Enterprise Community Partners, Inc.
and Its Subsidiaries and Affiliates

Consolidated Financial Statements and
Independent Auditor's Report

December 31, 2013 and 2012

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Index

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 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, 2013 and 2012, and the related consolidated statements of activities, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. The financial statements of certain subsidiaries and affiliates of Enterprise Community Partners, Inc. were not audited in accordance with *Government Auditing Standards* as discussed at Note 1 in the Notes to Schedule of Expenditures of Federal Awards.

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 financial position of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of indirect costs is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of 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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014 on our consideration of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control over financial reporting and compliance.

CohnReznick LLP

Bethesda, Maryland
June 24, 2014

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Consolidated Statements of Financial Position
December 31, 2013 and 2012
(In Thousands)

Assets

	2013	2012
Cash, cash equivalents and investments	$ 74,087	$ 63,095
Restricted cash, cash equivalents and investments	74,504	72,393
Contributions receivable, net	13,311	6,871
Fees, bridge loans, contracts and notes receivable, net	60,196	84,365
Loans receivable, net	111,014	108,227
Mortgage loans held for sale	15,836	38,223
Real estate held for resale	5,064	6,563
Investment in operating properties, net	4,465	4,995
Investments in other affiliates	70,501	84,732
Office equipment and improvements, net	16,060	14,527
Deferred income taxes	11,831	11,378
Mortgage servicing rights, net	25,861	26,460
Other assets	14,492	14,524
Total assets	$ 497,222	$ 536,353

Liabilities and Net Assets

	2013	2012
Liabilities:		
Accounts payable and accrued expenses	$ 35,124	$ 33,870
Capital contributions payable	51,406	74,619
Funds held for others	6,999	8,419
Indebtedness	149,857	180,408
Losses in excess of partnership interests	5,182	5,174
Mortgage servicing obligations, net	45	63
Deferred revenue and other liabilities	33,942	35,727
Total liabilities	282,555	338,280
Commitments and contingencies	-	-
Net assets:		
Unrestricted, controlling	145,195	136,167
Unrestricted, noncontrolling	12,975	13,683
Temporarily restricted	56,497	48,223
Total net assets	214,667	198,073
Total liabilities and net assets	$ 497,222	$ 536,353

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Consolidated Statements of Activities
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013			2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and support:						
Syndication, acquisition and consulting fees	$ 59,825	$ -	$ 59,825	$ 65,125	$ -	$ 65,125
Contributions	1,053	21,424	22,477	1,508	15,300	16,808
Grants and contracts	27,143	1,347	28,490	25,029	1,453	26,482
Loan placement and servicing fees	27,835	-	27,835	21,782	-	21,782
Sales of real estate	3,864	-	3,864	5,091	-	5,091
Interest income	5,981	-	5,981	6,581	-	6,581
Investment income	4,164	3,264	7,428	3,796	1,496	5,292
Operating properties rents	1,747	-	1,747	1,760	-	1,760
Other revenue	4,711	-	4,711	2,148	-	2,148
	136,323	26,035	162,358	132,820	18,249	151,069
Net assets released from restrictions	17,761	(17,761)	-	16,879	(16,879)	-
Total revenue and support	154,084	8,274	162,358	149,699	1,370	151,069
Expenses:						
Program activities	121,740	-	121,740	119,625	-	119,625
Cost of real estate sold	3,739	-	3,739	5,583	-	5,583
Interest	5,707	-	5,707	5,765	-	5,765
General and administrative	7,548	-	7,548	7,026	-	7,026
Operating properties activities	2,326	-	2,326	984	-	984
Fundraising	2,294	-	2,294	2,087	-	2,087
Income taxes	(536)	-	(536)	1,716	-	1,716
Total expenses	142,818	-	142,818	142,786	-	142,786
Increase in net assets	11,266	8,274	19,540	6,913	1,370	8,283
Increase in net assets, attributable to noncontrolling interest	(2,238)	-	(2,238)	(1,877)	-	(1,877)
Increase in net assets, attributable to controlling interest	$ 9,028	$ 8,274	$ 17,302	$ 5,036	$ 1,370	$ 6,406

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, 2013 and 2012
(In Thousands)

	Unrestricted			Temporarily Restricted			
	Controlling	Noncontrolling	Total	Program Activities	Cullman Challenge Grant	Terwilliger Fund	Total Net Assets
Balance, December 31, 2011	$ 130,950	$ 165	$ 131,115	$ 33,109	$ 9,444	$ 4,300	$ 177,968
Redemption of shares held by noncontrolling member	-	(165)	(165)	-	-	-	(165)
Acquisition of interest in Bellwether	181	12,301	12,482	-	-	-	12,482
Distributions	-	(495)	(495)	-	-	-	(495)
Increase in net assets	5,036	1,877	6,913	389	975	6	8,283
Balance, December 31, 2012	136,167	13,683	149,850	33,498	10,419	4,306	198,073
Distributions	-	(2,946)	(2,946)	-	-	-	(2,946)
Increase in net assets	9,028	2,238	11,266	5,569	2,703	2	19,540
Balance, December 31, 2013	$ 145,195	$ 12,975	$ 158,170	$ 39,067	$ 13,122	$ 4,308	$ 214,667

See Notes to Consolidated Financial Statements.

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
Cash flows from operating activities		
Changes in net assets	$ 19,540	$ 8,283
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,685	4,241
Deferred income taxes	(453)	1,486
Equity in (income) loss of partnerships	(256)	136
(Recovery of) Provision for bad debt expense	(195)	2,049
Net realized/unrealized (gain) loss on investments	(3,728)	(2,245)
Trading gain on mortgage loans held for sale	(204)	(238)
Origination of mortgage servicing rights	(4,224)	(4,952)
Amortization of mortgage servicing rights	5,087	3,398
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(6,440)	193
Decrease in fees, bridge loans, notes and contracts receivable	23,465	14,359
Decrease (increase) in mortgages held for sale	22,310	(24,922)
Decrease in real estate held for resale	1,499	2,976
Increase in investments in other affiliates	(8,936)	(7,117)
(Decrease) increase in accounts payable, accrued expenses, and other liabilities	(1,911)	3,516
Decrease in funds held for others	(1,420)	(23)
Net cash provided by operating activities	48,819	1,140
Cash flows from investing activities		
Amounts advanced on loans receivable	(73,515)	(67,239)
Amounts repaid on loans receivable	71,451	62,081
Amounts advanced on notes receivable	(4,157)	(6,040)
Amounts repaid on notes receivable	4,882	6,426
Net sales (purchases) of investments	15,344	(4,293)
Purchases of office equipment and improvements, net of disposals	(5,215)	(6,059)
Purchase of 65% interest in Bellwether	-	(13,343)
Distributions from investments in other affiliates	212	494
Investment in operating properties	794	259
Net cash provided by (used in) investing activities	9,796	(27,714)
Cash flows from financing activities		
Proceeds from loans payable	70,552	64,242
Loan repayments	(101,502)	(56,777)
Distributions to noncontrolling interest holders	(2,946)	(495)
Net cash (used in) provided by financing activities	(33,896)	6,970
Net increase (decrease) in cash and cash equivalents	24,719	(19,604)
Cash and cash equivalents, beginning	80,411	100,015
Cash and cash equivalents, end	$ 105,130	$ 80,411

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012
(In Thousands)

	2013	2012
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	$ 5,823	$ 5,700
Cash (refunded) paid for income taxes during the year	$ (163)	$ 1,551
Supplemental disclosure of significant noncash investing and financing activities:		
Commitments to make capital contributions to unconsolidated partnerships	$ 51,406	$ 74,619
Transfers of investments in unconsolidated partnerships	$ 64,219	$ 18,117
Disposal of office equipment	$ 12,184	$ 542
Loans written off	$ 714	$ 666
Investment in affiliate	$ -	$ 806
Redemption of shares held by noncontrolling member	$ -	$ 165

See Notes to Consolidated Financial Statements.

