

CONSOLIDATED FINANCIAL STATEMENTS

Massachusetts Housing Investment Corporation
Years ended June 30, 2001 and 2000

Massachusetts Housing Investment Corporation

Consolidated Financial Statements

Years ended June 30, 2001 and 2000

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Report of Independent Auditors

Board of Directors
Massachusetts Housing Investment Corporation

We have audited the accompanying consolidated balance sheets of the Massachusetts Housing Investment Corporation (the Corporation) as of June 30, 2001 and 2000, and the related consolidated statements of revenues and expenditures, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Massachusetts Housing Investment Corporation at June 30, 2001 and 2000, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheets and statements of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Ernst & Young LLP

September 18, 2001

Massachusetts Housing Investment Corporation

Consolidated Balance Sheets

	June 30	
	2001	2000
Assets		
Cash	\$ 1,237,254	\$ 505,336
Notes receivable—MHEF Partnerships	7,841,644	9,184,646
Notes receivable—MHIC, LLC	2,698,023	—
Loan fund:		
Project loans, net of allowance for loan losses of \$300,000 in 2000	—	11,012,849
Money market deposits at member corporations	252,123	40,762,151
Total loan fund	<u>252,123</u>	<u>51,775,000</u>
Loan guarantee fund:		
Loan guarantee funds on deposit	—	63,510
Loan guarantee loans	—	5,267,497
Total loan guarantee fund	<u>—</u>	<u>5,331,007</u>
Amounts receivable and other assets	1,035,193	1,165,199
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$774,022 and \$650,245 in 2001 and 2000, respectively	<u>128,055</u>	<u>177,566</u>
Total assets	<u><u>\$13,192,292</u></u>	<u><u>\$68,138,754</u></u>
Liabilities and net assets		
Liabilities:		
Notes payable to member corporations	\$ 250,000	\$52,075,000
Notes payable—loan guarantee program	2,698,023	4,918,453
Unearned fees	6,554,066	8,051,464
Accrued interest and other liabilities	704,253	862,654
Total liabilities	<u>10,206,342</u>	<u>65,907,571</u>
Net assets—unrestricted	<u>2,985,950</u>	<u>2,231,183</u>
Total liabilities and net assets	<u><u>\$13,192,292</u></u>	<u><u>\$68,138,754</u></u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Consolidated Statements of Revenues and Expenditures

	Year ended June 30	
	2001	2000
Revenues		
Interest revenue:		
Interest on deposits	\$ 812,464	\$ 1,297,921
Interest on project loans	1,203,502	1,648,653
Total interest revenue	2,015,966	2,946,574
Interest expense on notes payable	(1,333,810)	(2,069,980)
Net interest revenue before provision for loan losses	682,156	876,594
Provision for loan losses	(145,092)	(25,000)
Net interest revenue after provision for loan losses	537,064	851,594
Loan program fee revenue:		
Management and advisory fees	113,359	-
Portfolio and servicing fees	147,867	-
Financing commitment fees	169,462	-
Origination fees	97,704	-
Available earnings fee	6,950	-
Equity program revenue:		
Fees related to MHEF Partnerships	3,497,133	3,446,239
Other equity program fees	48,650	46,667
Gain on sale of interest in MHEF Partnerships	-	251,743
Grant	684,761	-
Total revenues	5,302,950	4,596,243
Expenditures		
Salaries and employee benefits	2,885,478	2,612,834
Occupancy, equipment and furniture	419,202	406,652
Professional services	581,866	655,839
Other expenditures	661,637	531,891
Total expenditures	4,548,183	4,207,216
Excess of revenues over expenditures	754,767	389,027
Net assets at beginning of year	2,231,183	1,842,156
Net assets at end of year	<u>\$ 2,985,950</u>	<u>\$ 2,231,183</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Consolidated Statements of Cash Flows

