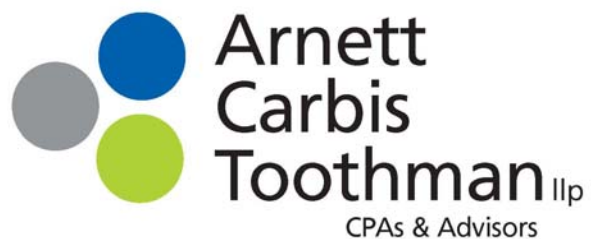


THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

**Financial Report
December 31, 2016**



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Fairmont Community Development Partnership
Fairmont, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Fairmont Community Development Partnership (Partnership), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, financial statements referred to above present fairly, in all material respects, the financial position of The Fairmont Community Development Partnership as of December 31, 2016, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Partnership, as of and for the year ended December 31, 2015, were audited by other auditors, whose report, dated December 21, 2016, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the December 31, 2015, financial statements reflect an adjustment to the amounts reported as long-term debt and net assets as of the beginning of the year. Our opinion is not modified with respect to this matter.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
November 21, 2017

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 13,695	\$ 12,506	\$ 1,307	\$ 27,508
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation	2,354,946	2,680,358	369,384	5,404,688
OTHER ASSETS				
Real estate held for development	204,538	-	-	204,538
Loans receivable, net of allowance 2016 \$102,712; 2015 \$9,590	193,122	77,420	38,301	308,843
Tenant security deposits	25,112	-	-	25,112
Total other assets	422,772	77,420	38,301	538,493
Total assets	\$ 2,791,413	\$ 2,770,284	\$ 408,992	\$ 5,970,689
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current maturities of long-term debt	\$ 500,577	\$ -	\$ -	\$ 500,577
Accounts payable	38,102	-	-	38,102
Line of credit	97,911	-	-	97,911
Short-term escrows	3,407	-	-	3,407
Deferred revenue	-	-	-	-
Total current liabilities	639,997	-	-	639,997
OTHER LIABILITIES				
Tenant security deposits	25,112	-	-	25,112
Long-term debt, net of current portion	1,712,575	-	-	1,712,575
Total other liabilities	1,737,687	-	-	1,737,687
Total liabilities	2,377,684	-	-	2,377,684
NET ASSETS	413,729	2,770,284	408,992	3,593,005
Total liabilities and net assets	\$ 2,791,413	\$ 2,770,284	\$ 408,992	\$ 5,970,689

See Notes to Financial Statements

2015 (As Adjusted)			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 20,232	\$ 20,566	\$ 20,703	\$ 61,501
2,087,288	2,176,141	338,487	4,601,916
603,554	-	-	603,554
398,304	90,863	49,802	538,969
27,103	-	-	27,103
1,028,961	90,863	49,802	1,169,626
<u>\$ 3,136,481</u>	<u>\$ 2,287,570</u>	<u>\$ 408,992</u>	<u>\$ 5,833,043</u>
\$ 472,962	\$ -	\$ -	\$ 472,962
9,997	-	-	9,997
-	-	-	-
6,919	-	-	6,919
7,944	-	-	7,944
497,822	-	-	497,822
27,103	-	-	27,103
1,783,050	-	-	1,783,050
1,810,153	-	-	1,810,153
2,307,975	-	-	2,307,975
828,506	2,287,570	408,992	3,525,068
<u>\$ 3,136,481</u>	<u>\$ 2,287,570</u>	<u>\$ 408,992</u>	<u>\$ 5,833,043</u>