Note 1 - Organization and purpose

Enterprise Community Partners, Inc. ("Partners") is publicly supported and tax-exempt under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code. Partners' mission is to create opportunities for low and moderate-income people through fit, affordable housing and diverse, thriving communities. Partners and its subsidiaries and affiliates (collectively, the "Organization"), primarily Enterprise Community Investment, Inc. ("Investment") and Enterprise Community Loan Fund ("Loan Fund") accomplish their mission by providing local communities technical assistance, training and financial resources. Support for the Organization comes principally from fees for services, contributions, grants and contracts, interest income from loans and sales of real estate.

Merger with Bellwether

On May 31, 2012, Investment combined its mortgage banking business with Bellwether, a privately held commercial real estate mortgage banking company headquartered in Cleveland, Ohio. The merger expands the geographic reach, products, offerings and ability to serve multi-family and commercial real estate borrowers across the country. At the time of the merger, Investment became a 65% owner of the combined mortgage operations. As consideration, Investment paid to the owners of Bellwether $13.6 million cash plus the effective transfer of 35% of the existing mortgage business, valued at approximately $3.4 million. Further, Investment incurred transaction costs of $0.9 million to complete the merger with Bellwether.

The impact to the financial statements of the initial purchase price entries and related transaction costs are summarized as follows (in thousands):

Cash paid	$	(14,520)
Cash acquired		257
Mortgages held for sale		250
Mortgage servicing rights		18,586
Intangible assets		6,706
Other assets		917
Liabilities		(517)
Deferred tax assets, net		(117)
Change to our share of equity		(180)
Noncontrolling interest in consolidating venture		(12,302)
Acquisition expense incurred by Enterprise		920

Tax status conversion

In September 2011, Investment filed an application with the Internal Revenue Service ("IRS") to be recognized as a 501(c)(4) social welfare organization, exempting its low-income housing tax credits ("LIHTC") syndication and new markets tax credit ("NMTC") activities from income taxes. In June 2012, the IRS approved the application with a ruling that was retroactive to September 13, 2011. As a result of this favorable ruling, organizational changes were implemented so that taxable and tax exempt activities would be appropriately reported to the IRS. The organizational changes did not impact either the consolidated operating activities (except for the separately disclosed impact to our income tax provision) or the governance processes.

As a result of the retroactive change in tax status and filing of final federal and state income tax returns, in 2012, Investment recognized income tax refund benefits of $1.6 million related to taxes paid in prior periods. However, Investment was not able to maintain the full benefit of its deferred tax assets and wrote off $2.6 million of these assets that related to its now tax exempt activities in 2012.

Note 2 - Summary of significant accounting policies and other matters

Basis of presentation

The 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. Investments in entities it does not control are accounted for using the equity method. Significant intercompany balances and transactions are eliminated in consolidation.

Cash, cash equivalents and investments

For purposes of the statements of cash flows, all investments with original maturities at dates of purchase of three months or less are considered to be cash equivalents. These cash equivalents are invested in commercial paper, certificates of deposit, money market mutual funds, corporate debt and equity securities and corporate and U.S. agency bonds and notes, all with an equivalent rating of A2/P2 or higher. Certificates of deposit with original maturities greater than three months are considered to be investments.

Investments also consist of marketable securities and alternative investments. Marketable securities consist of U.S. Government agency obligations and fixed income securities and corporate and foreign securities. Marketable securities are carried at fair value. The original basis of such investments is the purchase price. Investment income is recorded when earned as an addition to unrestricted net assets unless restricted by donor. Realized and unrealized gains and losses are recorded on the accompanying consolidated statements of activities as an increase or decrease in unrestricted net assets unless restricted by donor.

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

Restricted cash, cash equivalents and investments

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

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

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met by actions of Partners and its subsidiaries and affiliates and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by Partners and its subsidiaries and affiliates.

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

Contributions
Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions with donor-imposed restrictions and unconditional promises to give with payments due in future periods are recorded as increases to temporarily or permanently restricted net assets and are reclassified to unrestricted net assets at the time that the restriction is met. Unconditional promises to give unrestricted contributions are also reported as additions to temporarily restricted net assets; however, they are reclassified to unrestricted net assets at the time that the contribution is constructively received. Contributions received with donor-imposed restrictions that are met in the same year that they are constructively received are reported as increases to unrestricted net assets. Unconditional promises to give with payments due in future periods where the donor has explicitly permitted for their use in the current period and the promise to give is otherwise free of a donor-imposed purpose restriction are recorded as increases in unrestricted net assets. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is made based upon management's judgment, taking into account factors such as prior collection history, the type of contribution and other relevant factors.

Contributions received with donor-imposed restrictions are reported as additions to temporarily restricted net assets. A reclassification to unrestricted net assets is made at the time the restriction is met. Pledges for unrestricted contributions are also reported as additions to temporarily restricted net assets; however, they are reclassified to unrestricted net assets at the time of receipt.

The fair value measurement for contributions receivable is based on the income approach whereby future amounts expected to be collected in one to five years are discounted to their present value. This measurement is based on the value indicated by management's assessment of current market expectations about the future amount of contributions receivable due to be collected in one to five years from the date of the consolidated statement of financial position. The discount incorporates a risk free interest rate of 2.75% and 4% for 2013 and 2012, respectively, plus a systematic risk premium that averages out the risk free rate over a period of three years.

Loans to various community organizations
Partners and the Loan Fund makes loans to community-based, nonprofit and for profit mission aligned affordable housing developers, community organizations and certain affiliates for the purpose of acquiring, renovating and/or constructing single-family and multi-family residential housing units, mixed use properties and community facilities. Two portfolio segments are recognized - housing loans and other loans. Housing loans are for rental or for sale residences and are primarily collateralized by real estate. Other loans are comprised of non-housing and business loans. Non-housing loans provide financing for a variety of community development needs, including community facilities, such as charter schools and health care centers, and are generally collateralized by real estate. Business loans are for commercial purposes to support the growth and operating needs of organizations for the purpose of encouraging community development. 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. Interest income is accrued on the unpaid principal balance. Direct loan origination costs are offset against related origination fees and the net amount is amortized over the life of the loans as a component of interest income.

During the loan approval process, underwriting criteria varies by portfolio segment. Criteria considered for housing loans includes an analysis of the market, sponsor and repayment sources. For other loans, review of the borrower's business plan, cash flows from operations, loan takeout options, and collateral are all considered. Once loans are approved, the monitoring process is consistently applied across portfolio segments.

Loans are carried at their unpaid principal balance, less an allowance for loan losses. The reserve for loan losses is based upon management's periodic evaluation of the collectability of specific loans, credit factors, economic conditions, historic loss trends and other risks inherent in the portfolio. Risk ratings are used to reflect the credit quality of individual loans. Loans are categorized either as performing or as watch list. Watch list loans are comprised of monitored loans which require additional attention because of potential market, sponsor or repayment changes and credit impaired loans. Loans are charged off when repayment is not expected to occur. For purposes of financial statement disclosure, the definition of impairment is expanded to include loans where not only principal repayment is threatened but also where collection of interest is in jeopardy. Additionally, certain loan payable agreements contain covenants requiring the Loan Fund to maintain minimum loan loss reserves on all loans in the portfolio. The allowance is increased by a provision for loan losses which is charged to expense, and reduced by charge-offs, net of recoveries.

Loan Fund modifies loans through troubled debt restructurings when necessary. Modifications include changes to interest rates, principal and interest payment terms, loan maturity dates, and collateral.

The accrual of interest on loans is discontinued based on risk ratings, interest payment schedules, and delinquency information. Interest payments received on loans on nonaccrual status 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.

Loan Fund enters into participation agreements with other organizations. These loan participations are accounted for as sales by derecognizing the participation interest sold. No gain or loss on sale is incurred. Loan Fund retains the servicing rights on participations and provides loan servicing on other loan arrangements as well. Since the benefits of servicing approximate the costs, no servicing asset or liability is recognized.