	Year ended June 30	
	2001	2000
Operating activities		
Excess of revenues over expenditures	\$ 754,767	\$ 389,027
Adjustments to reconcile excess of revenues over expenditures to net cash provided (used) by operating activities:		
Increase to provision for loan losses	145,092	25,000
Depreciation and amortization expense	123,777	139,854
Increase in amounts receivable and other assets	(315,086)	(299,815)
Decrease in unearned fees	(2,138,009)	(1,543,194)
(Decrease) increase in accrued interest and other liabilities	(158,401)	225,987
Total adjustments	(2,342,627)	(1,452,168)
Net cash used in operating activities	(1,587,860)	(1,063,141)
Investing activities		
Project loan advances	(16,118,528)	(18,724,859)
Project loan repayments	7,524,530	23,303,682
Decrease to loan guarantee funds on deposit	63,510	15,703
Decrease (increase) in money market deposits at member corporations	8,791,875	(4,378,823)
Loan guarantee advances	(130,065)	(674,296)
Loan guarantee repayments	2,699,539	1,573,994
Payments received on notes receivable	1,983,613	1,393,329
Purchases of furniture, equipment and leasehold improvements	(74,266)	(53,725)
Net cash provided by investing activities	4,740,208	2,455,005
Financing activities		
Payments of notes payable to member corporations	(200,000)	(200,000)
Proceeds from notes payable to loan guarantee lenders	-	201,600
Payments of notes payable to loan guarantee lenders	(2,220,430)	(1,334,320)
Net cash used in financing activities	(2,420,430)	(1,332,720)
Net increase in cash	731,918	59,144
Cash at beginning of year	505,336	446,192
Cash at end of year	<u>\$ 1,237,254</u>	<u>\$ 505,336</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
 Consolidated Statements of Cash Flows (continued)

	Year ended June 30	
	2001	2000
Supplemental information		
Unearned fees recorded in exchange for notes receivable	\$ 668,703	\$ 2,231,389
Cash paid for interest on notes payable to member corporations	\$ 1,266,997	\$ 2,109,407
Transfer of project loans to MHIC, LLC	\$19,906,847	\$ -
Transfer of money market deposits at member corporations to MHIC, LLC	\$31,718,153	\$ -
Transfer of notes payable to member corporations to MHIC, LLC	\$51,625,000	\$ -
Transfer of loan guarantee fund loan to MHIC, LLC	\$ 2,698,023	\$ -

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements

June 30, 2001

1. Background and Accounting Policies

Purpose

On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts's lenders and investors to improve and expand the financing of affordable housing throughout the state. MHIC has established two main financing programs to carry out its mission:

Loan Program

The loan program focuses on providing debt financing to developers of affordable housing. From its inception in 1990 through December 2000, MHIC utilized a loan pool structure to extend this financing. The loan pool was funded with the proceeds from below market rate loans (member loans) made to MHIC from participating member corporations. In January 2001, MHIC converted the loan pool to a limited liability corporation structure. As a result, the member loans were converted to equity interests in a new entity, MHIC, LLC (the LLC). In addition, the various project loans, deposit accounts and reserves owned by MHIC were transferred to the LLC in exchange for extinguishing the member loans. MHIC is the manager of the LLC (see Note 2, Loan Program Conversion).

Equity Program

The equity program provides tax credit equity financing to developers of affordable housing. The initial role of the program was to assist member corporations in underwriting low-income housing tax credit investments. The program, through its wholly-owned subsidiary, Massachusetts Housing Equity Fund, Inc. (MHEF), is now a full-service syndicator of limited partnerships (the Partnerships) structured for investment in low-income housing projects (Operating Partnerships) in Massachusetts. MHEF was formed in June 1993, and is currently the General Partner of seven Operating Partnerships.

Basis of Presentation

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

Permanently restricted net assets—net assets subject to donor-imposed stipulations that they be maintained in perpetuity by MHIC.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

1. Background and Accounting Policies (continued)

Basis of Presentation (continued)

Temporarily restricted net assets—net assets subject to donor-imposed stipulations that may or will be met by actions of MHIC and/or the passage of time.

Unrestricted net assets—net assets not subject to donor-imposed stipulations.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 in the statement of activities as net assets released from restrictions.

At June 30, 2001 and 2000, all of MHIC's net assets were classified as unrestricted.

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiary, MHEF. All significant inter-company transactions and balances have been eliminated in consolidation.