See Notes to Financial Statements

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
 Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Grants and contracts	\$ 45,608	\$ 721,889	\$ -	\$ 767,497
Rental income and fees	363,395	-	-	363,395
Project development fees	-	11,346	-	11,346
Interest on loans	8,599	-	-	8,599
Total support and revenue	417,602	733,235	-	1,150,837
Contributions	1,000	-	-	1,000
Interest and dividend income	1,698	-	-	1,698
Change in value of real estate	(205,628)	-	-	(205,628)
Loss on disposal of real estate held for development	(24,983)	-	-	(24,983)
Miscellaneous	401	-	-	401
Total revenue	190,090	733,235	-	923,325
Net assets released from restrictions	250,521	(250,521)	-	-
Expenses:				
Wages, taxes, and employee benefits	191,372	-	-	191,372
Depreciation	156,825	-	-	156,825
Bad debt expense	153,432	-	-	153,432
Maintenance and property expenses	145,304	-	-	145,304
Interest and bank charges	78,938	-	-	78,938
Overhead	59,811	-	-	59,811
Professional fees	48,090	-	-	48,090
Insurance	16,603	-	-	16,603
Other expenses	3,936	-	-	3,936
Training and education	1,077	-	-	1,077
Grant expenditures	-	-	-	-
Total expenses	855,388	-	-	855,388
Change in net assets	(414,777)	482,714	-	67,937
Net assets, beginning	828,506	2,287,570	408,992	3,525,068
Adjustment applicable to prior years	-	-	-	-
Net assets, beginning of year, as adjusted	828,506	2,287,570	408,992	3,525,068
Net assets, ending	\$ 413,729	\$ 2,770,284	\$ 408,992	\$ 3,593,005

See Notes to Financial Statements

2015 (As Adjusted)			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 51,000	\$ 133,470	\$ -	\$ 184,470
342,578	-	-	342,578
-	111,000	-	111,000
11,698	-	-	11,698
405,276	244,470	-	649,746
1,000	-	-	1,000
773	485	-	1,258
-	-	-	-
-	-	-	-
10,142	-	-	10,142
417,191	244,955	-	662,146
211,094	(211,094)	-	-
182,700	-	-	182,700
143,221	-	-	143,221
30,420	-	-	30,420
120,860	-	-	120,860
76,819	-	-	76,819
46,017	-	-	46,017
23,273	-	-	23,273
10,057	-	-	10,057
4,812	-	-	4,812
1,040	-	-	1,040
3,598	-	-	3,598
642,817	-	-	642,817
(14,532)	33,861	-	19,329
803,038	2,253,709	408,992	3,465,739
40,000	-	-	40,000
843,038	2,253,709	408,992	3,505,739
\$ 828,506	\$ 2,287,570	\$ 408,992	\$ 3,525,068

See Notes to Financial Statements

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	2016	2015
		(As Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 67,937	\$ 19,329
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	156,825	143,221
Bad debt expense	153,432	30,420
Change in value of real estate held for development	205,628	-
Loss on disposal of real estate held for development	24,983	-
Proceeds received from restricted funds	(733,235)	(133,470)
(Increase) decrease in assets:		
Grants receivable	-	278,490
Loans receivable, net	76,694	(1,347)
Increase (decrease) in liabilities:		
Accounts payable	28,105	3,193
Short-term escrows	(3,512)	-
Deferred revenue	(7,944)	(278,290)
Net cash provided by (used in) operating activities	(31,087)	61,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(752,020)	(184,983)
Purchase of real estate held for development	(60,000)	-
Proceeds from sale of real estate held for development	20,828	-
Decrease in restricted cash	27,456	88,736
Net cash (used in) investing activities	(763,736)	(96,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings of long-term debt	320,000	-
Repayment of long-term debt	(362,860)	(93,679)
Net borrowings on line of credit	97,911	-
Proceeds received from restricted funds	733,235	133,470
Net cash providing by financing activities	788,286	39,791
Net increase (decrease) in cash and cash equivalents	(6,537)	5,090
Cash and cash equivalents:		
Beginning	20,232	15,142
Ending	\$ 13,695	\$ 20,232
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 78,740	\$ 76,156
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfer of real estate held for development to property and equipment	\$ 207,577	\$ 13,300

See Notes to Financial Statements

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Fairmont Community Development Partnership (Partnership) is a nonprofit corporation under the provisions of Code Section 501(c)(3) of the Internal Revenue Code.

The Partnership promotes community and economic development, revitalization of neighborhoods, and affordable housing in targeted low income areas. The goals of the Partnership are to improve the quality of lives by assisting low income families with safe, decent housing, and promoting business growth as part of local community development.

