

**Massachusetts Housing Investment Corporation
And
Wholly Owned Subsidiaries**

Consolidated Financial Statements
And
Independent Auditors' Report
December 31, 2017 and 2016

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Wholly Owned Subsidiaries**

December 31, 2017 and 2016

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To The Board of Directors of
Massachusetts Housing Investment Corporation

We have audited the accompanying consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit corporation) and its wholly owned subsidiaries (MHIC), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The consolidated financial statements present the financial position and results of operations of MHIC only. MHIC is required to consolidate several affiliated legally-separate for-profit entities and as a result of not consolidating those entities the consolidated financial statements are not in accordance with accounting principles generally accepted in the United States of America. See Note 22 for more information.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MHIC as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented on pages 25 through 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Daniel Dennis & Company LLP

April 26, 2018

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
<i>Assets:</i>		
Cash	\$ 16,566,767	\$ 5,694,346
Investment in marketable securities	304,639	418,576
Investment in capital stock	22,000	10,500
Program related loans	4,769,108	7,774,348
Program loan interest receivable	28,178	184,264
Due from affiliates	650,520	330,058
Loans to affiliates	-	731,272
Program related investments	6,210,519	6,197,935
Fee receivable - LIHTC Partnerships	1,972,336	2,643,591
Fee receivable - NMTC CDEs'	146,572	324,951
Amounts receivable and other assets	940,503	573,578
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$125,336 and \$1,237,634 in 2017 and 2016, respectively	348,372	30,799
Capitalized costs, net of accumulated amortization	<u>-</u>	<u>35,452</u>
Total assets	<u>\$ 31,959,514</u>	<u>\$ 24,949,670</u>
 <i>Liabilities and Net Assets:</i>		
<i>Liabilities:</i>		
Notes payable	\$ 5,783,677	\$ 2,000,000
Due to affiliates	34,285	-
Unearned fees	2,214,861	1,419,275
Deferred grant revenue	1,563,774	-
Accrued expenses and other liabilities	<u>2,150,696</u>	<u>1,664,154</u>
Total liabilities	<u>11,747,293</u>	<u>5,083,429</u>
 <i>Net assets:</i>		
<i>Unrestricted:</i>		
Undesignated	19,662,221	19,141,412
Designated	500,000	500,000
Temporarily restricted	<u>50,000</u>	<u>224,829</u>
Total net assets	<u>20,212,221</u>	<u>19,866,241</u>
Total liabilities and net assets	<u>\$ 31,959,514</u>	<u>\$ 24,949,670</u>

See accompanying notes to consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Activities
For The Years Ended December 31, 2017 and 2016

	2017			2016		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<i>Operating Revenue and Support</i>						
Interest on deposits	\$ 27,758	\$ -	\$ 27,758	\$ 31,318	\$ -	\$ 31,318
Interest on program related loans	368,764	-	368,764	325,054	-	325,054
Unrealized loss on investments	(10,938)	-	(10,938)	(47,420)	-	(47,420)
Loan program revenue	716,143	-	716,143	784,367	-	784,367
NMTC program revenue	3,773,374	-	3,773,374	2,968,979	-	2,968,979
LIHTC program revenue	4,524,305	-	4,524,305	3,444,061	-	3,444,061
Other program revenue	550,755	-	550,755	321,641	-	321,641
Grant income	1,486,226	-	1,486,226	652,635	224,829	877,464
Net assets released from restrictions	174,829	(174,829)	-	-	-	-
Total operating revenue and support	<u>11,611,216</u>	<u>(174,829)</u>	<u>11,436,387</u>	<u>8,480,635</u>	<u>224,829</u>	<u>8,705,464</u>
<i>Operating Expenses</i>						
Salaries and employee benefits	6,522,247	-	6,522,247	6,036,280	-	6,036,280
Occupancy, equipment and furniture	371,065	-	371,065	297,390	-	297,390
Professional services	959,528	-	959,528	841,427	-	841,427
Depreciation	29,098	-	29,098	23,280	-	23,280
Grant expenses	2,075,860	-	2,075,860	63,843	-	63,843
Other expenses	792,988	-	792,988	468,512	-	468,512
Total operating expenses	<u>10,750,786</u>	<u>-</u>	<u>10,750,786</u>	<u>7,730,732</u>	<u>-</u>	<u>7,730,732</u>
Change in net assets from operations	860,430	(174,829)	685,601	749,903	224,829	974,732
<i>Non - Operating Revenue/(Expenses)</i>						
Loss from investment in subsidiaries	(339,621)	-	(339,621)	-	-	-
Total change in net assets	520,809	(174,829)	345,980	749,903	224,829	974,732
Net assets at beginning of year	<u>19,641,412</u>	<u>224,829</u>	<u>19,866,241</u>	<u>18,891,509</u>	<u>-</u>	<u>18,891,509</u>
Net assets at end of year	<u>\$ 20,162,221</u>	<u>\$ 50,000</u>	<u>\$ 20,212,221</u>	<u>\$ 19,641,412</u>	<u>\$ 224,829</u>	<u>\$ 19,866,241</u>

See accompanying notes to consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2017 and 2016