Mortgage loans held for sale ("MLHS")
Investment originates or acquires mortgage loans for sale to investors. The holding period for these loans is generally one month and the loans are sold to investors at an amount equal to their carrying basis. Investment generally obtains the mortgage servicing rights or obligations upon sale and measures the MLHS at fair value. The fair value is estimated by using current investor commitments to purchase loans, adjusted for the value attributable to obtained mortgage servicing rights or obligations to approximate the value of a whole loan.

Real estate held for resale
Partners, through affiliates, acquires and rehabilitates single-family homes in the Los Angeles, California and Dallas, Texas areas pursuant to agreements with the Department of Housing and Urban Development ("HUD"). Real estate held for resale is carried at cost reduced for impairment losses, where appropriate. Under the agreement with HUD, Partners is obligated for certain minimum repair obligations and is restricted to sell the homes to low-income families.

A subsidiary of Investment develops affordable housing in the Mid-Atlantic region. The homebuilding inventory is carried at cost and reduced for impairment losses, where appropriate. The cost of developed lots and uncompleted homes represents the actual costs that are accumulated, including finance costs, direct costs, such as real estate taxes and salaries, and overhead expenses. These amounts are included as a component of real estate held for resale.

Investment in operating properties

Investment in operating properties consists of land, building and improvements, net of accumulated depreciation, and is carried at cost reduced for impairment losses, where appropriate, based on estimated undiscounted future cash flows. Costs of significant improvements, replacements and renovations at operating properties are capitalized, while costs of maintenance and repairs are expensed as incurred. Certain financing costs are capitalized as deferred costs and amortized over the terms of the financing. Depreciation of operating properties is computed using the straight-line method over the estimated useful lives of the related assets, approximately 30 years.

Investment in other affiliates

Investment in other affiliates consists of held for sale and other investments. The primary activity includes general partnership interests of Investment whereby Investment owns general partnership interests of between 0.01% and 1.0% in entities that acquire limited partnership interests in real estate project partnerships that receive and distribute tax credits to investors. Investment may also acquire limited partnership interests in the real estate projects in which these entities invest and Investment's holding period of these limited partnership interests is generally three to nine months. In limited instances, Investment may also assume a direct general partner or managing member interest in a real estate project pursuant to its fiduciary role in the limited partnership.

Investment evaluates the partnerships in which it holds an interest to determine if such partnerships meet the definition of a variable interest entity ("VIE"). If the partnerships are determined to be VIEs, Investment then makes a determination as to whether or not it is the primary beneficiary. The primary beneficiary is the party with both the power to direct the activities of a VIE that most significantly impacts 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. Investment consolidates the accounts of VIEs in which it is the primary beneficiary and accounts for its noncontrolling interests in VIEs and other partnerships using the equity method of accounting.

Under the equity method, the initial investment is recorded at cost, increased by the affiliates' share of income and contributions and decreased by the affiliates' share of losses and distributions. As general partners in these investments, Partners' and Investment's obligations to the partnerships may extend beyond initial contributions and, as such, the investment balance may be reduced below zero.

As of December 31, 2011, Investment consolidated a joint venture that was established to serve as the master developer of a "for-sale" housing development in Baltimore County, MD in which Investment had a 66 2/3% interest. On July 11, 2012, Investment redeemed the outstanding shares of the joint venture partner and adjusted the noncontrolling interest in the consolidated venture's net assets balance accordingly.

Office equipment and improvements and intangible assets
Office equipment and improvements and intangible assets are stated at cost less accumulated depreciation and amortization. Upon meeting certain criteria, the direct costs of applications and payroll related expenses for employees who are directly associated with developing or obtaining software applications and related upgrades and enhancements are capitalized. Capitalized software costs are included in office equipment. The cost of office equipment and intangible assets are depreciated or amortized using the straight-line method over the estimated useful lives of the related assets, which range from three to 10 years. Leasehold improvements are capitalized and amortized over the shorter of their useful lives or the lease term. As of December 31, 2013 and 2012, accumulated depreciation and amortization is approximately $13.2 million and $22.1 million, respectively.

Deferred costs
Certain costs associated with low-income housing development services are deferred. A portion of the deferred costs is expected to be reimbursed through construction draws or when construction is complete and the projects are sold. The remaining portion, representing capitalized salaries and overhead costs, will be expensed in the periods in which the related development revenue is recognized.

Impairment of long-lived assets
Long-lived assets consist of amounts held for resale by affiliates of Partners. Management has given consideration to general accounting principles for the impairment or disposal of long-lived assets in its presentation of these consolidated financial statements. Management has recognized a $0.6 million and $.4 million reduction in the carrying value of its long-lived assets for the years ended December 31, 2013 and 2012, respectively. The amounts are included as a component of cost of real estate sold on the accompanying consolidated statements of activities.

Syndication, acquisition and consulting fees
Syndication fees, for the formation of limited partnership entities and selling interests in those partnerships to investors, are recognized when the limited partnerships acquire interests in investment properties. Acquisition fees associated with the underwriting and investment in properties are recognized using the full accrual method provided that various criteria relating to the terms of the transactions and any subsequent involvement by Investment with the interests sold are met. Revenue relating to transactions that do not meet the established criteria are deferred and recognized when the criteria are met or using the installment method, as appropriate.

If deferral is elected, the related revenue and unbilled receivables are recorded at their fair values based on the estimated date of collection and appropriate discount rates. Interest related to the accretion of this fair value is included in syndication and acquisition fees in the consolidated statements of activities.

Certain fees are associated with services performed throughout the life of the limited partnerships and these fees are deferred and recognized over the periods that the services are performed.

Asset management fees and advisor service fees are recognized under the terms of the related agreements, when services are performed, and collectability is reasonably assured. Advance payments received under multi-year agreements are recorded as deferred revenue and recognized when services are performed.

New market tax credits ("NMTC"), received through applications with the United States of America Department of Treasury, are used to support the development of commercial real estate in emerging and under-serviced communities. Using the NMTC, Investment is able to provide an incentive to facilitate the investment in qualifying real estate projects. NMTC assignment fees are recognized when an investor makes a qualified equity investment in a partnership and the partnership identifies and commits to a qualified low-income community investment.

Development and construction management fees revenue is recorded using the percentage of completion method. Billings recorded and cash received in excess of revenue recognized under the percentage of completion method are recorded as deferred revenue and revenue recognized in excess of billings recorded and cash received are recorded as unbilled receivables.

For the years ended December 31, 2013 and 2012, syndication, acquisition and consulting fees comprised 37% and 43%, respectively, of the Organization's revenue.

Government 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 specific percentage of direct costs. The revenue related to direct and indirect costs are recorded as an addition to unrestricted net assets.

Approximately 90% and 97% of the grants and contract revenue is derived from federal funding in 2013 and 2012, respectively. Approximately 91% and 92% of the federal funding was provided by HUD in both 2013 and 2012.

Operating properties' rents
Operating properties' rents relate primarily to short-term leases with individual tenants in housing units. Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned.

Income taxes
Partners and its not-for-profit affiliates are exempt from income taxes under Section 501(c)(3) and 501(c)(4) of the Internal Revenue Code ("IRC"), except for unrelated

business income as defined in the Code. Partners and its not-for-profit affiliates did not have any unrelated business income during the years ended December 31, 2013 and 2012, except as explained in Note 9. Accordingly, the provision for income taxes has been recorded on the accompanying consolidated financial statements.

Partners and the Loan Fund, are the single members of certain consolidated subsidiaries. These subsidiaries are treated as disregarded entities under the IRC whereby Partners and the Loan Fund report the activities of these subsidiaries and the existence of their controlling interest.

For-profit subsidiaries use the asset and liability method to account for 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. Deferred tax assets are only recognized 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.

Partners and certain of its subsidiaries and affiliates are required to file and do file tax returns with the Internal Revenue Service ("IRS") and other taxing authorities. Income tax returns filed by Partners and certain of its subsidiaries and affiliates are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

As discussed in Note 9, the Organization did not identify any uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Deferred revenue
Certain acquisition and consulting revenue associated with services performed are deferred and recognized when the services are performed. Additionally, advanced payments received under multi-year service agreements are recorded as deferred revenue and recognized as revenue as the services are performed. Such amounts are included as a component of deferred revenue and other liabilities on the accompanying consolidated statements of financial position.