Description of programs: The Partnership provides the following programs and services for Marion County and the city of Fairmont:

The Fairmont Community Development Partnership Program: A program which supports the Partnership's total program goal of revitalizing neighborhoods and providing affordable housing opportunities for low to moderate income households. This program provides funding to the Partnership for operating expenditures.

HUD Special Purpose Loan Program: A program designed to obtain a revolving real estate loan program, with access to the national secondary loan market, for the provision of direct or tandem loans to low and moderate income homeowners at below market rates for the purpose of home improvement and overall neighborhood revitalization. The Partnership no longer offers these loan programs; however, prior year loans from this program are included in loans receivable on the statement of financial position.

West Virginia Housing Development Program: A program which supports the Partnership's total program goals of revitalizing neighborhoods and providing affordable housing opportunities for low to moderate income households.

U.S. Department of Agriculture (USDA) Program: A program administered by the United States Department of Agriculture to improve opportunities for small business owners. This program provides funding for renovations to commercial properties as well as funding for loans to small business owners for start-up costs and working capital.

Community Housing Development Organization (CHDO) Program: A program administered by the West Virginia Housing Development Fund which supports the Partnership's total program goals of revitalizing neighborhoods and providing affordable housing opportunities for low to moderate income households.

Basis of accounting: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America whereby revenue is recorded when earned and expenses are reported when incurred.

Use of estimates: The preparation of financial statements in accordance 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 revenue and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Basis of presentation: Unrestricted net assets are not restricted by donor or grantor imposed stipulations.

Temporarily restricted net assets result from contributions, grants, or other inflows of assets whose use by the Partnership is limited by donor or grantor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Partnership pursuant to those stipulations, from other asset enhancements and diminishment subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Partnership pursuant to those stipulations.

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Permanently restricted net assets result from contributions, grants, or other inflows of assets whose use by the Partnership is limited by donor or grantor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Partnership, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications from or to other classes of net assets as a consequence of donor or grantor imposed stipulations.

Contributions: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Partnership reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as contributions are earned, are reported as unrestricted support.

The Partnership reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Partnership reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and equipment received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Cash and cash equivalents and deposit risk: The Partnership considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are held in local banks that carry Federal Deposit Insurance Corporation (FDIC) insurance. The book balance of all cash and cash equivalents as of December 31, 2016 and 2015, is \$27,508 and \$61,501, respectively.

In the normal course of business, the Partnership may have deposit with a local financial institution in excess of FDIC insured limits. The Partnership has not experienced any losses in such accounts.

Property and equipment: Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed primarily on the straight-line method over the estimated useful lives of the assets.

Property and equipment received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Major improvements and betterments to property and equipment are capitalized. Expenditures for maintenance and repairs which do not extend the lives of the applicable assets are charged to expense as incurred. When retired or otherwise disposed of, the asset and the related accumulated depreciation amounts are adjusted accordingly, and any resulting gain or loss is included on the statements of activities and changes in net assets.

Real estate held for development: Real estate held for development is recorded at the lesser of cost or fair value. Real estate held for development is evaluated on an annual basis for impairment. Authoritative guidance related to intangible assets prescribes the application of a two-step process for impairment testing of real estate held for development if adverse qualitative factors exist indicating that it is more likely than not that it is impaired. This is performed annually, as well as when an event triggering impairment may have occurred.

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Loans receivable: Loans receivable are stated at the amount the Partnership expects to collect. The Partnership provides an allowance for loan loss equal to the estimated uncollectable amounts. The Partnership's estimate is based on the performance and credit quality of the loan portfolio (Note 3). It is reasonably possible that the Partnership's estimate of the allowance for loan loss will change.

Tenant security deposits: Tenant security deposits are accounted for as trust funds and are maintained separate from other funds.

Deferred revenue: Cash received in advance for reimbursable costs is classified as deferred revenue until the designated expenditures have been made, at which time the revenue is recognized.

