Enterprise Community Partners, Inc. and Affiliate

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Enterprise Community Partners, Inc. ("Partners") and Affiliate, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the financial reporting provisions of loan agreements between third parties, Partners and Affiliate (the "Agreements"). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Enterprise Community Partners, Inc. and Affiliate as of December 31, 2018 and 2017, and the changes in their combined net assets and their combined cash flows for the years then ended in accordance with the financial reporting provisions of the Agreements.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 2, Partners and Affiliate adopted the Financial Accounting Standard Board ("FASB")'s Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), an amendment to FASB Accounting Standards Codification ("ASC") Topic 958 *Not-for-Profit Entities* (the "standard") as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information on pages 30 to 33 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Restriction on Use

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

CohnReznick LLP

Bethesda, Maryland
May 14, 2019

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Financial Position
December 31, 2018 and 2017
($ in thousands)

Assets

	2018	2017
Cash and cash equivalents	$ 28,707	$ 20,995
Restricted cash and cash equivalents	184,347	35,847
Contributions receivable, net	16,402	17,568
Contracts receivable, net	7,434	6,511
Interest receivable, net	1,448	1,003
Loans receivable, net of allowance for loan losses of $8,356 and $6,171, respectively	216,009	169,538
Notes receivable, net of allowance for loan losses of $1,243 and $3,269, respectively	9,404	10,656
Advances to subsidiaries and affiliates	1,076	1,603
Restricted investments	52,706	59,605
Investments in controlled subsidiaries and affiliates	255,587	170,244
Investments in uncontrolled subsidiaries and affiliate	6,776	6,575
Property and equipment, net	5,331	5,470
Other receivables and other assets, net	559	701
Total assets	$ 785,786	$ 506,316

Liabilities and Net Assets

	2018	2017
Liabilities		
Accounts payable and accrued expenses	$ 11,693	$ 9,774
Funds held for others	5,829	6,450
Loans payable, net	203,721	159,524
Total liabilities	221,243	175,748
Commitments and contingencies	-	-
Net assets		
Net assets without donor restrictions	278,327	209,237
Net assets without donor restrictions - noncontrolling interest	49,601	36,586
Net assets with donor restrictions	236,615	84,745
Total net assets	564,543	330,568
Total liabilities and net assets	$ 785,786	$ 506,316

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Activities
Years Ended December 31, 2018 and 2017
($ in thousands)

	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total	2017 Without Donor Restrictions	2017 With Donor Restrictions	2017 Total
Revenue and support						
Grants and contracts	$ 20,842	$ 9,300	$ 30,142	$ 20,209	$ 2,507	$ 22,716
Contributions	8,448	192,126	200,574	5,842	19,002	24,844
Interest income	12,051	-	12,051	9,890	-	9,890
Royalty income	6,012	-	6,012	6,115	-	6,115
Services provided to subsidiaries and affiliates	2,765	-	2,765	2,497	-	2,497
Investment income	2,545	409	2,954	651	418	1,069
Other revenue	3,600	-	3,600	9,648	-	9,648
	56,263	201,835	258,098	54,852	21,927	76,779
Net assets released from restrictions	53,850	(53,850)	-	40,349	(40,349)	-
Total revenue and support	110,113	147,985	258,098	95,201	(18,422)	76,779
Expenses						
Program activities						
Program services	53,736	-	53,736	46,836	-	46,836
Grants	34,827	-	34,827	14,839	-	14,839
Public policy	2,873	-	2,873	3,033	-	3,033
Interest on loans	5,307	-	5,307	3,855	-	3,855
Total program activities	96,743	-	96,743	68,563	-	68,563
Support services						
Management and general	4,950	-	4,950	4,738	-	4,738
Fundraising	5,347	-	5,347	5,100	-	5,100
Total support services	10,297	-	10,297	9,838	-	9,838
Total expenses	107,040	-	107,040	78,401	-	78,401
Excess (deficiency) of revenue and support over expenses from operations	3,073	147,985	151,058	16,800	(18,422)	(1,622)
Net realized and unrealized (loss) gain on investments	(509)	(1,454)	(1,963)	488	2,426	2,914
Intercompany grant expense	(47,197)	(11,560)	(58,757)	-	-	-
Equity in increase in net assets of subsidiaries and affiliates	129,914	16,899	146,813	24,613	-	24,613
Changes in net assets	85,281	151,870	237,151	41,901	(15,996)	25,905
Changes in net assets, attributable to noncontrolling interest	(17,079)	-	(17,079)	(8,807)	-	(8,807)
Changes in net assets, attributable to controlling interest	$ 68,202	$ 151,870	$ 220,072	$ 33,094	$ (15,996)	$ 17,098

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Functional Expenses
Years Ended December 31, 2018 and 2017
($ in thousands)

	2018				2017			
Expenses	Program activities	Management and general	Fundraising	Total	Program activities	Management and general	Fundraising	Total
Salaries	$ 20,478	$ 1,759	$ 3,266	$ 25,503	$ 18,662	$ 1,514	$ 3,048	$ 23,224
Grants	34,827	-	-	34,827	14,839	-	-	14,839
Professional and contract services	20,221	2,247	817	23,285	18,380	2,288	903	21,571
Interest on loans	5,307	-	-	5,307	3,759	-	-	3,759
Employee benefits and taxes	4,501	432	645	5,578	3,932	373	589	4,894
Net change in allowance for loan losses	2,936	-	-	2,936	1,491	-	-	1,491
Occupancy	2,303	219	241	2,763	2,211	219	248	2,678
Depreciation and amortization expense	1,828	67	65	1,960	1,602	43	21	1,666
Travel and related costs	1,532	94	141	1,767	1,248	84	104	1,436
Meetings and conferences	810	17	14	841	694	46	19	759
Miscellaneous	955	14	79	1,048	762	73	80	915
General operating supplies and expenses	650	65	58	773	551	49	60	660
Marketing	395	36	21	452	432	49	28	509
	$ 96,743	$ 4,950	$ 5,347	$ 107,040	$ 68,563	$ 4,738	$ 5,100	$ 78,401