Expense allocation
Expenses by function have been allocated among program, operating properties' activities, cost of real estate sold, interest, income taxes, general and administrative, and fundraising on the basis of an analysis made by the management of Partners and its subsidiaries and affiliates.

Fair value of financial instruments
The carrying amount of cash, cash equivalents and investments; restricted cash, cash equivalents and investments; fees, bridge loans, contract receivables and notes receivable; and accounts payable and accrued expenses approximates fair value because of the short maturity of these instruments. The carrying value of long-term receivables approximates fair value as the amounts have been discounted over the average lives of the receivables. Mortgages held for sale are recorded at fair value. The carrying value of indebtedness approximates fair value, based on similar instruments with similar risks.

Guarantees
Partners and Investment account for their exposure to losses under guarantees entered into in accordance with accounting principles pertaining to the accounting and disclosure requirements to be met by a guarantor for certain guarantees issued and outstanding. Pursuant to the accounting principles, Partners and Investment record an obligation 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 fair value measurement of a contingent liability requires the management of Partners and Investment 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.

Loan servicing
A subsidiary of Investment originates debt financing for affordable low-income residential properties. These loans are sold to investors but Investment retains the right to service the loans. Loan placement fees are recognized when significant services have been completed. Loan servicing fees are recognized as income over the servicing period. Loan servicing costs are charged to expense as incurred. Assets or liabilities are recognized for the rights to service loans by allocating the carrying amount of the related loan between the loan sold and the servicing rights based on their relative fair values. The fair value of the servicing rights is based on the expected future net cash flow to be received over the estimated life of the loan discounted at market rates. The servicing assets or liabilities are amortized over the period of net servicing income or net servicing loss, respectively. The amortization expense is included as a component of loan placement and servicing fees in the consolidated statements of activities.

Investment evaluates mortgage servicing assets and liabilities for impairment. They are considered to be impaired when their carrying amounts exceed the fair value of the expected future net cash flow to be received under the servicing contract. If the servicing rights are impaired, Investment adjusts the recorded amounts to the current fair value with a charge to loan placement and servicing fees in the consolidated statements of activities.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include revenue recognition recording, the reserve for loan losses, allowance for uncollectible receivables, and the valuation of guaranty obligations and mortgage servicing rights. Actual results could differ from those estimates.

Subsequent events

Management has evaluated the activity of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates through June 24, 2014 (the date that the consolidated financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain amounts for the prior year have been reclassified to conform to the current year presentation.

Note 3 - Cash, cash equivalents and investments

Cash, cash equivalents and investments at December 31, 2013 consist of the following (in thousands):

	2013		
	Unrestricted	Restricted	Total
Cash and cash equivalents	$ 70,253	$ 34,877	$ 105,130
Certificates of deposits	-	4,977	4,977
U.S. Government agency obligations and fixed income securities	2,424	20,715	23,139
Corporate and foreign securities	1,410	13,935	15,345
Alternative investments	-	-	-
	$ 74,087	$ 74,504	$ 148,591

Cash, cash equivalents and investments at December 31, 2012 consist of the following (in thousands):

	2012		
	Unrestricted	Restricted	Total
Cash and cash equivalents	$ 54,123	$ 26,288	$ 80,411
Certificates of deposits	-	6,704	6,704
U.S. Government agency obligations and fixed income securities	5,971	22,724	28,695
Corporate and foreign securities	2,070	16,640	18,710
Alternative investments	931	37	968
	$ 63,095	$ 72,393	$ 135,488

On March 25, 2008, Partners entered into a subscription agreement with Commonfund Realty Investors, LLC ("Commonfund"). The subscription agreement called for units of an investment fund managed by Commonfund to be purchased by Partners totaling $0.9 million. The subscription agreement expired on March 11, 2011, thereby effectively cancelling the remaining commitment. As of December 31, 2013 and 2012, the value of Partners investment in the fund is $0 and $0.037 million, respectively, and is included as a component of alternative investments in cash, cash equivalents, and investments on the accompanying consolidated statements of financial position.

Note 4 - Contributions receivable

Contributions receivable at December 31, 2013 and 2012 are summarized as follows (in thousands):

	2013	2012
Unconditional promises expected to be collected in:		
Less than one year	$ 6,533	$ 4,641
One year to five years	7,091	2,426
	13,624	7,067
Less unamortized discount	(313)	(196)
Contributions receivable net of allowance of $0 and $5, respectively	$ 13,311	$ 6,871

As of December 31, 2013 and 2012, contributions receivable were due solely to Partners.

Note 5 - Fees, bridge loans, contracts and notes receivable

Fees, bridge loans, contracts and notes receivable at December 31, 2013 and 2012 are summarized as follows (in thousands):

	2013	2012
Fees receivable, net	$ 34,467	$ 45,643
Bridge loans receivable, net	12,972	26,198
Contracts receivable, net	6,064	5,106
Notes receivable, net	6,693	7,418
	$ 60,196	$ 84,365

Fees receivable consist of amounts due to Investment from unconsolidated partnerships and are primarily attributable to syndication, acquisition and asset management fees earned related to limited partnerships that were formed to invest in tax credit partnerships. The amounts due from unconsolidated partnerships for syndication and acquisition services must be funded by Investment's limited partners in those partnerships. As the entities that hold the limited partnership interests are generally highly-rated financial institutions, management of Investment does not expect that any of the limited partners will fail to meet their obligations and management of Investment believes that credit risk with respect to these receivables is not significant. For both years ended December 31, 2013 and 2012, the allowance for loss on fees receivable was $0.2 million.

Bridge loans to unconsolidated partnerships consist of short-term, unsecured loans with maturity dates of six months or less. At December 31, 2013 and 2012, bridge loans of $13.0 million and $26.2 million, respectively, are non-interest bearing. There were no interest bearing bridge loans at December 31, 2013 and 2012.

Contracts receivable consist of amounts due to Partners from government sources.

Notes receivable consist of several secured and unsecured loans with maturity dates of one month to seven years to housing programs. The notes bear interest at varying rates from 0% to 2%. For the years ended December 31, 2013 and 2012, the allowance for loss on notes receivable is $8.1 million and $9.9 million, respectively.

Note 6 - Loans receivable

Since 1981, Partners and the Loan Fund have closed approximately $1.254 billion of loans to various community organizations. The sources of funds used and anticipated to be used to originate such loans are loans payable and private contributions. As of December 31, 2013 and 2012, $48.1 million and $43.8 million, respectively, of loans receivable are due within one year. Loans are secured typically by liens placed on the underlying real estate or the assignment of developer fees or assets of the business. The loans bear interest at varying rates which in the aggregate approximate 5.6% and 5.7% for 2013 and 2012, respectively. In accordance with historical practices, it is expected that some of these loans will be extended at maturity. Loan policy dictates that loans can only be extended if there is no material adverse change in the credit and repayment is not threatened.