Income taxes status: The Partnership is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and has been recognized as tax exempt under Section 501(a) of the Code. Accordingly, no provision for income taxes has been provided.

The Partnership follows the guidance for accounting for uncertainty in income taxes recognized in an organization's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Generally, tax returns for years ended December 31, 2013, and thereafter remain subject to examination by federal and state tax authorities.

Advertising costs: The Partnership follows the policy of charging advertising costs to expense as incurred. Advertising expense totaled \$588 and \$3,280 for the years ended December 31, 2016 and 2015, respectively.

Subsequent events: In preparing these financial statements, the Partnership evaluated events that occurred through November 21, 2017, the date the financial statements were available to be issued, for potential recognition or disclosure.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued guidance related to recognition of revenue from contracts with customers. This guidance requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and requires certain qualitative and quantitative disclosures regarding revenue arising from contracts with customers. This Accounting Standards Update (ASU) will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. In August 2015, the FASB issued an amendment to defer the effective dates for all entities by one year. During 2016, the FASB has issued varied guidance with the purpose of clarifying Topic 606: Revenue from Contracts with Customers. Such clarifications included: improving the operability and understandability of the implementation guidance on principal versus agent considerations; identifying performance obligations and also to improve the operability and understandability of the licensing implementation guidance; clarifying the objective of the collectability criterion for applying paragraph 606-10-25-7; permitting an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; specifying that the measurement date for noncash consideration is contract inception; providing a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations; determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; clarifying that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application; and clarifying that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2017. Public entities include any of the following: (1) a public business entity, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or (3) an employee benefit plan that files or furnishes financial statements to the Securities Exchange Commission (SEC). Early application is not permitted. For all other entities (nonpublic entities), the

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2018. A nonpublic entity may elect to apply this guidance earlier, subject to certain limitations. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements. Management has not yet selected a transition method nor has the effect of this guidance on the Partnership's ongoing financial reporting been determined.

In February 2016, the FASB issued guidance related to recognition by a lessee of assets and liabilities on leases with terms of more than 12 months on the balance sheet. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease; however, unlike current U.S. GAAP, which requires that only capital leases be recognized on the balance sheet, the ASU requires that both types of leases be recognized on the balance sheet. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. Lessor accounting remains largely unchanged from current U.S. GAAP, but the ASU contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in May 2014. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for public entities with annual reporting periods beginning after December 15, 2018. Public entities include any of the following: (1) a public business entity, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or (3) an employee benefit plan that files or furnishes financial statements to the Securities Exchange Commission (SEC). For all other entities (nonpublic entities), the amendments in these ASUs will be effective for annual reporting periods beginning after December 15, 2019. Early application of the amendments in this guidance is permitted for all entities. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements.

In August 2016, the FASB issued guidance to improve certain current financial reporting for not-for-profits (NFPs). The main provisions of this ASU will require an NFP to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. NFPs will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. This ASU will also require NFPs to present on the face of the statement of activities the amount of change in each of the two classes of net assets noted above. NFPs will continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method, but will no longer require indirect method reconciliation if using the direct method. NFPs will report investment return net of external and direct internal investment expenses and no longer be required to disclose these netted expenses. NFPs will also be required to use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations or restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restriction to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

This ASU will further require an NFP to provide the following enhanced disclosures about: (a) amounts and purposes of governing board designations, appropriations, and similar actions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources; (c) qualitative information that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date; (d) quantitative information, either on the face the statement of financial position or in the notes, and additional qualitative information in the notes as necessary that communicates the availability of an NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date; (e) amounts of expenses by both their natural classification and their functional classification; and (f) method used to allocate costs among program and support functions. This guidance is effective for NFPs with fiscal years beginning after December 15, 2017. Early adoption is permitted. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS

In November 2016, the FASB issued guidance on the statement of cash flows: restricted cash. Generally Accepted Accounting Principles currently do not include specific guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents other than limited guidance for not-for-profit entities. The statement of cash flows must explain the change in restricted cash or restricted cash equivalents along with cash and cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Amendments should be applied retrospectively. This guidance is effective for public entities for fiscal years beginning after December 15, 2017, and for all other entities for fiscal years beginning after December 15, 2018. Public entities include any of the following: (1) a public business entity, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, or (3) an employee benefit plan that files or furnishes financial statements to the Securities Exchange Commission (SEC). Early adoption is permitted. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements.