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017
($ in thousands)

	Without Donor Restrictions				
	Controlling interest	Noncontrolling interest	Total	With Donor Restrictions	Total net assets
Balance, December 31, 2016	$ 175,750	$ 29,590	$ 205,340	$ 100,741	$ 306,081
Contributions	-	7,153	7,153	-	7,153
Distributions	-	(5,405)	(5,405)	-	(5,405)
Redemption of noncontrolling member's interest	-	(3,166)	(3,166)	-	(3,166)
Reallocation of interests to reflect ownership share	393	(393)	-	-	-
Change in net assets	33,094	8,807	41,901	(15,996)	25,905
Balance, December 31, 2017	209,237	36,586	245,823	84,745	330,568
Contributions	-	5,027	5,027	-	5,027
Distributions	-	(8,086)	(8,086)	-	(8,086)
Redemption of noncontrolling member's interest	-	(117)	(117)	-	(117)
Reallocation of interests to reflect ownership share	888	(888)	-	-	-
Change in net assets	68,202	17,079	85,281	151,870	237,151
Balance, December 31, 2018	$ 278,327	$ 49,601	$ 327,928	$ 236,615	$ 564,543

See Notes to Combined Financial Statements.

Enterprise Community Partners, Inc. and Affiliate

Combined Statements of Cash Flows
Years Ended December 31, 2018 and 2017
($ in thousands)

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ 237,151	$ 25,905
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation expense	1,960	1,666
Loss on disposition of property and equipment	99	-
Amortization of debt issuance costs	31	9
Net change in allowance for loan losses	2,959	(5,259)
Distribution from subsidiary	153	-
Equity in increase in net assets of subsidiaries and affiliates	(146,813)	(24,613)
Intercompany grant of Loan Fund to Investment	58,090	-
Net realized and unrealized loss (gain) on investments	1,963	(2,914)
Decrease in contributions receivable	1,166	2,508
Increase in contracts receivable	(923)	(666)
Increase in interest receivable	(445)	(232)
Decrease in advances to subsidiaries and affiliates	527	4,467
Decrease (increase) in other receivables and other assets, net	142	(31)
Increase in accounts payable and accrued expenses	1,919	1,321
Decrease in funds held for others	(621)	(372)
Net cash provided by operating activities	157,358	1,789
Cash flows from investing activities		
Advances on loans receivable	(113,766)	(67,008)
Repayments of loans receivable	65,110	44,141
Capital contributions to subsidiaries	(150)	(5,666)
Advances on notes receivable	(18,318)	(17,000)
Repayments of notes receivable	18,796	17,918
Purchases of property and equipment	(1,920)	(2,150)
Distribution from subsidiaries	-	50
Net sales (purchases) of investments	4,936	(25,555)
Net cash used in investing activities	(45,312)	(55,270)
Cash flows from financing activities		
Proceeds from loans payable	269,445	60,674
Loan repayments	(224,701)	(41,210)
Payment of debt issuance costs	(578)	-
Net cash provided by financing activities	44,166	19,464
Net increase (decrease) in cash and cash equivalents	156,212	(34,017)
Cash, cash equivalents and restricted cash and cash equivalents at the beginning of the year	56,842	90,859
Cash, cash equivalents and restricted cash and cash equivalents at the end of the year	$ 213,054	$ 56,842
Supplementary disclosure of cash flow information		
Interest paid	$ 4,979	$ 3,745
Significant noncash investing and financing activities		
Fully depreciated property and equipment written off	$ 42	$ 1,087
Fully allowed loans and notes receivable written off	$ 2,800	$ 759

See Notes to Combined Financial Statements.

Note 1 - Organization and purpose

Basis of presentation

The combined financial statements include the accounts and transactions of Enterprise Community Partners, Inc. ("Partners") and Enterprise Community Loan Fund, Inc. (the "Affiliate" or "Loan Fund") (collectively, "we", or "us"), which are under common control. Our combined financial statements have been prepared on an accrual basis and are for the purpose of complying with certain loan agreements we have with third parties (the "Agreements"). The combined financial statements are not intended to present the combined financial position of Partners and Loan Fund in conformity with U.S. generally accepted accounting principles as the accounts and transactions of other subsidiaries and affiliates are not combined or consolidated and such consolidated financial statements have not been issued. The consolidated financial statements of Partners are expected to be issued in May 2019. Accordingly, the accounts and transactions of other subsidiaries and affiliates are not combined or consolidated and are accounted for using the equity method or at fair value. Additionally, other non-related parties have ownership interests in certain affiliates that are accounted for using the equity method in these combined financial statements and therefore, those amounts are presented as noncontrolling interest in these combined financial statements. Significant intercompany transactions and balances are eliminated in combination.

Use of estimates

The preparation of the combined financial statements in conformity with the Agreements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Significant estimates are inherent in the preparation of these combined financial statements in a number of areas, including determining the fair value of unconditional contributions, estimation of potential losses relating to loans. Evaluation of the collectability of contributions receivable, determining useful lives of property and equipment and determining the functional allocation of expenses. Actual results could differ from our estimates.

Organization and business

Partners is a 501(c)(3) and 509(a)(1) not-for-profit publicly supported charitable foundation. Its affiliate, Loan Fund, is a 509(a)(2) not-for-profit organization. Loan Fund is also a community development financial institution ("CDFI").

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

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

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

Donor restrictions

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

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

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Investment proceeds and realized/unrealized gains and losses are reported as changes in net assets without donor restrictions unless specifically limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Partners has been the recipient of several grants which are designated to provide gap financing for affordable housing projects, capacity building support to land banks and community land bank trusts and code enforcement/housing improvements in New York. The majority of these funds are distributed as pass-through funding with a small portion of the funds being designated to cover our operating costs to administer the program. The net assets with donor restrictions balance for this program includes designated pass-through funds in the amount of $169 million and $28 million as of December 31, 2018 and 2017, respectively.

