THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

Financial Report
December 31, 2018

Arnett Carbis Toothman llp
CPAs & Advisors

C O N T E N T S

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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, the financial statements referred to above present fairly, in all material respects, the financial position of The Fairmont Community Development Partnership as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Arnett Carbis Toothman LLP

New Castle, Pennsylvania
August 26, 2019

Arnett Carbis Toothman llp
CPAs & Advisors

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 22,826	$ 17,402	$ 40,228
Accounts receivable, net of allowance for doubtful accounts $1,535	7,310	-	7,310
Grants receivable	1,095,207	7,950	1,103,157
Prepaid expenses and deposits	2,500	-	2,500
Total current assets	1,127,843	25,352	1,153,195
PROPERTY AND EQUIPMENT, net	1,975,590	3,455,161	5,430,751
OTHER ASSETS			
Real estate held for development	93,935	-	93,935
Loans receivable, net of allowance 2018 $119,651; 2017 $124,228	215,863	44,500	260,363
Tenant security deposits	28,866	-	28,866
Total other assets	338,664	44,500	383,164
Total assets	$ 3,442,097	$ 3,525,013	$ 6,967,110
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Lines of credit	$ 201,337	$ -	$ 201,337
Current maturities of long-term debt	119,647	-	119,647
Accounts payable	49,539	-	49,539
Deferred revenue	1,045,207	7,950	1,053,157
Total current liabilities	1,415,730	7,950	1,423,680
OTHER LIABILITIES			
Tenant security deposits	28,866	-	28,866
Long-term debt, less loan costs and current maturities	1,597,153	-	1,597,153
Total other liabilities	1,626,019	-	1,626,019
Total liabilities	3,041,749	7,950	3,049,699
NET ASSETS	400,348	3,517,063	3,917,411
Total liabilities and net assets	$ 3,442,097	$ 3,525,013	$ 6,967,110

See Notes to Financial Statements

2017		
Without Donor Restrictions	With Donor Restrictions	Total
$ 16,889	$ 41,038	$ 57,927
13,986	-	13,986
722,169	9,500	731,669
-	-	-
753,044	50,538	803,582
2,116,332	3,015,875	5,132,207
149,771	-	149,771
163,051	96,528	259,579
23,252	-	23,252
336,074	96,528	432,602
$ 3,205,450	$ 3,162,941	$ 6,368,391
$ 99,820	$ -	$ 99,820
136,584	-	136,584
18,248	-	18,248
680,000	9,500	689,500
934,652	9,500	944,152
23,252	-	23,252
1,716,004	-	1,716,004
1,739,256	-	1,739,256
2,673,908	9,500	2,683,408
531,542	3,153,441	3,684,983
$ 3,205,450	$ 3,162,941	$ 6,368,391

See Notes to Financial Statements

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contracts	$ 67,395	$ 508,250	$ 575,645
Rental income and fees	396,109	-	396,109
Project development fees	-	-	-
Interest on loans	5,521	-	5,521
Total support and revenue	469,025	508,250	977,275
Contributions	11,427	-	11,427
Interest and dividend income	158	-	158
Gain/(loss) on disposal of real estate held for development	44,164	-	44,164
Donated property	-	-	-
Gain/(loss) on disposal of property and equipment	(30,030)	-	(30,030)
Miscellaneous	16,304	-	16,304
Total revenue	511,048	508,250	1,019,298
NET ASSETS RELEASED FROM RESTRICTIONS	144,628	(144,628)	-
EXPENSES			
Wages, taxes, and employee benefits	233,140	-	233,140
Depreciation	159,777	-	159,777
Maintenance and property expenses	153,390	-	153,390
Overhead	94,406	-	94,406
Interest and bank charges	79,037	-	79,037
Professional fees	47,604	-	47,604
Insurance	14,272	-	14,272
Training and education	2,052	-	2,052
Bad debt (recovery) expense	(4,577)	-	(4,577)
Other expenses	7,769	-	7,769
Total expenses	786,870	-	786,870
Change in net assets	(131,194)	363,622	232,428
Net assets:			
Beginning	531,542	3,153,441	3,684,983
Ending	$ 400,348	$ 3,517,063	$ 3,917,411