Note 2. Support from Governmental Units

The Partnership receives a substantial amount of its support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Partnership's programs and activities.

Note 3. Loans Receivable

Loans receivable are comprised of the following as of December 31:

	2016	2015
Rehabilitation loans	\$ 49,003	\$ 54,916
Mortgage loans	101,078	195,766
Small business loans	77,625	107,029
Loans due on sale	147,849	154,848
Forgivable loans	36,000	36,000
Total loans receivable	411,555	548,559
Less allowance for loan loss	102,712	9,590
Total loans receivable	\$ 308,843	\$ 538,969

As of December 31, 2016, the Partnership had 14 loans classified as "due on sale." These loans will be repaid by the borrowers in the future at the time the houses are sold or thirty-five years when each note matures.

The Partnership also has two loans totaling \$36,000 which are forgivable loans. Under the terms of the loan, the borrower will repay the loan if the personal residence (securing the loan) is sold before the end of ten years. After ten years have passed from the date of issuance, the loan is forgivable ratably over twenty years.

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and appropriate provision for credit losses is based upon an annual evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses based on historical loss experience, and consideration of current economic trends, all which are susceptible to constant and significant change.

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Management monitors the performance and credit quality of the loan portfolio on an individual basis. Measurement of delinquency and past due status are based on the contractual terms of each loan. Management monitors the performance and credit quality of the loan receivables by analyzing the age of the receivables as well as other factors. Loans are charged off when in the opinion of management, based on current information and events, the principal and interest in accordance with the loan contract is deemed uncollectable.

Loans deemed to be uncollectable are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses.

An analysis of the allowance for loan losses for the years ended December 31 is as follows:

	2016	2015
Balance, beginning of period	\$ 9,590	\$ 9,590
Loans charged-off	(60,307)	(30,420)
Recoveries of loans previously charged-off	-	-
Provision for loan losses	153,429	30,420
Balance, end of period	<u>\$ 102,712</u>	<u>\$ 9,590</u>

Loans classified as Special mention have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the credit position at some future date. Loans classified as Substandard are inadequately protected by the current sound worth and paying capacity of the obligor or the collateral pledged, in any. Loans so classified have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt by the borrower. Loans classified as Doubtful are loans that have all the weaknesses inherent in one classified as Substandard with the added characteristic the weaknesses make collection in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loans classified as Pass are loans that do not meet any of the above stated criteria.

An analysis of the loan portfolio as of December 31 is as follows

	2016	2015
Special mention	\$ 96,861	\$ 181,437
Substandard	-	-
Doubtful	-	-
Pass	314,694	367,122
Total loans receivable	<u>\$ 411,555</u>	<u>\$ 548,559</u>

Note 4. Fair Value of Financial Instruments

Authoritative guidance regarding *Fair Value Measurements* establishes a framework for measuring fair value. This guidance defines fair value, establishes a framework and hierarchy for measuring fair value, and outlines the related disclosure requirements. The guidance indicates that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability based upon an exit price model. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements).

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NOTES TO FINANCIAL STATEMENTS

Financial assets recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level I Quoted prices in active markets for identical assets or liabilities.
- Level II Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Partnership does not have any financial assets that qualify as Level I or II of the fair value hierarchy.

Real estate held for development is carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. The use of management's best judgment is a significant input in arriving at the fair value measure of the underlying collateral and, therefore, these assets are classified within Level III of the fair value hierarchy.