Note 2 - Significant accounting policies

Revenue recognition and related matters

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

Grants and contracts

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

Grants and contracts were 12% and 30% of total revenue and support for 2018 and 2017, respectively. Approximately 58% and 77% of the grants and contract revenue is derived from federal cost reimbursement contracts in 2018 and 2017, respectively. Approximately 38% and 67% of the federal funding is provided by the U.S. Department of Housing and Urban Development ("HUD") in 2018 and 2017, respectively.

Contributions

Contributions that are unconditional promises to give are recognized as revenue in the period received. Contributions with donor-imposed restrictions and unconditional promises to give with payments due in future periods are recorded as increases to net assets with donor restrictions and are reclassified to net assets without donor restrictions at the time the condition for release of restriction is met. Unconditional promises to give with payments due in future periods where the donor has explicitly permitted for their use in the current period and the promise to give is otherwise free of a donor-imposed restriction are recorded as increases in net assets without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions recognized that are to be received more than one year after the formal grant date are recorded at their fair value based on the income approach whereby future amounts expected to be collected are discounted to their present value at a rate commensurate with the risk involved. This rate is based on management's assessment of current market expectations plus a reasonable risk premium. The average discount rate for 2018 and 2017 was 4.11% and 3.22%, respectively. Amortization of the discount is recorded as additional contribution revenue. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift.

An allowance for uncollectible contributions receivable is made based upon management's judgment, based on factors such as prior collection history, the type of contribution and other relevant factors. Contributions were 78% and 32% of total revenue and support for 2018 and 2017, respectively. Contributions without donor restrictions include grant revenue from uncombined affiliates of $7.6 million and $5.6 million for 2018 and 2017, respectively.

Contributions with donor imposed restrictions, excluding the pass-through contributions discussed in Note 1, from the top five contributors comprise approximately 29% of total contributions for 2018 and 2017.

Interest income

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

Investment proceeds

Investment earnings on funds held pursuant to donor-imposed restrictions are reported as investment income and added to net assets with donor restrictions. Changes in market value on investments with donor-imposed restrictions are reported as net realized and unrealized gains and losses and added to or deducted from net assets with donor restrictions.

Cash and cash equivalents and investments

Investments with maturities at dates of purchase of three months or less are considered to be cash equivalents. Cash equivalents are invested in money market funds, certificates of deposit, corporate and U.S. agency bonds and notes, all with an equivalent rating of A2/P2 or higher. Investments consist primarily of marketable securities. Investments in marketable securities consist of fixed income securities and corporate and foreign securities, and U.S. Treasury and agency securities, and are carried at fair value. The original basis of such investments is the purchase price. Investment income is recorded when earned as an addition to net assets without donor restrictions unless restricted by donor. Realized and unrealized gains and losses are recorded in the accompanying combined statements of activities as an increase or decrease in net assets without donor restrictions unless restricted by the donor. Investments also include stock with the Federal Home Loan Bank of Atlanta, which is accounted for using the cost method and is evaluated annually for impairment. As of and for the years ended December 31, 2018 and 2017, 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 an impairment loss. The carrying value of this stock was $872,000 and $533,000 as of December 31, 2018 and 2017, respectively.

Restricted cash and cash equivalents and restricted investments

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

Allowance for doubtful accounts

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

Loans receivable

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

We may modify loans for a variety of reasons. Modifications include changes to interest rates, principal and interest payment terms, loan maturity dates, and collateral. Some modifications are in conjunction with a troubled debt restructure when a loan is no longer performing under the current loan terms. These modifications may include the types of modifications noted above and/or a forbearance agreement. We also enter into loan participation agreements with other organizations as the lead lender. If certain conditions are met, these loan participations are accounted for as sales by derecognizing the participation interest sold. No gain or loss on sale is incurred. If the conditions are not met, we continue to carry the full loan receivable in our combined financial statements and reflect the participation component of the loan as a secured borrowing with a pledge of collateral. We had $2.8 million and $7.3 million in loan participations that did not meet the conditions for sale accounting treatment as December 31, 2018 and 2017, respectively. These loan participations were recorded in loans receivable, offset in loans payable, and represent no risk to us (see Note 9). We retain the servicing rights on participations and provide loan servicing on other loan arrangements as well. Since the benefits of servicing approximate the costs, no servicing asset or liability is recognized.

During the loan approval process, underwriting criteria is fairly consistent regardless of the portfolio segment. Criteria considered for housing loans includes an analysis of the market, sponsor primary repayment sources, loan takeout options and collateral. For other loans and investments, more attention is focused on additional criteria, such as the borrower's business plan and cash flows from operations. Once loans are approved, our monitoring processes are consistently applied across portfolio segments. As a result of these monitoring processes, we generally group our loans into three categories:

Performing - Loans are performing and borrower is expected to fully repay obligations.

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

Impaired - The primary source of repayment is questionable and/or the value of the underlying collateral has declined, increasing the probability that we will be unable to collect all principal and interest due.

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

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

Advances to subsidiaries and affiliates

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

Investments in controlled and uncontrolled subsidiaries and affiliates

Our investments in controlled subsidiaries and affiliates are accounted for using the equity method in the accompanying combined financial statements. Our investments in uncontrolled subsidiaries and affiliates are accounted for using the equity method if we are able to influence the operating and financial decisions of the entities. If we are unable to influence the operating or financial decisions, then the investments are accounted for using the fair value method. Under the fair value method, investments without a readily determinable fair value may be measured at cost minus impairment. Our investments in controlled subsidiaries and affiliates are those in which we have a controlling financial interest (usually defined as a majority voting interest), while our investments in uncontrolled subsidiaries and affiliate are those in which we do not have a controlling financial interest. Additional information concerning the controlled and uncontrolled subsidiaries and affiliates is provided in Note 7.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Generally, we capitalize the purchase of items individually costing $1,000 or more provided an item meets our basic criteria to be capitalized. Additionally, upon meeting certain criteria, we capitalize external direct costs incurred and payroll and payroll-related expenses for employees who are directly associated with developing or obtaining software applications and related upgrades and enhancements. If events or circumstances indicate that the carrying amount is not recoverable, the related asset is tested for impairment and written down to the fair value, if impaired. As of December 31, 2018 and 2017, we have not recognized any reduction in the carrying value of property and equipment. The cost of property and equipment is depreciated or amortized using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are capitalized and amortized over the shorter of their useful lives or the lease term.