See Notes to Financial Statements

2017		
Without Donor Restrictions	With Donor Restrictions	Total
$ 80,330	$ 143,101	$ 223,431
412,956	-	412,956
-	120,305	120,305
5,414	-	5,414
498,700	263,406	762,106
8,745	-	8,745
1,455	-	1,455
(68,107)	-	(68,107)
110,000	-	110,000
47,206	-	47,206
7,501	-	7,501
605,500	263,406	868,906
289,241	(289,241)	-
266,095	-	266,095
162,727	-	162,727
134,006	-	134,006
76,365	-	76,365
63,436	-	63,436
28,073	-	28,073
17,504	-	17,504
2,332	-	2,332
21,516	-	21,516
4,874	-	4,874
776,928	-	776,928
117,813	(25,835)	91,978
413,729	3,179,276	3,593,005
$ 531,542	$ 3,153,441	$ 3,684,983

See Notes to Financial Statements

THE FAIRMONT COMMUNITY DEVELOPMENT PARTNERSHIP

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 232,428**	$ 91,978
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	**159,777**	162,727
Amortization of loan costs	**796**	796
Bad debt (recovery) expense	**(4,577)**	21,516
(Gain) loss on disposal of real estate held for development	**(44,164)**	68,107
(Gain) loss on disposal of property and equipment	**30,030**	(47,206)
Proceeds received from restricted funds	**(508,250)**	(263,406)
(Increase) decrease in assets:		
Accounts receivable	**6,676**	(13,986)
Grants receivable	**(371,488)**	(731,669)
Prepaid expenses and deposits	**(2,500)**	-
Loans receivable	**3,793**	27,748
Increase (decrease) in liabilities:		
Accounts payable	**31,291**	(19,854)
Short-term escrows	**-**	(3,407)
Deferred revenue	**363,657**	689,500
Net cash (used in) operating activities	**(102,531)**	(17,156)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	**(553,851)**	(254,100)
Proceeds from sale of property and equipment	**65,500**	70,061
Proceeds from sale of real estate held for development	**100,000**	340,999
Purchase of real estate held for development	**-**	(13,340)
(Increase) decrease in restricted cash	**23,636**	(27,225)
Net cash provided by (used in) investing activities	**(364,715)**	116,395
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on lines of credit	**101,517**	1,909
Repayment of long-term debt	**(136,584)**	(348,628)
Loan costs	**-**	(12,732)
Proceeds received from restricted funds	**508,250**	263,406
Net cash provided by (used in) financing activities	**473,183**	(96,045)
Net increase in cash and cash equivalents	**5,937**	3,194
Cash and cash equivalents:		
Beginning	**16,889**	13,695
Ending	**$ 22,826**	$ 16,889
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	**$ 63,353**	$ 63,353

See 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 as described in Section 501(c)(3) of the Internal Revenue Code (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 statements of financial position.

West Virginia Housing Development Program: A program which supports the revitalizing of neighborhoods and provides affordable housing opportunities to 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 revitalizing of neighborhoods and provides affordable housing opportunities to 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.

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

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions 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 the passage of time or can be fulfilled and removed by actions of the Partnership pursuant to those stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, or from reclassifications to or from other classes of net assets as consequences 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. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities 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 without donor restrictions support.

The Partnership reports gifts of goods and equipment as without donor restrictions 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.

Cash and cash equivalents and deposit risk: The Partnership considers all highly liquid debt instruments with an original 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, 2018 and 2017, is $40,228 and $57,927, respectively.

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

Accounts receivable: Accounts receivable are stated at the amount the Partnership expects to collect. The Partnership provides an allowance for doubtful accounts equal to the estimated uncollectable amounts. The Partnership's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Partnership's estimate of the allowance for doubtful accounts will differ from actual results.

Grants receivable: Grants receivable are stated at the amount the Partnership expects to collect.

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.

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. Management did not note any factors indicating impairment as of December 31, 2018 or 2017.

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 4). It is reasonably possible that the Partnership's estimate of the allowance for loan loss will differ from actual amounts.