Loan participations outstanding totaled $20.6 million and $18.7 million at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, the loan portfolio consists of the following: (in thousands):

	2013	2012
Loans to unaffiliated organizations	$ 119,725	$ 117,585
Allowance for loan losses:		
Loans to unaffiliated organizations	(8,711)	(9,358)
Loans receivable, net	$ 111,014	$ 108,227

Allowance for loan loss activity by portfolio segment for the years ended December 31, 2013 and 2012 is summarized as follows:

	2013			2012		
	Housing	Other	Total	Housing	Other	Total
Allowance for loan loss:						
Balance at beginning of year	$ (8,567)	$ (791)	$ (9,358)	$ (7,055)	$ (865)	$ (7,920)
(Provision for) recovery from loan loss	576	(402)	174	(2,100)	74	(2,026)
Write-offs	714	-	714	666	-	666
Recoveries	(241)	-	(241)	(78)	-	(78)
Ending balance	$ (7,518)	$ (1,193)	$ (8,711)	$ (8,567)	$ (791)	$ (9,358)

The following is information on impaired loans by portfolio segment for the years ended December 31, 2013 and 2012:

	2013			2012		
	Housing	Other	Total	Housing	Other	Total
Impaired loans:						
With an increased loan loss allowance	$ 4,066	$ 2,433	$ 6,499	$ 6,328	$ 2,612	$ 8,940
Without an increased allowance	973	-	973	1,004	-	1,004
Total	$ 5,039	$ 2,433	$ 7,472	$ 7,332	$ 2,612	$ 9,944
Related allowance for loan losses	$ 1,764	$ 365	$ 2,129	$ 3,059	$ 392	$ 3,451
Average investment in impaired loans	$ 7,565	$ 2,522	$ 10,087	$ 9,801	$ 2,663	$ 12,464
Interest income recognized on impaired loans - cash basis	$ 16	$ -	$ 16	$ 38	$ -	$ 38

(In Thousands)

As of December 31, 2013 and 2012, loans by credit quality indicator and portfolio segment consist of the following:

	2013			2012		
	Housing	Other	Total	Housing	Other	Total
Performing	$ 91,813	$ 16,561	$ 108,374	$ 97,074	$ 7,908	$ 104,982
Monitored	4,852	-	4,852	3,589	73	3,662
Credit impaired	4,066	2,433	6,499	6,329	2,612	8,941
Total	$ 100,731	$ 18,994	$ 119,725	$ 106,992	$ 10,593	$ 117,585

During the years ended December 31, 2013 and 2012 certain loans were modified through troubled debt restructurings. The value of these loans, by portfolio segment, at the time of modification is as follows:

	2013			2012		
	Housing	Other	Total	Housing	Other	Total
Number	$ 1	$ -	$ 1	$ 2	$ 1	$ 3
Balance at modification	$ 1,527	$ -	$ 1,527	$ 6,379	$ 2,675	$ 9,054

An aging of past due loans by portfolio segment as of December 31, 2013 and 2012 is as follows:

	2013			2012		
	Housing	Other	Total	Housing	Other	Total
Past due:						
31-60 days	$ 723	$ -	$ 723	$ 1,656	$ 73	$ 1,729
61-90 days	-	-	-	-	-	-
Over 90 days	2,784	-	2,784	2,933	-	2,933
Total	3,507	-	3,507	4,589	73	4,662
Current	97,224	18,994	116,218	102,403	10,520	112,923
Total	$ 100,731	$ 18,994	$ 119,725	$ 106,992	$ 10,593	$ 117,585
Past due 90 days or more and still accruing	$ -	$ -	$ -	$ -	$ -	$ -

Loans on nonaccrual status by portfolio segment as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Housing	$ 5,039	$ 7,332
Other	2,433	2,612
Total	$ 7,472	$ 9,944

Note 7 - Investments in operating properties and investments in other affiliates

Investments in operating properties at December 31, 2013 and 2012 are summarized as follows (in thousands):

	2013	2012
Land	$ 2,094	$ 2,369
Buildings, improvements and equipment	6,850	6,850
	8,944	9,219
Accumulated depreciation and amortization	(4,479)	(4,224)
	$ 4,465	$ 4,995

At both December 31, 2013 and 2012, investments in operating properties were held by Partners' affiliates, Cornerstone Housing Corporation ("Cornerstone") and Affordable Housing Solutions, Inc. ("AHS"). During the years ended December 31, 2013 and 2012, Cornerstone has continued to execute its plan to dispose of its interests in partnerships and nonprofit corporations over a period of time under conditions for a fair sale, to attract the best price and not as a liquidation sale. AHS assumed the 92-unit operating property in 2012 due to its owner ceasing operations. The property is undergoing renovations in order to stabilize the operations and transfer to another nonprofit organization.

Investments in other affiliates consist of the following at December 31, 2013 and 2012 (in thousands):

	2013	2012
Held for sale investments	$ 69,147	$ 83,437
Other investments	1,354	1,295
Total investments in other affiliates	$ 70,501	$ 84,732

Investment purchases and holds interests in projects for sale to tax credit partnerships. At December 31, 2013 and 2012, Investment held for sale interests in 14 and 11 projects, respectively. At December 31, 2013 and 2012, cash invested in these projects totaled $17.9 million and $9.1 million, respectively. Investment also committed to make future capital contributions to these projects in the amount of $51.4 million and $74.6 million at December 31, 2013 and 2012, respectively. The capital contributions payable are reflected as a liability on the consolidated statements of financial position.

Investment acquires limited partnership interests (generally 99%) in these properties that are expected to earn tax credits. When Investment has a sufficient number of such limited partnership interests and/or has identified tax credit investors, the interests are transferred to a tax credit partnership for the investor(s) benefit. The holding period for these investments is generally three to nine months, and during that period, these investments are accounted for under 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 the estimated fair value, an investment will be written down to the lower value.

Other investments consist of Investment and Partners' interests in joint venture partnerships that are accounted for under the equity method of accounting.

Note 8 - Indebtedness

A summary of indebtedness at December 31, 2013 and 2012 is as follows (in thousands):

	2013	2012
Loans payable	$ 120,426	$ 128,577
Fixed rate mortgage payable	2,677	2,735
Credit line agreement	26,754	49,096
Total	$ 149,857	$ 180,408

Loans payable bear interest at rates which vary from 0% to 4.5%, are repayable through 2040 and are unsecured. All loans payable reflect borrowings which have been restricted by the lenders for use in certain locations or in certain projects. Some borrowings are further restricted by management for use in certain locations or in certain projects. Additionally, certain of these loans payable are guaranteed by Partners and Investment and contain covenants that require reporting on a periodic basis and meeting and maintaining specific financial ratios.

The fixed rate mortgage payable bears interest at 7.875%, is secured by a deed of trust on the rental property and is due in installments through 2016.

Investment and certain subsidiaries and affiliates of Partners have entered into various credit line agreements. The credit line agreements restrict the use of the borrowings to the acquisition or origination of low-income multi-family mortgages and pre-development loans. Amounts outstanding on the credit facilities in effect at December 31, 2013 have a total borrowing capacity of $172 million and expire on dates ranging from July 2014 through December 2014. The credit facilities have interest rates varying from LIBOR plus 2.0% up to 5.0%. The credit facilities impose limitations on the borrowers. The most restrictive of these limits the level of debt that Investment may incur and requires Investment to maintain specified minimum levels of debt service coverage and net worth. These restrictions have not limited Investment's normal business activities.

The annual contractual maturities of indebtedness are summarized as follows at December 31, 2013 (in thousands):

2014	$ 36,632
2015	16,737
2016	24,491
2017	7,915
2018	4,108
Thereafter	59,974
	$ 149,857

Note 9 - Income taxes

As described in Note 1, the IRS recognized Investment as a 501(c)(4) social welfare organization and the LIHTC syndication and NTMC activities became exempt from income taxes. However, the full benefit of the tax status change was not realized until the implementation of organizational changes to properly align the taxable and tax exempt activities was completed on November 1, 2012. Investment's taxable activities include the mortgage, development, and LIHTC asset management operations as well as NMTC activities that were incurred prior to the implementation of the organizational changes. Investment's taxable and tax exempt increase in net assets before income taxes was $3.0 million and $0.035 million for the year ended December 31, 2013 and $3.8 million and $0.500 million for the year ended December 31, 2012, respectively.

As a result of the tax status changing retroactively, Investment filed final amended federal and state income tax returns for 2012, for exempt activities for 2011, in which it recognized income tax refund benefits of $1.6 million related to tax expense recognized during the year ended December 31, 2011. However, Investment was not able to maintain the full benefit of its deferred tax assets and wrote off $2.6 million of these assets that related to the now tax exempt activities. Further amended returns were accepted by the IRS during 2013 which resulted in additional refunds of $0.7 million related to years prior to 2011.