Project Loans and Allowance for Possible Project Loan Losses

Loans are stated at the amount of unpaid principal, net of the allowance for loan losses. Interest on project loans is recognized as income by applying the interest rates to the principal amount outstanding. An allowance for project loan losses is maintained based upon the evaluation of the risks associated with the outstanding loan pool. Any losses or recoveries subsequently realized are charged or credited to the allowance.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method using rates based on estimated useful lives.

Revenue Recognition

Loan program fee revenue reflects fees earned on a contractual basis for services provided to the LLC.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

1. Background and Accounting Policies (continued)

Revenue Recognition (continued)

Equity program revenue reflects fees from MHIC for services that include organization, syndication, underwriting, long-term asset management and partnership administration. The fees for syndicating and organizing the Partnerships are recognized when syndication is substantially complete. The fees for underwriting investments are recognized according to the percentage of work complete. The fees for asset management and partnership administration are recognized evenly over the life of the Partnerships (estimated to be approximately 15 years). In addition, MHIC monitors the construction process for the project investments in the various Partnerships. The fee for this service is paid by the project's sponsor and is recognized over the estimated construction period.

Grants are recognized as revenue in the period in which the conditions, if any, of the grant are satisfied.

Income Tax Status

In February 1993, MHIC was granted tax-exempt status as a 501(c)(3) corporation under federal tax law. MHEF is a for-profit corporation and therefore is subject to federal and state income taxes.

Use of Estimates

Financial statements prepared in accordance with accounting principles generally accepted in the United States require the use of significant management estimates that affect the amounts and disclosures recorded in the financial statements. Actual results may differ from those estimates.

2. Loan Program Conversion

In January 2001, MHIC converted its loan pool to an LLC structure. The initial capitalization of the LLC was effected by a Contribution Agreement whereby member corporations contributed loans made to MHIC under the former loan pool structure (member loans) to the LLC in exchange for LLC membership interests. In addition, MHIC and the LLC entered into a Participation Agreement that provided for the LLC to purchase an undivided 100% interest in the project loans, bank accounts and reserves owned by MHIC (associated with the former loan pool) in exchange for the discharge of the member loans.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

2. Loan Program Conversion (continued)

The proceeds of member loans for member corporations that have elected to remain in the loan pool (and not convert to the LLC structure) are held in deposit accounts at those institutions. The terms of the member loans are pursuant to a Master Member Agreement and accrue interest at 1% less than the annual interest rate earned on the interest-bearing deposit accounts (see Note 6).

MHIC earns advisory fees for managing the affairs of the LLC pursuant to the term of an Advisory Agreement. The scope of services under the Advisory Agreement include managing the orderly underwriting, approval and origination of loans and acquisition of investments, servicing loans and investments, establishing loan and investment policies, supervising and managing the requisition and disbursement of funds for loans, investing idle funds, business development and various other services that may be required by the Company in the ordinary course of its business.

Under the terms of the Advisory Agreement, fees to MHIC are provided for as follows:

- A management and advisory fee equal to an annual percentage rate of 0.75% of the average value of the aggregate capital commitments of all Investor Members of the LLC during such payment period;
- A portfolio and servicing fee equal to an annual percentage rate of 1.50% of the average amount of Real Estate Investments outstanding during a given payment period; and
- A financing commitment fee equal to an annual percentage rate of 0.50% of the average amount of funded and unfunded commitments for Real Estate Investments existing during a given payment period.

In addition, MHIC is entitled to an available earnings fee, based upon the degree to which the LLC achieves certain performance hurdles. MHIC shall receive the amounts described below in the following priority:

- First, after payment of a 4% return to the members of the LLC, MHIC shall receive 10% of all remaining available earnings until the members have received a return equal to the federal funds rate;
- Second, MHIC shall receive 40% of all remaining available earnings until member have received a return equal to the federal funds rate plus 2%;
- Third, MHIC shall receive 60% of all remaining available earnings until member have received a return equal to the federal funds rate plus 4%; and
- Fourth, MHIC shall receive 75% of all remaining available earnings.