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

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

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

Income taxes
Partners and Loan Fund are recognized as 501(c)(3) charitable organizations and are exempt from income taxes with respect to charitable activities, except for unrelated business income. We did not have any unrelated business income during the years ended December 31, 2018 and 2017. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying combined financial statements. We do file tax returns required to be completed by tax-exempt entities with the Internal Revenue Service ("IRS") and other taxing authorities. These income tax

returns are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2015 remain open for examination.

For the years ended December 31, 2018 and 2017, we did not identify any uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements.

Grant expense
Grants made are reported as decreases in net assets without donor restrictions in the year funded.

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

Fair value of financial instruments
The carrying amount of investments in fixed income, corporate and foreign equity securities, and investments in uncontrolled subsidiaries and affiliates not accounted for under the equity method are recorded at fair value. The carrying amount of other financial instruments approximate their fair value.

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

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

In addition, during 2018, we adopted new guidance related to accounting for equity securities that are not accounted for under the equity method of accounting or result in consolidation of an investee. The change in accounting under the new guidance requires these equity securities to be measured at fair value with changes in the fair value recognized through changes in net assets. In addition, the guidance no longer allows for accounting for these types of equity securities under the cost method. We elected to adopt this guidance early, as adoption for us is not required until fiscal years beginning after December 15, 2018. While this new guidance has been adopted by us on a retrospective basis, the adoption did not have an impact on our December 31, 2017 combined statement of financial position, our 2017 combined statement of activities, or our combined statement of cash flows.

In addition, during 2018, we adopted new guidance related to the presentation of the statement of cash flows. The change in presentation under the new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and cash equivalents. Prior to this guidance, there was significant diversity in practice on how to present changes in restricted cash and cash equivalents on the statement of cash flows. We elected to adopt this guidance early, as adoption for us is not required until fiscal years beginning after December 15, 2018. While this new guidance has been adopted by us on a retrospective basis, the adoption did not have an impact on our December 31, 2017 combined statement of cash flows as it already reported the change in total cash.

Upcoming accounting standards

In May 2014, new guidance was released related to the recognition of revenue from contracts with customers. This guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This guidance is effective beginning with our annual 2019 combined financial statements. We do not believe that adopting the provisions of this guidance in 2019 will have a material impact on our combined financial statements.

Note 3 - Liquidity

Our financial assets as of December 31, 2018 available to meet general expenditures over the next twelve months consist of the following ($ in thousands):

Financial assets	
Cash and cash equivalents	$ 28,707
Restricted cash and cash equivalents and investments	237,053
Contributions receivable, net	16,402
Contracts receivable, net	7,434
Interest receivable, net	1,448
Loans and notes receivable, net	225,413
Advances to subsidiaries and affiliates	1,076
Investments in controlled and uncontrolled subsidiaries and affiliates	262,363
Total financial assets	779,896
Less amounts not available to be used within one year:	
Restricted cash and cash equivalents and investments	(237,053)
Contributions receivable, net	(16,402)
Loans receivable and notes receivable, net	(214,999)
Investments in controlled and uncontrolled subsidiaries and affiliates	(262,363)
Financial assets available to meet general expenditures over the next twelve months	$ 49,079

We consider general expenditures to be operating expenses that will be paid with funds that do not have a donor restriction. Our overall operating expenses are substantially supported by restricted contributions. Our annual operating expenses, which do not include pass through grants and programmatic professional and contract services, are approximately $50 million. As previously stated, while our restricted cash, cash equivalents, and investments are generally donor restricted for purpose, geography, or time we expect to be able to utilize a portion of these funds to cover salaries and other operating costs to fulfill our mission as the restrictions are met. In addition, we manage a restricted grant totaling $14 million that provides for an annual distribution of 5% of the 3-year average market value to fund general expenditures. Contributions receivable have donor-imposed restrictions that will not be met within one year, or are not expected to be collected in 2019. Loans payable could be drawn to finance a portion of loans and notes receivable that is currently funded with our cash, providing the cash for additional liquidity.

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

Note 4 - Contributions receivable, net

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

	2018	2017
Unconditional promises expected to be collected in		
Less than one year	$ 14,559	$ 12,402
One year to five years	1,921	5,350
	16,480	17,752
Less unamortized discount	(78)	(184)
Contributions receivable, net	$ 16,402	$ 17,568

Note 5 - Loans receivable, net

Since 1981, we have closed approximately $1.91 billion of loans to various community organizations. The sources of lending capital used and anticipated to be used to fund such loans are loans payable and private contributions. As of December 31, 2018 and 2017, $65.9 million and $59.8 million, respectively, of loans receivable are due within one year. Loans are secured through a variety of collateral arrangements. As of December 31, 2018, 78% of loans receivable were secured by first liens placed on the underlying real estate; 8% were unsecured or secured by subordinate liens; and 14% were secured by non-real estate assignments including developer fees, equity pay-ins, third party credit enhancements or guarantees, and cash and investments. The loans bear interest at varying rates which in the aggregate approximate 5.6% and 5.4% as of December 31, 2018 and 2017, respectively. In accordance with historical practice, it is expected that some of these loans will be extended at maturity. Our loan policy dictates that loans can only be extended if there is no material adverse change in the credit and repayment is not threatened.

Loan participations outstanding totaled $36.0 million and $27.7 million at December 31, 2018 and 2017, respectively.

The allowance for loan losses based on total loans receivable was 3.72% and 3.51% as of December 31, 2018 and 2017, respectively. After adjusting for loan participations that did not meet the requirements for sale treatment, the allowance for loan losses was 3.77% and 3.66% for the same periods.