The following table summarizes income tax information for Investment. The income tax provision for the years ended December 31, 2013 and 2012 consists of the following (in thousands):

	2013	2012
Current tax (benefit) expense	$ (83)	$ 230
Deferred tax (benefit) expense	(453)	1,486
	$ (536)	$ 1,716

A benefit is received from the allocation of tax credits from tax credit partnerships in which an interest is held. This allocation of tax credits reduces current income tax expense.

Income tax expense is reconciled to the amount computed by applying the federal corporate tax rate of 34% as follows (in thousands):

	2013	2012
Tax at statutory rate on net income before taxes	$ 1,029	$ 1,475
State income tax, net of federal income tax benefit	163	205
Tax at statutory rate on income not subject to federal taxes	(12)	(195)
Tax at statutory rate on income related to noncontrolling interest	(830)	(502)
Refunds related to retroactive change in tax status	(659)	(1,647)
Write-off of deferred tax assets related to tax exempt activities	-	2,594
Tax credits and other	(227)	(214)
	$ (536)	$ 1,716

Deferred income taxes at December 31, 2013 and 2012 are summarized as follows (in thousands):

	2013	2012
Total deferred assets	$ 21,913	$ 20,621
Total deferred liabilities	(10,082)	(9,243)
Valuation allowance	-	-
	$ 11,831	$ 11,378

The deferred tax assets relate primarily to deferred compensation, deferred revenue and taxable reserves. Deferred tax liabilities consist primarily of accelerated depreciation for tax purposes and the tax effects of revenue, which are recognized for book purposes but not for income tax purposes. At December 31, 2013, Investment had federal and state net operating loss carry forwards of $4.2 million and $7.1 million, respectively. These loss carry forwards begin to expire in 2033 for federal purposes and 2024 for state purposes. A valuation allowance of $0.040 million and $0.2 million, respectively, has been established due to the uncertainty of realizing certain of these carry forwards and certain other deferred tax assets, and is recorded as a component of deferred income taxes on the consolidated statements of financial position. Based on projections of future taxable income, management believes that it is more-likely-than-not that the deferred tax assets, net of valuation allowance, will be realized. The amount of deferred tax assets considered realizable could be reduced if estimates of future taxable income are reduced.

Uncertain tax positions
Investment conducts business throughout the United States and, as a result, files 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 tax filings. Investment remains subject to examination of the federal income tax returns for 2010 and later years. Investment also remains subject to examination of its various state income tax returns for a period of four to five years from the date the return was filed. The most significant state tax exposure is within Maryland, the location of its headquarters, and during 2012 they completed an audit of the state tax returns for the calendar years 2008 through 2010. Adjustments made by the state were not significant.

The filing of the federal and state tax returns requires management to assess and measure uncertain tax positions. Upon examination of tax positions taken, Investment concluded that all positions taken on its tax returns exceeded 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 the consolidated financial statements.

Note 10 - Related party transactions

Loan Fund originates loan participations with affiliates and participates in loans originated by affiliates to provide bridge and acquisition rehabilitation financing. At December 31, 2013 and 2012, the amount of loans outstanding under such agreements was $.6 million and $1.4 million, respectively. In addition, Loan Fund has provided a revolving line of credit to an affiliate of $0.5 million, which expired in May 2013 and was not renewed. No balance was outstanding on the line of credit as of December 31, 2013 and 2012.

Investment, together with its subsidiaries, provide syndication, asset management and other services to certain partnerships in which Investment or one of its subsidiaries is the general partner. These partnerships are investors in affordable housing projects. Investment is compensated for these services by the affiliates. In addition, Investment is paid fees in return for its guarantee of the indebtedness of certain of these partnerships. For the years ended December 31, 2013 and 2012, revenue for such services was approximately $48.8 million and $57.8 million, respectively. As of December 31, 2013 and 2012, approximately $34.4 million and $45.6 million, due from unconsolidated partnerships is included as a component of fees, bridge loans, contracts and notes receivable, net on the accompanying consolidated statements of financial position, respectively.

Note 11 - Pension and savings plans

Partners and its subsidiaries and affiliates have defined contribution pension and savings plans which cover substantially all employees. The contributions to the plans are based upon a percentage, as defined by the plans, of the gross salary of each participant. Total pension expense for the years ended December 31, 2013 and 2012 was approximately $3.5 million and $2.7 million, respectively.

Investment also has a nonqualified deferred compensation plan covering certain executive employees. The plan allows covered employees to make pre-tax contributions of up to $25 thousand annually. The nonqualified plan was amended in 2010 to change the vesting period and payment provisions of benefits. Under the amended terms, employer contributions to the plan now vest after three years and upon vesting, the employer contributions are paid to the covered employees. No other significant changes resulted from the amendment. Investment contributed approximately $0.8 million and $0.9 million for the years then ended December 31, 2013 and 2012.

Compensation deferrals and employer contributions are invested on behalf of the participants in various investment options. The investments, net of gains or losses, are included in marketable securities on the accompanying consolidated statements of financial position. Obligations to the plan participants as of December 31, 2013 and 2012, totaled $7.7 million and $6.5 million, respectively, and are included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position. The vested amounts of these obligations were $4.6 million and $3.9 million in 2013 and 2012, respectively.

Note 12 - Restrictions and limitations on net assets

During the years ended December 31, 2013 and 2012, net assets released from temporary donor restrictions and the events and transactions which caused the restrictions to expire are $17.8 million and $16.9 million, respectively, for expenses incurred for donor specified purposes or expiration of time restrictions.

Temporarily restricted net assets at December 31, 2013 and 2012 consist of the following (in thousands):

	2013	2012
Gifts and other unexpended revenue restricted to specific programs or locations	$ 43,186	$ 41,352
Contributions receivable due in future periods	13,311	6,871
Total	$ 56,497	$ 48,223

As of December 31, 2013 and 2012, the Organization had no permanently restricted net assets.

Note 13 - Mortgage servicing rights and obligations, net

As of December 31, 2013 and 2012, a subsidiary of Investment was servicing approximately 1,364 and 1,299 loans with outstanding principal balances of approximately $6.3 billion and $5.5 billion, respectively. Mortgage servicing rights ("MSR") and obligations are being carried at their adjusted cost basis.

As of December 31, 2013 and 2012, the adjusted cost basis of servicing assets and liabilities were as follows (in thousands):

	2013	2012
Mortgage servicing rights, net	$ 25,861	$ 26,460
Mortgage servicing obligations, net	(45)	(63)
Net ending balance, mortgage servicing rights	$ 25,816	$ 26,397

Changes in the carrying value of the mortgage servicing rights for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Net MSR beginning balance	$ 26,397	$ 6,777
Effect of merger with Bellwether	-	18,586
MSR originated, net of obligations recognized	4,224	4,952
Amortization expense and write-offs of MSRs	(5,087)	(3,398)
Change related to mortgage loans held for sale	282	(520)
	$ 25,816	$ 26,397

Included in the $25.8 and $26.4 million, net MSR balances above are servicing contracts related to private/equity loans that are cancellable within 30 to 90 days that were acquired in the Bellwether merger. Such loans have a recorded fair value of $5.7 million and $7.1 million at December 31, 2013 and 2012, 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.

The value of servicing assets and liabilities consider factors such as net future cash flows, repayment 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. Investment amortizes 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 Investment has specific information giving rise to the need to make adjustments on a more current basis.

Note 14 - Mortgage loans held for sale

At December 31, 2013 and 2012, mortgage loans held for sale totaled $15.8 million and $38.2 million, respectively, and were recorded at fair value. As of December 31, 2013, the unpaid principal balance of these loans was $15.4 million and $37.4 million, respectively, and all of the loans are current. For 2013, the difference between the carrying amount of the MLHS and the unpaid principal balance represents trading gains of $0.20 million and a gain of $0.239 million for the originated mortgage servicing rights, both of which are included in loan placement and servicing fees on the accompanying consolidated statement of activities for the year ended December 31, 2013. For 2012, the difference between the carrying amount of the MLHS and the unpaid principal balance represents trading gains of $0.238 million and a gain of $0.52 million for the originated mortgage servicing rights, both of which are included in loan placement and servicing fees on the accompanying consolidated statement of activities for the year ended December 31, 2012. The loans were sold at amounts equal to their carrying value subsequent to year end, less amounts attributable to the fair value of MSRs obtained by Investment.