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

3. Massachusetts Housing Equity Fund, Inc. (MHEF)

As of June 30, 2001, MHIC's investment in MHEF amounted to \$2,896,184. MHEF, as general partner of the aforementioned Partnerships, has interests (that range between .01% and 1% for a given Partnership) in their respective profits, losses and distributions. MHEF accounts for its investment in the Partnerships using the equity method. Under the equity method, the investments are carried at cost and adjusted for MHEF's share of income or loss from the Partnerships, additional investments and cash distributions.

The Partnerships, as limited partners in the various Operating Partnerships, are subject to risks inherent in the ownership of property which are beyond their control, such as fluctuations in occupancy rates and operating expenses, variations in rental schedules, proper maintenance of facilities and continued eligibility of tax credits. If the cost of operating a property exceeds the rental income earned thereon, the Partnership, or MHEF acting independently as an investor, may deem it in its best interest to voluntarily provide funds in order to protect its investment.

At June 30, 2001 and 2000, the Partnerships have combined total assets of approximately \$166 million and \$127 million, respectively, and combined cumulative deficits of approximately \$72 million and \$46 million, respectively.

In December 1999, MHEF sold 99% of its 1% interest in the MHEF 1993-94 and 1995 limited partnerships for \$251,743. MHEF had contributed \$200 to obtain its interest in the aforementioned partnerships. The sale resulted in a gain \$251,543. As of December 1, 1999, MHEF had a .01% interest in the MHEF 1993-94 and 1995 limited partnerships.

4. Project Loans

MHIC provides loans for the development of affordable housing throughout Massachusetts.

Project loan activity was as follows:

	2001	2000
Beginning balance	\$ 11,312,849	\$ 15,891,672
Loan disbursements	16,118,528	18,724,859
Loan repayments	(7,524,530)	-
Transfer to MHIC, LLC	(19,906,847)	(23,303,682)
Project loans outstanding	-	11,312,849
Allowance for loan losses	-	(300,000)
Project loans, net	\$ -	\$ 11,012,849

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

4. Project Loans (continued)

Project loans earned a variable rate (that ranged from 8.25% to 12%) of interest pursuant to MHIC's established loan policy and were secured by the underlying real estate. In certain instances, the primary repayment of these loans was received from the equity syndication payments provided to the project by the MHEF limited partnerships tax credit equity investment program. At June 30, 2000, MHIC had no delinquent or nonperforming project loans and there have been no charge-offs recorded to date.

5. Loan Guarantee Program

Under the loan guarantee program, MHIC utilizes its loan pool as collateral to provide guarantees for loans made by other parties or to obtain fixed-rate funding for loans that it directly originated. MHIC offers two products under the program. The first product (the Third-Party product) is a project loan guarantee, whereby MHIC administers construction loans for third parties, and assumes the construction period risk by guaranteeing repayment of the loan. Such transactions are treated as off-balance sheet liabilities and therefore not presented in the body of the financial statements. The second product (the Direct product) consists of direct loans made by MHIC, where its loan pool is used as collateral to secure funding, which is then advanced to borrowers.

The corresponding borrowings to fund such loans are invested in short-term government backed securities until the funds are advanced.

Loan guarantee program activity was as follows:

	2001			2000		
	Third Party	Direct	Total	Third Party	Direct	Total
Beginning balance—loans	\$ 2,706,532	\$ 5,267,497	\$ 7,974,029	\$ —	\$ 6,167,195	\$ 6,167,195
Loan disbursements	—	130,065	130,065	3,630,474	674,296	4,304,770
Loan repayments	(2,706,532)	(2,699,539)	(5,406,071)	(923,942)	(1,573,994)	(2,497,936)
Loan transfer	—	(2,698,023)	(2,698,023)	—	—	—
Ending balance—loans	\$ —	\$ —	\$ —	\$ 2,706,532	\$ 5,267,497	\$ 7,974,029

MHIC, LLC notes receivable represent a pass-through of debt obligations incurred by MHIC under the former loan pool structure. The proceeds from the debt obligations were used to originate fixed-rate loans. The pass-through debt was provided as consideration in connection with the transfer of the above-mention fixed-rate loan assets from MHIC to the LLC. The terms of the pass-through debt to the LLC are the same as the underlying MHIC obligations (see Note 7).