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.

Loan costs: Costs incurred in relation to the issuance of long-term debt are deferred and amortized over the life of the debt using the straight-line basis, which does not differ significantly from the effective interest method of amortization. Amortization expense amounted to $796 for each of the years ended December 31, 2018 and 2017. Amortization is expected to be $796 for each of the next five years.

Income taxes status: The Partnership is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is 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 uncertainty in income taxes recognized in the Partnership's financial statements that prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met.

The Partnership's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no interest or penalties recognized on the statements of activities in 2018 or 2017. Generally, tax returns for years ended December 31, 2015, 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 $2,310 and $1,253 for the years ended December 31, 2018 and 2017, respectively.

Subsequent events: In preparing these financial statements, the Partnership evaluated events that occurred through August 26, 2019, the date the financial statements were available to be issued, for potential recognition or disclosure.

Recent Accounting Pronouncements

Revenue Recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP. This ASU attempts to remove inconsistencies and weaknesses in the current revenue recognition requirements, provides a more robust framework for addressing issues, improves comparability across entities and industries, provides more useful information to the users of the financial statements, and simplifies the preparation of financial statements by consolidating the number of requirements required to be referenced. Early adoption is not permitted. The guidance permits the use of either a retrospective or modified retrospective (cumulative effect) transition method. The Partnership is currently evaluating the impact, if any, that adoption will have on its December 31, 2019, 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.

Leases: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. This ASU requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new guidance. Transition guidance is provided within the ASU and generally requires a retrospective approach. This guidance is effective for the Partnership's fiscal year ending December 31, 2020. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements.

Not-for-Profit Entities: In August 2016, the FASB issued ASU 2016-14, (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments of this ASU change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The amendments include qualitative and quantitative requirements in the financial statement presentation and disclosures regarding net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The Partnership adopted this guidance during the year ended December 31, 2018. Adoption did not result in any significant change to the financial statements. The adoption did result in expanded disclosures related to liquidity and availability (Note 5) and functional expenses (Note 11).

Statement of Cash Flows: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), which requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows. The Partnership is required to adopt ASU No. 2016-18 as of December 31, 2019. The Partnership is currently evaluating the impact, if any, that adoption will have on its financial statements.

Leases: In March 2019, the FASB issued ASU 2019-01, *Leases* (Topic 842): *Codification Improvements.* This amendment affects narrow aspects of the guidance issued in the amendments in ASU 2016-02, including the determination of the fair value of the underlying asset by lessors who are not manufacturers or dealers, the cash flow presentation of principal payments on sales type and direct financing leases for financial services – depository and lending institutions within the scope of Topic 942, as well as provides certain exceptions for both lessees and lessors for certain interim disclosures required by the adoption of the standard. The amendments in this Update affect the amendments in Update 2016-02, which are not yet effective but can be early adopted. The effective date and transition requirements for the amendments in this Update for entities is the same as the effective date and transition requirements in Update 2016-02. The Partnership is currently evaluating the impact, if any, that adoption will have on its December 31, 2019, 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. Grants Receivable

Grants receivable consist of the following as of December 31:

	2018	2017
Federal Home Loan Bank	$ 734,628	$ -
West Virginia Housing Development Fund	360,579	718,519
West Virginia Affordable Housing Trust	7,950	9,500
Community Works of West Virginia	-	3,650
Total grants receivable	$ 1,103,157	$ 731,669

Note 4. Loans Receivable

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

	2018	2017
Rehabilitation loans	$ 57,326	$ 42,450
Mortgage loans	81,918	85,013
Small business loans	42,594	58,168
Loans due on sale	162,176	162,176
Forgivable loans	36,000	36,000
Total loans receivable	380,014	383,807
Less allowance for loan losses	119,651	124,228
Total loans receivable	$ 260,363	$ 259,579

As of December 31, 2018 and 2017, 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 in thirty-five years when the notes mature.

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

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 loans receivable by analyzing the age of the loans 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 contracts are deemed uncollectable.