Note 15 - Commitments

At December 31, 2013, Partners had commitments under grants and contracts from federal and various state governments of approximately $73 million. These amounts will be received through 2017 as Partners provides services under the terms of the grants and contracts. During 2013, Partners and the Loan Fund committed to make new loans of approximately $52 million. As of December 31, 2013, the Loan Fund also has additional commitments for new debt to assist in funding these loans of approximately $35 million.

Loan Fund, in collaboration with another Community Development Financial Institution ("CDFI") entity, applied to participate in the U.S. Department of the Treasury's (the "U.S. Treasury") CDFI Bond Guarantee Program. The two CDFIs each applied for $50 million of bond proceeds to be made available by the Federal Financing Bank through a Qualified Issuer. The bonds are fully guaranteed by the U.S. Treasury. Partners is providing a guarantee for Loan Fund's anticipated $50 million bond loan. Bond proceeds will be utilized to extend up to $50 million in secondary loans to borrowers. Term sheets were executed in 2013, and closing on the program is expected in 2014.

As of December 31, 2013, Investment had approximately $45 million in commitments outstanding to originate multi-family mortgage loans. In 2008, Investment became an approved Government National Mortgage Association ("Ginnie Mae") issuer of mortgage-backed securities and a Special Affordable Housing Lender in the Federal National Mortgage Association ("Fannie Mae") Delegated Underwriting and Servicing ("DUS") program. In 2010, Investment became an approved seller/servicer under Freddie Mac's TAH program. Investment is required to maintain financial eligibility requirements measured in net worth and liquidity. At December 31, 2013, Investment was in compliance with these requirements. Additionally, Investment is required to maintain a minimum equity amount that is generally expressed as a fixed amount or percentage of the investment partnership's invested equity. As discussed in Note 8, this requirement is less restrictive than a similar requirement for Investment's credit facilities and has not limited Investment's ability to conduct business.

Partners and its subsidiaries and affiliates have entered into operating leases for certain office facilities expiring at various dates through 2024. Rent expense totaled approximately

$3.7 million and $4.6 million for the years ended December 31, 2013 and 2012, respectively.

Minimum rent payments due under operating leases in effect at December 31, 2013 are summarized as follows (in thousands):

2014	$	4,535
2015		4,672
2016		4,030
2017		4,747
2018		4,417
Thereafter		16,239
	$	38,640

Note 16 - Guaranty obligations

At December 31, 2013 and 2012, Investment had guaranteed debt obligations of affiliated partnerships of approximately $33.9 million and $1.2 million, respectively. At both December 31, 2013 and 2012, obligations of $0.2 million were recorded relating to these guarantees, and are included as a component of deferred revenue and other liabilities on the consolidated statements of financial position. Management believes there are sufficient capital resources and/or commitments from the limited partners to repay the remaining debt obligations.

Additionally, a subsidiary of Investment and a supporting organization of Partners provide construction completion guarantees, operating deficit and/or tax credit guarantees to investors related to their performance under various development agreements. The maximum amount of future payment the subsidiary and the supporting organization could be required to pay under these guarantees ranges from a fixed amount to an unlimited amount based on the nature of the guarantee. However, in management's judgment there are several factors which reduce or limit loss exposure, including requiring general contractors to post construction completion bonds. After considering risk management strategies, Investment has recorded guarantee obligations in the consolidated statements of financial position of $3 thousand and $7 thousand relating to these guarantees for the years ended December 31, 2013 and 2012, respectively.

Investment has letters of credit relating to certain partnerships for which they provided syndication services. The estimated maximum exposure to loss under these guarantees is $2.1 million. Management believes there is sufficient collateral from partnership assets to support these instruments. In addition, Investment has $0.6 million in restricted assets that serves as collateral to these letters of credit. There was no recorded liability related to letters of credit at December 31, 2013 and 2012.

Note 17 - Concentration of credit risk

Cash and cash equivalent balances are held primarily in checking accounts, certificates of deposit, overnight repurchase agreements and money market funds with carefully selected financial institutions and accordingly, management does not believe that there is exposure due to significant credit risk with respect to cash and cash equivalents. While, at times, certain deposits may exceed the federal insurance limits, the Organization has not experienced any losses with respect to its deposit balances in excess of government provided insurance.

Note 18 - Contingencies

Government contracting

Partners recognizes 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 on the accompanying consolidated financial statements for adjustments, if any, which may result from an audit.

Litigation

In the ordinary course of business, Partners and its subsidiaries and affiliates are involved in a number of lawsuits, claims and assessments. In the opinion of management, the result of these claims will not have a material impact on the consolidated financial statements.

Matching requirements

Partners was awarded various four-year Capacity Building grants by HUD. These awards require Partners 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 Partners not achieve the committed 3:1 matching requirement from third parties, Partners would be required to provide the matching program services or accept alternative corrective action.

The awards, outstanding at any time during 2013, the related matching commitments, amounts expended and matching program services and costs achieved as of December 31, 2013 are summarized as follows (in thousands):

Capacity building grant	Award year	Award amount	Required matching commitments	Amount expended	Matching commitment achieved
CB 11	2008	$ 13,070	$ 39,210	$ 13,070	$ 40,587
CB 12	2008	13,440	40,320	13,439	40,354
CB 13	2009	14,836	44,508	12,825	44,509
CB 14	2011	25,289	75,867	11,727	42,453
CB 15	2011	19,728	59,184	3,276	10,423
CB 16	2012	15,649	46,948	2,572	9,763
CB 17	2013	14,512	-	-	-

Note 19 - Risks and uncertainties

Partners and its subsidiaries and affiliates invested assets consist of commercial paper, corporate and U.S. agency bonds and notes, and diversified funds which invest in fixed income securities, equities and alternative investments. Investment policy and guidelines are established by Partners' 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 statements of financial position as of December 31, 2013. The investment policy and guidelines consider liquidity and risk for each entity and each pool of assets and attempt to diversify asset classes to mitigate risks over the applicable time horizons.

Note 20 - Fair Value Measurements

The Organization has adopted the Fair Value Measurements topic of the Codification. 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:

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

2. 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.

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

The following table presents the fair value of assets measured on a recurring basis at December 31, 2013 and 2012:

December 31, 2013 ($ in millions)	Level 1	Level 2	Level 3	Net balance
Assets:				
Investments in marketable securities	$ 38.5	$ -	$ -	$ 38.5
Investments in alternative investments	-	-	-	-
Mortgages held for sale	-	15.8	-	15.8
Total	$ 38.5	$ 15.8	$ -	$ 54.3

December 31, 2012 ($ in millions)	Level 1	Level 2	Level 3	Net balance
Assets:				
Investments in marketable securities	$ 47.4	$ -	$ -	$ 47.4
Investments in alternative investments	-	-	1.0	1.0
Mortgages held for sale	-	38.2	-	38.2
Total	$ 47.4	$ 38.2	$ 1.0	$ 86.6

The following table provides a summary of changes in fair value of the Organization's Level 3 assets, as well as the portion of gains or losses included in income attributable to realized and unrealized gains or losses that related to those assets held at December 31, 2013 and 2012:

($ in millions)	January 1, 2013	Realized/ unrealized gains (losses) included in earnings	Purchases, issuances and settlements	Transfers in and/or out of Level 3	December 31, 2013
Assets:					
Investments in alternative investments	$ 1.0	$ -	$ (1.0)	$ -	$ -
Total	$ 1.0	$ -	$ (1.0)	$ -	$ -

($ in millions)	January 1, 2012	Realized/ unrealized gains (losses) included in earnings	Purchases, issuances and settlements	Transfers in and/or out of Level 3	December 31, 2012
Assets:					
Investments in alternative investments	$ 1.9	$ 0.1	$ -	$ (1.0)	$ 1.0
Total	$ 1.9	$ 0.1	$ -	$ (1.0)	$ 1.0

As it relates to fair values of assets measured on a nonrecurring basis, as of December 31, 2013 and 2012, long-lived assets held and used with a carrying amount of $7.5 million and $10.3 million, respectively, were written down to their fair values of $5.1 million and $6.6 million for the years ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, impairment charges totaling $6 million and $0.4 million, respectively, are included in unrestricted net assets.