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

6. Notes Payable to Member Corporations

Prior to the conversion, MHIC funded a loan pool through unsecured notes issued to member corporations pursuant to a Master Membership Agreement. Under this agreement, all note proceeds not currently used to fund projects are deposited in interest-bearing deposit accounts at their respective lending institutions. Note proceeds that are not used to fund projects accrue interest at 1% less than the annual interest rate earned on the interest-bearing deposit accounts. All proceeds that are lent to projects earn interest at the prime rate less 1%. At June 30, 2001 and 2000, the average rate payable by MHIC for proceeds lent to projects was 6.75%. For the years ended June 30, 2001 and 2000, interest expense paid to member corporations totaled approximately \$1,109,000 and \$1,732,000, respectively. These notes are renewable annually (applicable only to members that elected not to convert to the LLC). If the notes are not renewed, they require no principal amortization for five years and then amortize over a subsequent five-year period at an amount equal to the stated amount of the note less the member's pro rata share of unfunded losses. At June 30, 2001 and 2000, outstanding borrowings under these agreements totaled \$250,000 and \$52,075,000, respectively.

7. Notes Payable—Loan Guarantee Program

MHIC obtained a discretionary revolving line of credit of \$2,500,000 that it utilizes as a source of fixed-rate funding for its loan guarantee program. A separate note evidences each advance under this line of credit and accrues interest at a rate of 70 basis points above the five-year Treasury note in effect at the time of the advance. At June 30, 2001 and 2000, borrowings under the line totaled \$2,451,813 and \$2,184,222, respectively. In addition, MHIC has borrowed amounts under another facility that totaled \$246,210 and \$2,734,231 at June 30, 2001 and 2000, respectively. These borrowings have been used to fund the loan guarantee program (see Note 5, Loan Guarantee Program).

8. MHEF Notes Receivable and Unearned Fees

Notes receivable represent the present value (using effective interest rates that range from 8% to 9%) of future cash payments that will be received by MHIC from the MHEF Partnerships for asset management and other services it will provide to the Partnerships, as specified in the Partnership Agreements. At June 30, 2001 and 2000, notes receivable included accrued interest of \$668,703 and \$734,254, respectively.

Unearned equity fees reflect MHIC's obligation to provide future services to the Partnerships as consideration for the aforementioned notes receivable. These services include underwriting investments, long-term asset management and partnership administration. This obligation is reduced as services are provided, according to the

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

8. MHEF Notes Receivable and Unearned Fees (continued)

revenue recognition methodology associated with the particular service (see Note 1, Revenue Recognition). At June 30, 2001 and 2000, unearned equity fees were \$6,333,689 and \$7,555,954, respectively. Other unearned fees include development monitoring and loan commitment fees.

9. Leases

MHIC leases its facilities and certain furniture and equipment under operating leases that expire over future periods and require various minimum rental payments. Future minimum payments, by year and in aggregate, under these noncancelable operating leases consist of the following at June 30, 2001:

2002	\$263,964
2003	<u>66,838</u>
Total	<u>\$330,802</u>

MHIC incurred lease expenses associated with office space and equipment of \$273,173 and \$255,076 in 2001 and 2000, respectively.

10. Employee Benefit Plan

As a tax-exempt 501(c)(3) corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The employer contribution is based upon a percentage of employee salary. In July 1999, MHIC amended the Plan to include a 100% match of employee contributions up to 3% of a given employee's salary. MHIC contributed and charged to expense approximately \$134,000 and \$141,000 in 2001 and 2000, respectively.