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

	2018	2017
Loans to unaffiliated organizations	$ 224,365	$ 175,709
Less: Allowance for loan losses	(8,356)	(6,171)
Loans receivable, net	$ 216,009	$ 169,538

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

	2018			2017		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan losses						
Balance at beginning of year	$ (4,211)	$ (1,960)	$ (6,171)	$ (5,446)	$ (2,071)	$ (7,517)
Net change in allowance for loan losses	(1,073)	(1,090)	(2,163)	578	111	689
Write-offs	-	-	-	664	-	664
Recoveries	(22)	-	(22)	(7)	-	(7)
Balance at end of year	$ (5,306)	$ (3,050)	$ (8,356)	$ (4,211)	$ (1,960)	$ (6,171)

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

	2018			2017		
	Housing	Other	Total	Housing	Other	Total
Performing	$ 140,118	$ 67,749	$ 207,867	$ 124,219	$ 44,044	$ 168,263
Monitored	10,466	6,032	16,498	4,176	3,020	7,196
Impaired						
With an increased alowance for loan losses	-	-	-	-	-	-
Without an increased allowance for loan losses	-	-	-	250	-	250
Total	$ 150,584	$ 73,781	$ 224,365	$ 128,645	$ 47,064	$ 175,709
Average investment in impaired loans	$ 125	$ -	$ 125	$ 699	$ -	$ 699

No interest income was recognized on impaired loans, and no loans were restructured during 2018 and 2017.

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

	2018			2017		
	Housing	Other	Total	Housing	Other	Total
Past due						
31-60 days	$ -	$ -	$ -	$ -	$ -	$ -
61-90 days	-	-	-	-	-	-
Over 90 days	-	-	-	250	-	250
Total	-	-	-	250	-	250
Current	150,584	73,781	224,365	128,395	47,064	175,459
Total	$ 150,584	$ 73,781	$ 224,365	$ 128,645	$ 47,064	$ 175,709

Note 6 - Notes receivable, net

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

	2018	2017
Notes receivable		
Notes to unaffiliated organizations	$ 1,902	$ 3,449
Notes to affiliated organizations	8,745	10,476
	10,647	13,925
Notes receivable allowance:		
Notes to unaffiliated organizations	(1,243)	(3,269)
Notes to affiliated organizations	-	-
	(1,243)	(3,269)
Notes receivable, net	$ 9,404	$ 10,656

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

	2018	2017
Balance at beginning of year	$ (3,269)	$ (7,934)
Net change in allowance for loan losses	(774)	4,570
Write-offs	2,800	95
Balance at end of year	$ (1,243)	$ (3,269)

The allowance for notes to affiliated organizations for the year ended December 31, 2016 was reversed during the year ended December 31, 2017 based on management's reassessment of collectability. Management deemed the amount to be collectible due to partial repayments received during 2017, as well as improved performance of the affiliated entity. We recorded a $6.8 million recovery as other income on the combined statements of activities as this reflects a recovery of program related investment that was not initially anticipated during the year ended December 31, 2017.

Note 7 - Transactions with uncombined subsidiaries and certain affiliates

As discussed in Note 1, these combined financial statements include the accounts and transactions of Partners and Loan Fund. Investments in controlled subsidiaries and affiliates, accounted for under the equity method, at December 31 consist of the following ($ in thousands):

	2018	2017
Investment in		
ECI	$ 255,219	$ 169,738
Others	368	506
Total	$ 255,587	$ 170,244

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

Statements of Financial Position

	2018	2017
Total assets	$ 794,599	$ 653,330
Total liabilities	$ 539,012	$ 483,086
Total net assets without donor restrictions	205,986	133,658
Total net assets without donor restrictions - noncontrolling interest	49,601	36,586
Total liabilities and net assets	$ 794,599	$ 653,330

Statements of Activities

	2018	2017
Revenue	$ 384,668	$ 206,176
Expenses	238,014	180,917
Changes in net assets	$ 146,654	$ 25,259

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

	2018	2017
Increases in net assets - controlled subsidiaries and affiliates	$ 146,654	$ 25,259
Increases (decreases) in net assets - uncontrolled subsidiaries and affiliates	159	(646)
Equity in increase in net assets of subsidiaries and affiliates	$ 146,813	$ 24,613

Enterprise Community Investment ("ECI")
ECI is a stock based, 501(c)(4) social welfare organization. ECI supports our mission by providing investment capital and development services for affordable housing and community revitalization efforts. ECI's core business strategy involves working in partnership with developers and corporate investors to invest and manage equity and debt investments in affordable housing and catalytic commercial projects in low-income and emerging communities throughout the United States. These investments may qualify for low-income housing tax credits, historic tax credits, and/or new markets tax credits. In support of our core strategy, ECI provides asset management and consulting services and offers debt financing products to affordable residential and commercial projects. ECI, through its controlled subsidiary Enterprise Homes, Inc. ("EHI"), provides development and management expertise relating to the construction of affordable housing projects, and provides property management services to affordable housing projects. ECI, through Bellwether Enterprise Real Estate Capital, LLC and Subsidiaries ("Bellwether"), also originates permanent loan opportunities for a wide range of institutional investors, including life insurance companies, pension funds, government agencies and banks, and also manages mortgage loan servicing for institutional investors. As of December 31, 2018 and 2017, ECI holds a controlling ownership interest in Bellwether of 55.14% and 57.37%, respectively. As of April 1, 2018, ECI also obtained control of Loan Fund as discussed in Note 1.

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

Under a formal memorandum of understanding, ECI uses the services of our senior management and certain of our professional and administrative personnel. The amounts we billed under the agreement for these services and activities were $2.6 million and $2.3 million during the years ended December 31, 2018 and 2017, respectively. These billings are included in services provided to subsidiaries and affiliates in the accompanying combined statements of activities. Additionally, we are reimbursed by ECI for certain out-of-pocket costs incurred on their behalf. These reimbursements totaled $1.7 million and $1.6 million for the years ended December 31, 2018 and December 31, 2017, respectively.

Under the same formal memorandum of understanding referenced above, we use ECI's personnel for such services as information technology, human resources, finance, legal, and office management. The amounts billed to us under the agreement were $12.2 million and $13.5 million during the years ended December 31, 2018 and 2017, respectively. The amount is reflected as a component of both program activities and support services, management and general in the accompanying combined statements of activities. We also reimburse ECI for other costs they incur on behalf of us. These costs totaled $1.7 million and $1.4 million for each of the years ended December 31, 2018 and 2017, respectively.