Balances of real estate held for development, stated at net carrying value as of December 31, consist of the following:

	Balance 1/1/2016	Purchased and Rehabilitation Costs	Sold	Transferred to Commercial Development	Change in Value	Balance 12/31/2016
Testa Property	\$ 55,836	\$ -	\$ -	\$ -	\$ -	\$ 55,836
ReOnna Holland	-	60,000	-	-	-	60,000
Garrett Avenue	29,184	-	-	-	(484)	28,700
Maple Avenue	120,288	-	(29,945)	(38,848)	(30,695)	20,800
Baltimore Avenue	11,577	-	-	(5,504)	-	6,073
Jackson	2,212	-	(755)	-	-	1,457
Ogden Avenue	39,622	-	-	-	(25,741)	13,881
Wheeling Street	88,416	-	-	-	(80,216)	8,200
Abbott Street	70,979	-	-	(40,500)	(30,479)	-
Benoni Avenue	88,673	-	-	(88,673)	-	-
Lehman Avenue	30,668	-	(15,110)	-	(15,558)	-
Spence Street	46,474	-	-	(34,053)	(12,421)	-
Various Lots	19,625	-	-	-	(10,034)	9,591
	\$ 603,554	\$ 60,000	\$ (45,810)	\$ (207,578)	\$ (205,628)	\$ 204,538

	Balance 1/1/2015	Purchased and Rehabilitation Costs	Sold	Transferred to Commercial Development	Change in Value	Balance 12/31/2015
Testa Property	\$ 55,836	\$ -	\$ -	\$ -	\$ -	\$ 55,836
Garrett Avenue	29,184	-	-	-	-	29,184
Maple Avenue	120,288	-	-	-	-	120,288
Baltimore Avenue	11,577	-	-	-	-	11,577
Jackson	2,212	-	-	-	-	2,212
Ogden Avenue	39,622	-	-	-	-	39,622
Wheeling Street	88,416	-	-	-	-	88,416
Abbott Street	70,979	-	-	-	-	70,979
Benoni Avenue	88,673	-	-	-	-	88,673
Lehman Avenue	30,668	-	-	-	-	30,668
Spence Street	46,474	-	-	-	-	46,474
Various Lots	32,925	-	-	(13,300)	-	19,625
	\$ 616,854	\$ -	\$ -	\$ (13,300)	\$ -	\$ 603,554

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NOTES TO FINANCIAL STATEMENTS

Note 5. Property and Equipment

Property and equipment consist of the following as of December 31:

	2016	2015
Furniture, fixtures, and equipment	\$ 2,201	\$ 2,201
Vehicles	11,118	-
Rented to others:		
Land	884,263	676,685
Buildings and improvements	4,671,816	4,652,814
Construction in process	721,899	-
	<u>6,291,297</u>	<u>5,331,700</u>
Less accumulated depreciation	886,609	729,784
Total property and equipment	<u>\$ 5,404,688</u>	<u>\$ 4,601,916</u>

Note 6. Long-Term Debt

Long-term debt as of December 31 consists of the following:

	2016	2015
Note payable to Freedom Bank at a variable interest rate of 1.0% over U.S. Prime (3.75% and 3.50% as of December 31, 2016 and 2015, respectively), with monthly payments of \$6,925 through February 2039. The loan is secured by a deed of trust of commercial real estate.	\$ 1,303,611	\$ 1,340,175
Note payable to Freedom Bank at a variable interest rate of 1.0% over U.S. Prime (3.75% and 3.50% as of December 31, 2016 and 2015, respectively), with monthly payments of \$3,305 through April 2030. The loan is secured by a deed of trust on residential real estate.	420,827	443,162
Note payable to WesBanco Bank at a variable interest rate of 3.0% over the mid-market par swap rate for a fixed rate payer (4.25% as of December 31, 2016) with monthly payments of \$2,422 through February 2022, followed by monthly payments of \$2,490 through January 2032. The loan is secured by a deed of trust of residential real estate.	320,000	-
The Partnership has three individual loans payable to the city of Fairmont secured by various deeds of trust. The loans bear interest at 0%, with monthly payments of \$352 through March 2015, followed by monthly payments of \$634 through March 2017, followed by monthly payments of \$905 through April 2022. Additional principal payments are due upon the sale of certain properties.	44,874	52,482
Note payable to Marion County Commission. Repayment is deferred until the building renovation of the YMCA building is complete. The loan is unsecured with no stated interest rate or repayment.	80,000	80,000