11. CDFI Grant Award

In 1999, MHIC applied for and received designation as a Community Development Finance Institution (CDFI). MHIC also applied for and received a grant award of \$1,000,000 from the CDFI Fund. The purpose of the grant is to add to MHIC's capacity to pursue its mission and grow. The proceeds from the grant can be used to expand existing programs, develop new ones or support its operations. Of the total, \$684,761 has been received; the remainder will only be received if MHIC can secure matching funds. The funded portion of the grant was recorded as revenue upon receipt of the proceeds in April 2001, and the remainder will be recognized as revenue when the condition has been substantially met. As a condition to the funding of the grant, MHIC and the CDFI Fund

Massachusetts Housing Investment Corporation

Notes to Consolidated Financial Statements (continued)

11. CDFI Grant Award (continued)

executed an Assistance Agreement, which established target goals for MHIC to achieve and specific measurement criteria to be used in evaluating progress. The goals are merely guidelines to evaluate progress and achieving specific results are not a condition to retaining the grant award. The grant is revocable if MHIC substantially changes its mission or ceases to be a CDFI prior to June 30, 2004.

Other Financial Information

Massachusetts Housing Investment Corporation

Consolidating Balance Sheets

June 30, 2001

	MHIC	MHEF	Elimination	Consolidated
Assets				
Cash	\$ 1,046,320	\$ 190,934		\$ 1,237,254
Loan fund:				
Money market deposits at member corporations	252,123			252,123
Total loan fund	252,123			252,123
Investment in MHEF Partnerships	2,896,184		\$ (2,896,184)	
Notes receivable—MHEF Partnerships	7,841,644			7,841,644
Notes receivable—MHIC, LLC	2,698,023			2,698,023
Amounts receivable and other assets	1,034,793	400		1,035,193
Due from parent		2,704,881	(2,704,881)	
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$774,023	128,055			128,055
Total assets	<u>\$ 15,897,142</u>	<u>\$ 2,896,215</u>	<u>\$ (5,601,065)</u>	<u>\$ 13,192,292</u>
Liabilities and net assets				
Liabilities:				
Notes payable to member corporations	\$ 250,000			\$ 250,000
Notes payable—loan guarantee program	2,698,023			2,698,023
Due to subsidiary	2,704,881		\$ (2,704,881)	
Unearned fees	6,554,066			6,554,066
Accrued interest and other liabilities	704,222	\$ 31		704,253
Total liabilities	12,911,192	31	(2,704,881)	10,206,342
Net assets	2,985,950	2,896,184	(2,896,184)	2,985,950
Total liabilities and net assets	<u>\$ 15,897,142</u>	<u>\$ 2,896,215</u>	<u>\$ (5,601,065)</u>	<u>\$ 13,192,292</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
Consolidating Statements of Revenues and Expenditures

For the year ended June 30, 2001

	MHIC	MHEF	Elimination	Consolidated
Revenues				
Interest revenue:				
Interest on bank deposits	\$ 797,289	\$ 15,175		\$ 812,464
Interest on project loans	1,195,429	8,073		1,203,502
Total interest revenue	1,992,718	23,248		2,015,966
Interest expense on notes payable	(1,333,810)			(1,333,810)
Net interest revenue before provision for loan losses	658,908	23,248		682,156
Provision for loan losses	(145,092)			(145,092)
Net interest revenue after provision for loan losses	513,816	23,248		537,064
Loan program fee revenue:				
Management advisory fees	113,359			113,359
Portfolio servicing fees	147,867			147,867
Financing commitment fees	169,462			169,462
Origination fees	97,704			97,704
Available earnings fee	6,950			6,950
Equity program revenue:				
Fees related to MHEF limited partnerships	3,497,133			3,497,133
Other equity program fees	48,650			48,650
Income from investment in MHEF	23,152		\$ (23,152)	
CDFI grant award	684,761			684,761
Total revenues	5,302,854	23,248	(23,152)	5,302,950
Expenditures				
Salaries and employee benefits	2,885,478			2,885,478
Occupancy, equipment and furniture	419,202			419,202
Professional services	581,866			581,866
Other expenditures	661,541	96		661,637
Total expenditures	4,548,087	96		4,548,183
Excess of revenues over expenditures	754,767	23,152	(23,152)	754,767
Net assets at beginning of year	2,231,183	2,873,032	(2,873,032)	2,231,183
Net assets at end of year	\$ 2,985,950	\$ 2,896,184	\$ (2,896,184)	\$ 2,985,950

See accompanying notes to consolidated financial statements.