The use of the "Enterprise" name and logo and the associated intellectual property has significant value, particularly in the affordable housing industry. As such, we entered into a royalty agreement with ECI to allow the use of our name and logo in conducting their businesses. This royalty income is based on a percentage of revenue generated by those business lines at a prevalent market rate. For the years ended December 31, 2018 and 2017, this revenue totaled $6.0 million and $6.1 million, respectively. These amounts are reflected as royalty income in the accompanying combined statements of activities.

We also received unrestricted grants from ECI in the amount of $7.6 million and $5.6 million for the years ended December 31, 2018 and 2017, respectively. These amounts are reflected as contributions in the accompanying combined statements of activities.

We have extended an unsecured line of credit to ECI for general corporate purposes. The loan is structured as an arms-length transaction, and the terms are based on what ECI can access from external lenders. At both December 31, 2018 and 2017, the borrowing capacity under this facility was $17 million. Interest is payable at a fluctuating interest rate, which was 4.7699% and 3.8143% at December 31, 2018 and 2017, respectively. There were no outstanding borrowings under this facility at December 31, 2018 and 2017. The credit facility is extended automatically on January 1st for successive one-year periods unless we give 30 days' notice not to extend.

ImpactUs Marketplace, LLC ("ImpactUs")

During 2015, we made an initial investment of $3.0 million in a newly formed entity, ImpactUs (formerly known as Community Investment Marketplace, LLC) for the purpose of creating an on-line investment platform to facilitate impact investment opportunities. During 2017, we made an additional investment of $0.5 million. On December 26, 2017, ImpactUs filed U.S. Securities and Exchange Commission Form BDW to terminate its status as a registered broker-dealer. In addition, during 2018, ImpactUs entered into an agreement to sell its assets to a third party entity and was dissolved during 2018.

Other Controlled Subsidiaries and Affiliates

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

Investments in Noncontrolled Subsidiaries and Affiliates

We have an interest in certain noncontrolled subsidiaries and affiliates that support our mission of providing affordable housing and/or other resources to low-income communities throughout the United States. These investments are accounted for under the equity method, or carried at fair value or cost minus impairment if there is no readily determinable fair value.

During 2017, we provided a $5.0 million capital contribution to a multi-family housing project in exchange for a 0.01% limited partner interest which is expected to provide a 6% annual return. Our earnings and return of capital are in a first priority position.

As of December 31, 2018 and 2017, investments in noncontrolled subsidiaries and affiliates totaled $6.8 million and $6.6 million, respectively.

Note 8 - Property and equipment, net

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

	2018	2017
Office equipment	$ 1,152	$ 1,059
Software applications	11,915	10,239
Furniture and fixtures	1,214	1,208
Leasehold improvements	1,906	1,902
	16,187	14,408
Accumulated depreciation and amortization	(10,856)	(8,938)
Total	$ 5,331	$ 5,470

Note 9 - Loans payable

Loans payable bear interest at rates which vary from 0% to 4.16% and are repayable through 2047. Most of our borrowings are structured as unsecured. We have three facilities that require that we pledge collateral. Based on the requirements of the lender, we pledge the underlying loans receivable, government and agency securities, and/or cash to collateralize draws. Secured loans payable were $57.0 million and $29.9 million as of December 31, 2018 and 2017, respectively. Most of our loans payable reflect borrowings which have been restricted by the lender for lending to various community development organizations. Some borrowings are further restricted for use in certain locations or in certain sectors and/or initiatives. Some of our loans payable may be utilized for working capital purposes. Additionally, certain of these loans payable contain covenants that require Loan Fund to provide reporting on a periodic basis and to meet and maintain specific financial ratios.

We had $2.8 million and $7.3 million of loans payable related to loan participation agreements that did not meet the conditions for sale accounting treatment at December 31, 2018 and 2017, respectively. These loans payable were offset by loans receivable and represent no risk to Loan Fund (see Note 2).

Certain of these loans payable is considered Equity Equivalent ("EQ2") investments. EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest rate and have a rolling maturity. The lender cannot accelerate payment unless an uncured event of default exists. As of December 31, 2018 and 2017, loans payable included $15.8 million of EQ2 investments.

Loan Fund offers an Impact Note program to individuals, including employees and board members, and institutions. All outstanding Impact Notes were repurchased in August 2018 by Loan Fund and the existing program was restructured. Under the new program, investments will be a minimum of $25,000 for one to ten years at interest rates of 0% to 3.5%. As of December 31, 2018 and 2017, amounts outstanding under this program were $0 and $44.9 million, respectively. As of December 31, 2018 and 2017, the balance due to employees and the board members was $0 and $0.7 million, respectively. State registrations were in process at year-end, and we began issuing notes under the new program in early 2019.

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

Due in 2019	$	15,421
2020		13,673
2021		27,454
2022		20,229
2023		38,462
Thereafter		89,266
Total	$	204,505

The debt due in 2019 consists of borrowings related to loan facilities that are used to fund outstanding loans receivable. We expect to make payments at or before scheduled maturity dates of the related loans from proceeds from the collection of loans receivable, the refinancing of loan facilities, or through the use of operating cash.

Debt issuance costs, net of accumulated amortization, totaled approximately $784,000 and $237,000 as of December 31, 2018 and 2017, respectively, related to these borrowings, and is included as a component of loans payable, net on the accompanying combined statements of financial position.

