,192	-	-	-	-	-	-	4,192
Change in net assets	28,455	2,888	(2,888)	28,455	-	28,455	(35,965)	(283)	-	(36,248)	-	(36,248)	(7,793)
Change in net assets, noncontrolling interest	(12,816)	-	-	(12,816)	-	(12,816)	-	-	-	-	-	-	(12,816)
Change in net assets, controlling interest	\$ 15,639	\$ 2,888	\$ (2,888)	\$ 15,639	\$ -	\$ 15,639	\$ (35,965)	\$ (283)	\$ -	\$ (36,248)	\$ -	\$ (36,248)	\$ (20,609)

See Independent Auditor's Report.

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Functional Expenses Year Ended December 31, 2020 (\$ in thousands)

Expenses	Program activities						Management and General						Fundraising						Consolidated Total
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	
Salaries and employee benefits	\$ 25,565	\$ 3,231	\$ -	\$ 28,796	\$ 174,734	\$ 203,530	\$ 1,362	\$ 889	\$ -	\$ 2,251	\$ 9,566	\$ 11,817	\$ 4,082	\$ -	\$ -	\$ 4,082	\$ 172	\$ 4,254	\$ 219,601
Grants and royalty fee	130,996	228	-	131,224	-	131,224	-	-	-	-	-	-	-	-	-	-	-	-	131,224
Professional and contract services	19,718	1,806	-	21,524	1,765	23,289	1,473	498	-	1,971	(680)	1,291	733	-	-	733	(560)	173	24,753
General operating expenses	1,489	94	-	1,583	12,829	14,412	166	19	-	185	1,185	1,370	337	-	-	337	36	373	16,155
Interest expense	-	5,720	-	5,720	9,975	15,695	-	-	-	-	132	132	-	-	-	-	-	-	15,827
Occupancy	1,977	291	-	2,268	11,024	13,292	135	64	-	199	420	619	227	-	-	227	11	238	14,149
Provision for loan losses and bad debt expense	96	2,861	-	2,957	7,786	10,743	-	-	-	-	-	-	-	-	-	-	-	-	10,743
Depreciation and amortization expense	1,038	55	-	1,093	7,833	8,926	95	12	-	107	552	659	67	-	-	67	5	72	9,657
Development contract costs	-	-	-	-	2,868	2,868	-	-	-	-	-	-	-	-	-	-	-	-	2,868
Travel and related costs	239	12	-	251	1,456	1,707	13	3	-	16	66	82	23	-	-	23	-	23	1,812
Marketing expenses	307	-	-	307	801	1,108	27	-	-	27	101	128	74	-	-	74	-	74	1,310
Meetings and conferences	211	2	-	213	100	313	4	2	-	6	-	6	11	-	-	11	-	11	330
Cost of real estate sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 181,636</u>	<u>\$ 14,300</u>	<u>\$ -</u>	<u>\$ 195,936</u>	<u>\$ 231,191</u>	<u>\$ 427,127</u>	<u>\$ 3,275</u>	<u>\$ 1,487</u>	<u>\$ -</u>	<u>\$ 4,762</u>	<u>\$ 11,342</u>	<u>\$ 16,104</u>	<u>\$ 5,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,554</u>	<u>\$ (336)</u>	<u>\$ 5,218</u>	<u>\$ 448,449</u>

Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Functional Expenses Year Ended December 31, 2019 (\$ in thousands)

Expenses	Program activities						Management and General						Fundraising						Consolidated Total
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Combined Eliminations	Combined Total	All Other Subsidiaries & Affiliates, net of Eliminations	Consolidated	
Salaries and employee benefits	\$ 25,089	\$ 2,464	\$ -	\$ 27,553	\$ 159,482	\$ 187,035	\$ 1,134	\$ 814	\$ -	\$ 1,948	\$ 9,545	\$ 11,493	\$ 3,858	\$ -	\$ -	\$ 3,858	\$ 261	\$ 4,119	\$ 202,647
Grants and royalty fee	50,879	-	-	50,879	-	50,879	-	-	-	-	-	-	-	-	-	-	-	-	50,879
Professional and contract services	18,191	1,381	-	19,572	2,154	21,726	1,937	471	-	2,408	(1,512)	896	1,155	-	-	1,155	(602)	553	23,175
General operating expenses	1,851	171	-	2,022	14,329	16,351	86	37	-	123	1,249	1,372	266	-	-	266	55	321	18,044
Interest expense	-	5,688	-	5,688	16,656	22,344	-	-	-	-	-	-	-	-	-	-	-	-	22,344
Occupancy	2,200	246	-	2,446	14,576	17,022	166	54	-	220	371	591	242	-	-	242	-	242	17,855
Provision for loan losses and bad debt expense	232	1,055	-	1,287	4,331	5,618	-	-	-	-	-	-	-	-	-	-	-	-	5,618
Depreciation and amortization expense	1,877	142	-	2,019	11,631	13,650	44	31	-	75	521	596	60	-	-	60	3	63	14,309
Development contract costs	-	-	-	-	1,156	1,156	-	-	-	-	-	-	-	-	-	-	-	-	1,156
Travel and related costs	1,391	82	-	1,473	4,136	5,609	56	18	-	74	267	341	133	-	-	133	-	133	6,083
Marketing expenses	371	-	-	371	1,330	1,701	40	-	-	40	190	230	143	-	-	143	-	143	2,074
Meetings and conferences	774	14	-	788	306	1,094	13	3	-	16	9	25	108	-	-	108	-	108	1,227
Cost of real estate sold	-	-	-	-	1,876	1,876	-	-	-	-	-	-	-	-	-	-	-	-	1,876
	<u>\$ 102,855</u>	<u>\$ 11,243</u>	<u>\$ -</u>	<u>\$ 114,098</u>	<u>\$ 231,963</u>	<u>\$ 346,061</u>	<u>\$ 3,476</u>	<u>\$ 1,428</u>	<u>\$ -</u>	<u>\$ 4,904</u>	<u>\$ 10,640</u>	<u>\$ 15,544</u>	<u>\$ 5,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,965</u>	<u>\$ (283)</u>	<u>\$ 5,682</u>	<u>\$ 367,287</u>

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