Loans deemed to be uncollectable are charged off 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 a follows:

	2018	2017
Balance, beginning of period	$ 124,228	$ 102,712
Loans charged off	-	-
Recoveries of loans previously charged-off	-	-
Provision for loan losses	(4,577)	21,516
Balance, end of period	$ 119,651	$ 124,228

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 their 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, if 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 a "Substandard loan" with additional weaknesses that 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 a follows:

	2018	2017
Special mention	$ 87,164	$ 93,430
Substandard	-	-
Doubtful	-	-
Pass	292,850	290,377
Total loans receivable	$ 380,014	$ 383,807

Note 5. Liquidity and Availability

As of December 31, 2018, the Partnership has a working capital (deficit) of approximately $(288,000), and approximately 14 days cash on hand. The Partnership has $33,663 available under its lines of credit (Note 9).

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, consist of the following as of December 31, 2018:

Cash and cash equivalents	$ 22,826
Accounts receivable	7,310
Grants receivable	1,095,207
	$ 1,125,343

Note 6. 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).

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. There have been no changes in the methodology used as of December 31, 2018 or 2017.

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

	Balance 1/1/2018	Purchased and rehabilitation costs	Sold	Transferred to commercial development	Change in value	Balance 12/31/2018
Testa Property	$ 55,836	$ -	$ (55,836)	$ -	$ -	$ -
Garrett Avenue	28,700	-	-	-	-	28,700
Maple Avenue	20,800	-	-	-	-	20,800
Baltimore Avenue	6,073	-	-	-	-	6,073
Jackson	1,457	-	-	-	-	1,457
Ogden Avenue	18,921	-	-	-	-	18,921
Wheeling Street	8,200	-	-	-	-	8,200
Grant Street	8,300	-	-	-	-	8,300
Various Lots	1,484	-	-	-	-	1,484
	$ 149,771	$ -	$ (55,836)	$ -	$ -	$ 93,935

	Balance 1/1/2017	Purchased and rehabilitation costs	Sold	Transferred to commercial development	Change in value	Balance 12/31/2017
Testa Property	$ 55,836	$ -	$ -	$ -	$ -	$ 55,836
ReOnna Holland	60,000	-	(60,000)	-	-	-
Garrett Avenue	28,700	-	-	-	-	28,700
Maple Avenue	20,800	-	-	-	-	20,800
Baltimore Avenue	6,073	-	-	-	-	6,073
Jackson	1,457	-	-	-	-	1,457
Ogden Avenue	13,881	5,040	-	-	-	18,921
Wheeling Street	8,200	-	-	-	-	8,200
Grant Street	-	8,300	-	-	-	8,300
Various Lots	9,591	-	(8,107)	-	-	1,484
	$ 204,538	$ 13,340	$ (68,107)	$ -	$ -	$ 149,771

Note 7. Property and Equipment

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

	2018	2017
Furniture, fixtures, and equipment	**$ 1,401**	$ 1,401
Vehicles	**-**	11,118
Rented to others:		
Land	**814,590**	903,263
Buildings and improvements	**5,190,464**	5,190,464
Construction in process	**553,850**	-
Total property and equipment	**6,560,305**	6,106,246
Less accumulated depreciation	**1,129,554**	974,039
Total property and equipment, net	**$ 5,430,751**	$ 5,132,207

Note 8. Long-Term Debt

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

	2018	2017
Note payable to Freedom Bank at a variable interest rate of 1.00% over U.S. Prime Rate (6.50% as of December 31, 2018), with monthly payments of $6,925 through February 2039. The loan is secured by a deed of trust of commercial real estate.	**$ 1,229,553**	$ 1,264,321
Note payable to Freedom Bank at a variable interest rate of 1.00% over U.S. Prime Rate (6.50% as of December 31, 2018), with monthly payments of $3,305 through April 2030. The loan is secured by a deed of trust on residential real estate.	**374,103**	395,981
Note payable to WesBanco Bank at a variable interest rate of 3.00% over the mid-market par swap rate for a fixed rate payer (6.13% as of December 31, 2018) 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.	**29,574**	58,657