Note 10 - Restrictions and limitations on net asset balances

During the years ended December 31, 2018 and 2017, net assets released from donor restrictions and the events or transactions which caused the restrictions to expire totaled $53.9 million and $40.3 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):

	2018	2017
Gifts and other unexpended revenue restricted to specific programs or locations	$ 216,202	$ 67,261
Contributions receivable due in future periods, net	15,074	17,484
Net assets with donor restrictions of uncombined affiliate	5,339	-
Total	$ 236,615	$ 84,745

Note 11 - Pension and savings plans

We sponsor a qualified defined contribution plan available to substantially all our employees. This plan allows employees to make pre-tax contributions pursuant to Section 401(k) of the Internal Revenue Code and provides for employer matching contributions for eligible employees in accordance with the provisions of this plan. We match eligible participants' contributions, as defined, after one year of employment, based on a formula set forth in the plan and may make additional contributions, subject to certain limitations, at the discretion of the Boards of Trustees. Participants are immediately vested in their contributions and our matching contributions are vested over a three-year period. We made matching contributions to the plan of $0.6 million and $0.5 million during the years ended December 31, 2018 and 2017, 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. The contributions vest over six years. After six years of service, all future contributions are automatically vested. Total expenses under this plan totaled $0.8 million and $0.7 million for the years ended December 31, 2018 and 2017, respectively.

Note 12 - Commitments and contingencies

Commitments and contingencies not reflected in the combined statement of financial position at December 31, 2018 are indicated below:

Grants and contracts

At December 31, 2018, we had commitments under grants and contracts from federal and various state governments of $32 million. This amount will be received through 2022 as we provide services under the terms of the grants and contracts.

Loans

At December 31, 2018, we have commitments to fund loans to various community development organizations of approximately $53 million. We also have additional commitments for debt to assist in funding these loans of approximately $153 million. Our loans may also be partially funded with net assets without donor restrictions.

Custodial accounts

During 2018, we held funds in an agency capacity through custodial accounts for a participation program. The cash and corresponding liability of $10 million at December 31, 2018 is not reflected in the combined financial statements.

Office leases

We, as a lessee, have entered into operating leases, primarily for office space, expiring at various dates through 2029. A portion of the space leased is allocated for use to ECI.

Annual minimum rent payments due under operating leases in effect at December 31, 2018 are as follows ($ in thousands):

2019	$ 2,484
2020	2,404
2021	2,251
2022	1,969
2023	1,685
Thereafter	8,731
Total	$ 19,523

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

After allocations to and from ECI, rent expense was $2.3 million for the years ended December 31, 2018 and 2017, and is included as a component of occupancy on the accompanying statements of functional expenses. We were paid $1.0 million under these arrangements during both the years ended December 31, 2018 and 2017.

Government contracting

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

Litigation

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

Matching requirements

We were awarded various four-year Capacity Building grants by HUD. These awards require us to either directly provide qualified matching program services and costs or obtain the matching program services and costs from third parties on a 3:1 basis within four years of the award date on amounts expended which could be less than the award amount. Should we not achieve the committed 3:1 matching requirement from third parties, we would be required to provide the matching program services or accept alternative corrective action.

The awards, outstanding at any time during 2018, the related matching requirements, amounts expended and matching program services and the costs achieved as of December 31, 2018 are summarized as follows ($ in thousands):

Capacity Building Grant	Award Year	Award Amount	Required Matching Commitments	Amount Expended	Matching Commitment Achieved
CB 18	2014	$ 15,888	$ 47,665	$ 15,883	$ 47,665
CB 19	2015	14,635	43,904	12,487	40,854
CB 20	2016	14,265	42,794	7,424	25,869
CB 21	2017	14,452	43,355	995	1,963

Note 13 - Concentration of credit risk

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

Note 14 - Risks and uncertainties

Our restricted investments consist of commercial paper, corporate and U.S. agency bonds and notes, and diversified funds which invest in fixed income securities, and equities. Investment policy and guidelines are established by our investment committee of the board of trustees and approved by the applicable boards. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the combined statement of financial position as of December 31, 2018. The investment policy and guidelines consider liquidity and risks for each entity and each pool of assets and attempt to diversify asset classes to mitigate risks over the applicable time horizons.

Note 15 - Fair value measurements

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

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

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

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

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

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

December 31, 2018	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	$ 51,834	$ -	$ -	$ 51,834
Total	$ 51,834	$ -	$ -	$ 51,834

December 31, 2017	Level 1	Level 2	Level 3	Net balance
Assets				
Investments in marketable securities	$ 59,072	$ -	$ -	$ 59,072
Total	$ 59,072	$ -	$ -	$ 59,072

Investments in marketable securities can consist of U.S. Government agency obligations, fixed income securities and corporate and foreign securities and U.S. Treasury and agency securities. Marketable securities are carried at fair value based on quoted prices.

Note 16 - Subsequent events

Events that occur after the combined statement of financial position date but before the combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the combined statement of financial position date are recognized in the accompanying combined financial statements. Subsequent events which provide evidence about conditions that existed after the combined statement of financial position date require disclosure in the accompanying notes. We evaluated our activity through May 14, 2019 (the date the combined financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the combined financial statements.

Supplementary Information

Enterprise Community Partners, Inc. and Affiliate

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

Assets

	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash and cash equivalents	$ 12,679	$ 16,028	$ 28,707	$ -	$ 28,707
Restricted cash and cash equivalents	160,074	24,273	184,347	-	184,347
Contributions receivable, net	12,277	4,125	16,402	-	16,402
Contracts receivable, net	7,434	-	7,434	-	7,434
Interest receivable, net	225	1,223	1,448	-	1,448
Loans receivable, net	3,937	212,072	216,009	-	216,009
Notes receivable, net	8,765	639	9,404	-	9,404
Advances to subsidiaries and affiliates	635	441	1,076	-	1,076
Restricted investments	43,841	8,865	52,706	-	52,706
Investments in controlled subsidiaries and affiliates	320,788	-	320,788	(65,201)	255,587
Investments in uncontrolled subsidiaries and affiliate	480	6,296	6,776	-	6,776
Property and equipment, net	4,948	383	5,331	-	5,331
Other receivables and other assets, net	535	24	559	-	559
Total assets	$ 576,618	$ 274,369	$ 850,987	$ (65,201)	$ 785,786