Supplementary Information

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Schedule of Indirect Costs
Year Ended December 31, 2013

FRINGE BENEFIT RATE		
Fringe benefits		$ 4,468,707
Total salaries		19,528,556
Fringe benefit rate		22.88%
OVERHEAD RATE		
Numerator:		
Program overhead salaries	$ 3,033,463	
Program overhead fringe	694,145	
Overhead - other costs	4,742,387	
Total		$ 8,469,995
Denominator:		
Direct labor	12,301,149	
Fringe benefits on direct labor	2,814,864	
Total		15,116,013
Overhead rate		56.03%
GENERAL AND ADMINISTRATIVE RATE		
Numerator:		
General and administrative labor	$ 2,877,692	
Fringe benefits on general and administrative labor	658,500	
General and administrative - other	3,375,078	
Less: Subsidiary and indirect revenue	(47,500)	
Total		$ 6,863,770
Denominator:		
Modified total direct costs and overhead		42,392,095
General and administrative rate		16.19%

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
Department of Housing and Urban Development (HUD) Pass-through			
Community Development Block Grants (CDBG)			
Sacramento Housing Redevopment Authority	14.218	M-B-XX-UC-06-0005	$ 113,794
State of Louisiana	14.218	647688	985,067
Total HUD Pass-through Programs			**1,098,861**
HUD - Direct			
American Recovery and Reinvestment Act of 2009 (ARRA)			
Neighborhood Stabilization Program-Technical Assistance	14.256	T-09-NN-06-0002	61,026
Neighborhood Stabilization Program-Technical Assistance	14.256	T-12-NN-24-0020	472,742
Total ARRA: HUD-Direct			**533,768**
HOME Investment Partnership Program			
Community Housing Development Organization - 2008	14.239	MDCH00208	224,785
			224,785
Capacity Building for Community Development			
Capacity Building for Community Development XII	14.252	B-08-CB-MD-0001	886
Capacity Building for Community Development XIII	14.252	B-09-CB-MD-0001	2,011,575
Capacity Building for Community Development XIV	14.252	B-10-CB-MD-0001	5,962,318
Capacity Building for Community Development XV	14.252	B-11-CB-MD-0001	7,772,819
Capacity Building for Community Development XVI	14.252	B-12-CB-MD-0001	2,572,230
			18,319,828
Community Challenge Planning Grants and Department of Transportation TIGER II Planning Grants			
Master-SSMMA	14.704	M-SSMMA412-214	75,000
SSMMA Loans	14.704	M-SSMMA412-214Loans	1,500,000
			1,575,000
Technical Assistance Capacity Building-One CPD			
Technical Assistance Capacity Building-One CPD - 2011	14.259	O-10-TA-MD-0005	1,923,169
Technical Assistance Capacity Building-One CPD - 2012	14.259	O-11-TA-MD-0002	1,544,320
			3,467,489
Energy Innovation Funds			
Mpower	14.319	13-7168	7,619
Multifamily Energy Innovation Fund	14.319	MFEI-002	547,515
			555,134
HUD Seattle WA Green	14	M B06-NI-WA-0047	95,396
First Nations OWEESTA Corporation	14.250	OWEESTA	25,342
Sustainable Construction	14.525	M-H-21644 CA	50,211
HUD SC2 NRN	14.534	M-H-21656CA	137,866
Growing Transit Comm TOD Mstr	14.703	M-2013-051	20,477
Reconnecting America	14.705	M-RA-HUD	48,632

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures
HUD - Direct (continued)			
Total HUD-Direct Programs			**25,053,928**
Total HUD Programs			**26,152,789**
Department of Treasury			
Volunteer Income Tax Assistance (VITA) Matching Grant Program			
IRS VITA 2013-2014	21.009	V14119	8,320
VITA-13228	21.009	V13228	120,809
			129,129
CDFI Fund 2011	21.020	111FA010129	1,500,000
CDFI Fund 2012	21.020	121FA010797	1,453,806
			2,953,806
Total Department of Treasury Programs			**3,082,935**
Department of Health and Human Services			
Cuyahoga County 2011 - 2013	93.558	M-CE 1100595-01	252,760
Total Department of Health and Human Services Program			**252,760**
Department of Energy			
State Energy Program (ARRA)	81.041	DOE400-09-019 LF	200,000
Total Department of Energy Program			**200,000**
Department of Agriculture			
Rural Community Development Initiative Grant	10.446	M-24-014521231931	48,109
Preservation Revolving Loan Fund	10.415	DOA24-022-520192004	202,272
Total Department of Agriculture Programs			**250,381**
Total All Programs			**$ 29,938,865**

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Note 1 - General

The purpose of the schedule of expenditures of federal awards is to present a summary of federal awards expended by Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates under various programs of the federal government for the year ended December 31, 2013. The financial statements of certain subsidiaries and affiliates included in the consolidated financial statements were not audited in accordance with Government Audit Standards as they are not subject to the requirements under *OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations."* The schedule includes federal awards received directly by Partners and the Loan Fund from federal agencies as well as federal awards passed through to Partners by state or local government agencies or other nonprofit organizations.

The dollar threshold used to distinguish between Type A and Type B programs was $898,166. Partners and the Loan Fund's major programs are: HUD - Capacity Building for Community Development; HUD - Community Challenge Planning Grants and Department of Transportation's TIGER II Planning Grant; Department of Agriculture - Preservation Revolving Loan Fund; Department of Energy - State Energy Program.

Note 2 - Basis of presentation

The schedule of expenditures of federal awards has been prepared on the following basis:

The awards are classified by program in accordance with OMB Circular A-133. Funds expended under the same catalog of federal domestic assistance number are classified as a program.

Expenditures are recognized using the accrual basis of accounting and the cost accounting principles contained in OMB Circular A-122, "Cost Principles for Nonprofit Organizations." Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for loan disbursements are recognized when paid.

Partners' agreements with various states, counties and cities relating to HUD grants provide for payments to Partners based upon specified rates for time expended by Partners' personnel and for reimbursement of travel and related costs. Accordingly, expenditures reported in the schedule of these grants are based upon the terms of these agreements.

Note 3 - Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, Partners provided federal awards totaling $11,332,002 to subrecipients through its Capacity Building for Community Development Grant with the Department of Housing and Urban Development.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 24, 2014. The financial statements of certain subsidiaries and affiliates were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these certain subsidiaries and affiliates.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
June 24, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' major federal programs for the year ended December 31, 2013. Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

Management of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
June 24, 2014

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Schedule of Findings and Questioned Costs
December 31, 2013

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates.

2. No material weaknesses or significant deficiencies related to the audit of the consolidated financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards.*

3. No instances of noncompliance material to the consolidated financial statements of Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates were disclosed during the audit.

4. No material weaknesses or significant deficiencies related to the audit of the major federal awards programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates expresses an unmodified opinion.

6. There are no audit findings relative to the major federal award programs for Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates.

7. Major programs:

   Department of Housing and Urban Development - Capacity Building for Community Development, CFDA 14.252

   Department of Housing and Urban Development - Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants, CFDA 14.704

   Department of Agriculture - Preservation Revolving Loan Fund, CFDA 10.415

   Department of Energy - State Energy Program, CFDA 81.014

8. Dollar threshold used to distinguish between Type A and Type B programs: $898,166

9. Enterprise Community Partners, Inc. and its Subsidiaries and Affiliates was determined to be a low-risk auditee.

Enterprise Community Partners, Inc. and Its Subsidiaries and Affiliates

Schedule of Findings and Questioned Costs
December 31, 2013

B. Findings - Financial Statement Audit - None

C. Findings and Questioned Costs - Major Federal Awards Programs Audit - None