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	2016	2015
Note payable to First Exchange Bank at a fixed rate of 5.0% until July 2014. Effective August 2014, the note will be payable at a variable interest rate of 1.0% over U.S. Prime (3.75% and 3.50% as of December 31, 2016 and 2015, respectively), with monthly payments of \$1,299 through July 2026. The loan is secured by a deed of trust on the YMCA property.	\$ 41,340	\$ 54,488
Note payable to Marion Regional Development Corporation. The loan is unsecured, with no stated interest rate or repayment term.	2,500	2,500
Note payable to First Exchange at a fixed rate of 5.5% until October 2016. Effective November 2016, the note will be payable at a variable interest rate of 1.0% over U.S. Prime (5.5% as of December 31, 2015), with monthly payments of \$2,249 through October 2031. This loan was paid in 2016.	-	283,205
	2,213,152	2,256,012
Less current portion	500,577	472,962
Total long-term debt	\$ 1,712,575	\$ 1,783,050

Future maturities on notes payable as of December 31, 2016, are as follows:

Years Ending December 31:

2017	\$ 500,577
2018	193,428
2019	105,309
2020	104,988
2021	110,416
Thereafter	1,198,434
	\$ 2,213,152

Note 7. Line of Credit

The Partnership maintains a \$100,000 line of credit with a financial institution, bearing interest at a variable rate of prime plus 0.50% (3.25% as of December 31, 2016), collateralized by secured deed of trust on residential real estate of the Partnership. The balance on the line as of December 31, 2016 and 2015, was \$97,911 and \$0, respectively.

Note 8. Contingent Liabilities

The Partnership received grants from the West Virginia Housing Development Fund through their CHDO program for construction projects. Under the grant requirements, the Partnership must rent the completed projects to individuals who qualify under federal guidelines as low-income/affordability for 20 years, or the Partnership may be required to repay these grants. As of December 31, 2016, the Partnership represented it was in compliance with all provisions of the grant agreements.

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As of December 31, 2016, the grants received to date relating to the CHOD program are as follows:

Chicago/Howard (3 homes)	\$	517,000	Expires 2032
832/834 Virginia duplex		329,290	Expires 2032
Maple/Spence triplex		417,000	Expires 2033
816/818 Virginia duplex		307,140	Expires 2036
836/838 Virginia duplex		356,426	Expires 2036
844/846 Virginia duplex		345,940	Expires 2036

Note 9. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets of \$2,770,284 and \$2,287,570 as of December 31, 2016 and 2015, respectively, consist of cash, loans receivable, and fixed assets held until the donor or grantor imposed stipulations are met.

A summary of temporarily restricted net assets by project as of December 31 is a follows:

	2016	2015
Community Housing Development Organization	\$ 2,682,571	\$ 2,186,501
USDA	75,186	88,542
WV Housing Development Fund	12,527	12,527
Total temporarily restricted net assets	\$ 2,770,284	\$ 2,287,570

Permanently restricted net assets of \$408,992 as of December 31, 2016 and 2015, consist of funds received from the U.S. Department of Housing and Urban Development that can be used as a revolving loan account for low to moderate income clients or to make improvements to rental properties. The total value of this contribution must remain intact indefinitely.

Note 10. Retirement Plan

The Partnership maintains a Simplified Employee Pension Individual Retirement Arrangement (SEP IRA) for its employees and matches up to 3% of employee contributions. The Partnership's contributions to the plan were \$6,854 and \$1,954 for the years ended December 31, 2016 and 2015, respectively, and are included in wages, taxes, and employee benefits on the statements of activities and changes in net assets.

Note 11. Adjustment to Amounts Reported

The Partnership, in error, originally recorded a \$40,000 grant in 2012 as a note payable rather than revenue. As a result, the 2015 financial statements have been adjusted to reflect the correction of such error by reducing long-term debt and increasing the beginning of the year unrestricted net assets by \$40,000.