Liabilities and Net Assets

	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Liabilities					
Accounts payable and accrued expenses	$ 10,658	$ 1,035	$ 11,693	$ -	$ 11,693
Funds held for others	1,417	4,412	5,829	-	5,829
Loans payable, net	-	203,721	203,721	-	203,721
Total liabilities	12,075	209,168	221,243	-	221,243
Commitments and contingencies	-	-	-	-	-
Net assets					
Net assets without donor restrictions	278,327	51,617	329,944	(51,617)	278,327
Net assets without donor restrictions - noncontrolling interest	49,601	-	49,601	-	49,601
Net assets with donor restrictions	236,615	13,584	250,199	(13,584)	236,615
Total net assets	564,543	65,201	629,744	(65,201)	564,543
Total liabilities and net assets	$ 576,618	$ 274,369	$ 850,987	$ (65,201)	$ 785,786

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information
Combining Statement of Financial Position
December 31, 2017
($ in thousands)

Assets

	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Cash and cash equivalents	$ 7,589	$ 13,406	$ 20,995	$ -	$ 20,995
Restricted cash and cash equivalents	14,635	21,212	35,847	-	35,847
Contributions receivable, net	15,061	2,507	17,568	-	17,568
Contracts receivable, net	6,511	-	6,511	-	6,511
Interest receivable, net	53	950	1,003	-	1,003
Loans receivable, net	2,593	166,945	169,538	-	169,538
Notes receivable, net	10,626	180	10,806	(150)	10,656
Advances to subsidiaries and affiliates	1,950	(347)	1,603	-	1,603
Restricted investments	50,672	8,933	59,605	-	59,605
Investments in controlled subsidiaries and affiliates	224,620	-	224,620	(54,376)	170,244
Investments in uncontrolled subsidiaries and affiliate	1,235	5,340	6,575	-	6,575
Property and equipment, net	5,470	-	5,470	-	5,470
Other receivables and other assets, net	615	86	701	-	701
Total assets	$ 341,630	$ 219,212	$ 560,842	$ (54,526)	$ 506,316

Liabilities and Net Assets

	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined
Liabilities					
Accounts payable and accrued expenses	$ 9,126	$ 648	$ 9,774	$ -	$ 9,774
Funds held for others	1,936	4,514	6,450	-	6,450
Loans payable, net	-	159,674	159,674	(150)	159,524
Total liabilities	11,062	164,836	175,898	(150)	175,748
Commitments and contingencies	-	-	-	-	-
Net assets					
Net assets without donor restrictions	209,237	46,816	256,053	(46,816)	209,237
Net assets without donor restrictions - noncontrolling interest	36,586	-	36,586	-	36,586
Net assets with donor restrictions	84,745	7,560	92,305	(7,560)	84,745
Total net assets	330,568	54,376	384,944	(54,376)	330,568
Total liabilities and net assets	$ 341,630	$ 219,212	$ 560,842	$ (54,526)	$ 506,316

See Independent Auditor's Report.

Enterprise Community Partners, Inc. and Affiliate

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

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

Enterprise Community Partners, Inc. and Affiliate

Supplementary Information
Combining Statement of Activities
Year Ended December 31, 2017
($ in thousands)

	Without Donor Restrictions					With Donor Restrictions				
	Enterprise Community Partners, Inc.	Enterprise Community Loan Fund, Inc.	Total	Eliminations	Combined	With Donor Restrictions - Enterprise Community Partners, Inc.	With Donor Restrictions - Enterprise Community Loan Fund, Inc.	Eliminations	Combined	Combined Total
Revenue and support										
Grants and contracts	$ 20,209	$ -	$ 20,209	$ -	$ 20,209	$ -	$ 2,507	$ -	$ 2,507	$ 22,716
Contributions	5,842	-	5,842	-	5,842	19,002	-	-	19,002	24,844
Interest income	212	9,678	9,890	-	9,890	-	-	-	-	9,890
Royalty income	6,115	-	6,115	-	6,115	-	-	-	-	6,115
Services provided to subsidiaries and affiliates	2,497	-	2,497	-	2,497	-	-	-	-	2,497
Investment income	447	204	651	-	651	418	-	-	418	1,069
Other revenue	8,806	842	9,648	-	9,648	-	-	-	-	9,648
	44,128	10,724	54,852	-	54,852	19,420	2,507	-	21,927	76,779
Net assets released from restrictions	34,520	5,829	40,349	-	40,349	(34,520)	(5,829)	-	(40,349)	-
Total revenue and support	78,648	16,553	95,201	-	95,201	(15,100)	(3,322)	-	(18,422)	76,779
Expenses										
Program activities										
Program services	41,725	5,111	46,836	-	46,836	-	-	-	-	46,836
Grants	14,839	-	14,839	-	14,839	-	-	-	-	14,839
Public policy	3,033	-	3,033	-	3,033	-	-	-	-	3,033
Interest on loans	96	3,759	3,855	-	3,855	-	-	-	-	3,855
Total program activities	59,693	8,870	68,563	-	68,563	-	-	-	-	68,563
Support services										
Management and general	3,776	962	4,738	-	4,738	-	-	-	-	4,738
Fundraising	5,100	-	5,100	-	5,100	-	-	-	-	5,100
Total support services	8,876	962	9,838	-	9,838	-	-	-	-	9,838
Total expenses	68,569	9,832	78,401	-	78,401	-	-	-	-	78,401
Excess (deficiency) of revenue and support over expenses from operations	10,079	6,721	16,800	-	16,800	(15,100)	(3,322)	-	(18,422)	(1,622)
Net realized and unrealized gain on investments	484	4	488	-	488	2,426	-	-	2,426	2,914
Intercompany grant (expense) income	-	-	-	-	-	-	-	-	-	-
Equity in increase in net assets of subsidiaries and affiliates	31,338	90	31,428	(6,815)	24,613	-	-	-	-	24,613
Change in net assets	41,901	6,815	48,716	(6,815)	41,901	(12,674)	(3,322)	-	(15,996)	25,905
Change in net assets, attributable to noncontrolling interest	(8,807)	-	(8,807)	-	(8,807)	-	-	-	-	(8,807)
Change in net assets, attributable to controlling interest	$ 33,094	$ 6,815	$ 39,909	$ (6,815)	$ 33,094	$ (12,674)	$ (3,322)	$ -	$ (15,996)	$ 17,098

See Independent Auditor's Report.