	2018	2017
The Partnership has three individual loans payable to the city of Fairmont secured by various deeds of trust. Collectively, the loans bear interest at 0%, with monthly payments of $905 through April 2022. Additional principal payments are due upon the sale of certain properties.	**$ 12,210**	$ 31,148
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
Note payable to First Exchange Bank at a fixed rate of 5.00% until July 2014. Effective August 2014, the note will be payable at a variable interest rate of 1.00% over U.S. Prime Rate (6.50% as of December 31, 2018), with monthly payments of $1,299 through July 2026. The loan was secured by a deed of trust on the YMCA property and was paid in 2018.	**-**	31,917
Note payable to Marion Regional Development Corporation. The loan is unsecured, with no stated interest rate or repayment term.	**2,500**	2,500
	1,727,940	1,864,524
Less current portion	**119,647**	136,584
Less unamortized loan costs	**11,140**	11,936
Total long term debt, net	**$ 1,597,153**	$ 1,716,004

Aggregate maturities on long-term debt as of December 31, 2018, are as follows:

Years Ending December 31:	
2019	$ 119,647
2020	118,764
2021	118,907
2022	134,549
2023	151,822
Thereafter	1,084,251
	$ 1,727,940

Note 9. Lines of Credit

The Partnership maintains a $175,000 line of credit with a financial institution, bearing interest at a variable rate of prime plus 0.50% (6.00% as of December 31, 2018), collateralized by secured deed of trust on residential real estate of the Partnership. The balance on the line as of December 31, 2018 and 2017, was $174,809 and $99,820, respectively.

The Partnership maintains a $60,000 line of credit with a financial institution, bearing interest at a variable rate of prime plus 0.63% (6.13% as of December 31, 2018), collateralized by secured deed of trust on residential real estate of the Partnership. The balance on the line as of December 31, 2018 and 2017, was $26,528 and $0, respectively.

Note 10. 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 at least 20 years, or the Partnership may be required to repay these grants. As of December 31, 2018, the Partnership represented it was in compliance with all provisions of the grant agreements.

As of December 31, 2018, the grants received to date relating to the CHDO 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 11. Functional Expenses

The Partnership provides revitalization/affordable housing and renovations of commercial properties/start-up loans in targeted low-income areas within its geographic location. Expenses related to providing these services are as follows for the year ended December 31, 2018:

	Program Activities		Supporting Activities	
	Revitalization / Affordable Housing Operations	Commercial Properties / Start-up Loans	General and Administrative	Total
Wages, taxes, and employee benefits	$ 130,570	$ 3,252	$ 99,318	$ 233,140
Depreciation	155,894	3,883	-	159,777
Maintenance and property expenses	149,663	3,727	-	153,390
Overhead	38,084	949	55,373	94,406
Interest and bank charges	77,116	1,921	-	79,037
Other	65,489	1,631	-	67,120
	$ 616,816	$ 15,363	$ 154,691	$ 786,870

Functional expenses present the natural classification detail of expenses by function. In 2017, $615,302 of expenses related to revitalization/affordable housing operations, $15,323 of expenses related to commercial properties/start-up loans, and $146,303 of expenses related to general and administrative.

Note 12. Net Assets

Net assets without donor restrictions as of December 31 consist of the following:

	2018	2017
Undesignated	**$ 400,348**	$ 531,542

Net assets with donor restrictions as of December 31 consist of the following:

	2018	2017
Restricted for the following purposes:		
Revitalizing neighborhoods, affordable housing	**$ 3,093,302**	$ 2,668,366
Renovations of commercial properties, start-up costs	**14,769**	76,083
Investments to be held in perpetuity:		
Revolving real estate loans	**408,992**	408,992
Total net assets with donor restrictions	**$ 3,517,063**	$ 3,153,441

Note 13. Retirement Plan

The Partnership maintains a Simplified Employee Pension Individual Retirement Arrangement (SEP IRA) for its employees and matches up to 3% of each employee's contributions. The Partnership's contributions to the plan were $4,946 and $9,646 for the years ended December 31, 2018 and 2017, respectively, and are included in wages, taxes, and employee benefits on the statements of activities.