	2017	2016
<i>Operating activities:</i>		
Change in net assets	\$ 345,980	\$ 974,732
<i>Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:</i>		
Depreciation	29,098	23,280
Unrealized loss on investments	10,938	47,420
Loss from investment in subsidiaries	339,621	-
Non-cash contributions furniture and equipment	(200,800)	-
<i>Change in operating assets and liabilities</i>		
Due from affiliates	(176,163)	-
Amounts receivable and other assets	(254,969)	(177,056)
Unearned fees	795,586	(811,891)
Deferred grant revenue	1,563,774	(452,464)
Accrued expense and other liabilities	428,811	(1,856,237)
Fees receivable—LIHTC Partnerships	671,255	758,877
Fees receivable—NMTC CDEs'	178,379	(139,377)
Program loan interest receivable	<u>156,086</u>	<u>(184,264)</u>
Net cash provided by/(used in) operating activities	<u>3,887,596</u>	<u>(1,816,980)</u>
<i>Investing activities:</i>		
Funds advanced under program related loans	(2,915,949)	(5,909,555)
Collection of funds from program related loans	6,674,399	177,728
Payment of loans made to affiliates	-	(731,272)
Redemption of marketable securities	113,937	145,488
Purchase of program related investments	(513,870)	(5,486,130)
Sale of other investments	-	33,000
Purchase of other investments	(11,500)	-
Purchase of furniture and equipment	<u>(145,869)</u>	<u>(9,251)</u>
Net cash provided by/(used in) investing activities	<u>3,201,148</u>	<u>(11,779,992)</u>
<i>Financing activities:</i>		
Repayment of notes payable	-	(750,000)
Proceeds from notes payable	<u>3,783,677</u>	<u>1,000,000</u>
Net cash provided by financing activities	<u>3,783,677</u>	<u>250,000</u>
Net change in cash	10,872,421	(13,346,972)
Cash at beginning of year	<u>5,694,346</u>	<u>19,041,318</u>
Cash at end of year	<u>\$ 16,566,767</u>	<u>\$ 5,694,346</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 17,712</u>	<u>\$ 6,939</u>
<i>Non-cash investing and financing activities</i>		
Non-cash contributions furniture and equipment	<u>\$ 200,800</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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' lenders and investors to improve and expand the financing of affordable housing and community development throughout the state.

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiaries. At December 31, 2016, wholly owned subsidiaries include Massachusetts Housing Equity Fund, Inc. (MHEF), Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF LP), MHIC HNEF Investor LLC (HNEF Investor), MHIC HNEF Manager LLC (HNEF Manager), MHIC HNEF Class B Investor LLC (HNEF Class B), and Neighborhood Stabilization Loan Fund LLC (NSLF). All significant intercompany transactions and balances have been eliminated in consolidation.

For the year ended December 31, 2016, HNEF Investor, HNEF Manager and HNEF Class B, collectively referred to as the HNEF LLCs', owned 100% of the partnership interests in HNEF LP. During 2017, several unrelated entities acquired the majority of the limited partnership interest in HNEF LP. Accordingly, HNEF LP is not included in these 2017 consolidated financial statements.

At December 31, 2017, wholly owned subsidiaries include MHEF, the HNEF LLCs', NSLF and MHIC CMF Affordable Housing Fund I LLC (CMF). All significant intercompany transactions and balances have been eliminated in consolidation.

Program Activities

MHIC has established five 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 company 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).

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Program Activities - continued

Low Income Housing Tax Credit (LIHTC) Program

The LIHTC program utilizes the federal low-income housing tax credit to provide 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 MHIC's wholly owned subsidiary MHEF, is now a full-service syndicator of limited partnerships or limited liability companies (the LIHTC 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/managing member of twenty-nine Partnerships.

New Markets Tax Credit (NMTC) Program

The NMTC program utilizes the federal new markets tax credit to provide debt and equity financing to businesses that serve or operate in low-income communities. As of December 31, 2017 and 2016, MHIC has received eleven allocations of new markets tax credits totaling \$807,000,000.

MHIC has utilized these allocations to syndicate investment companies that are structured for investment in community development entities (MHIC-CDEs), which in turn provide financing to qualifying businesses. MHIC has also utilized these allocations for thirty-four single investor funds in which the sole investor creates an investment fund to invest in MHIC-CDEs, which in turn provide financing to qualifying businesses.

Neighborhood Stabilization Program (NSP)

The NSP utilizes federal grant funds to enhance the feasibility of acquiring and rehabilitating foreclosed residential properties in targeted neighborhoods in Massachusetts. The foreclosed properties are typically acquired and rehabilitated with a combination of financing from NSLF (see Note 4) and federal subsidy in the form of subordinate loans or non-interest bearing loans from MHIC.

MHIC is a sub-recipient of \$10,000,000 of NSP1 grant funds from the City of Boston. In addition, MHIC is the lead member of a consortium that received an award of \$21,822,940 of NSP2 grant funds in February 2011. Each grant is governed by a specific contract that stipulates the various federal program requirements.

**Massachusetts Housing Investment Corporation
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Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Program Activities - continued

HomeCorps Community Restoration Grant Program (HCRG)

The HCRG program utilizes state grant funds to enhance the feasibility of acquiring and rehabilitation of foreclosed residential properties in targeted neighborhoods in Massachusetts. The foreclosed properties are typically acquired and rehabilitated with a combination of financing from NSLF (see Note 4) and state subsidy in the form of subordinate loans or non-interest bearing loans from MHIC.

Basis of Accounting

MHIC's consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

MHIC considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, MHIC did not hold any cash equivalents.

Use of Estimates

Financial statements prepared in accordance with GAAP require the use of management estimates that affect the amounts and disclosures recorded in the consolidated financial statements. Actual results may differ from those estimates.

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. There were no permanently restricted net assets at December 31, 2017 and 2016.

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 (see Note 21).

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

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Basis of Presentation - continued

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 are reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue. Board and external source designated funds are recorded as such in unrestricted net assets.

Revenue Recognition

Loan program revenue reflects fees earned on a contractual basis for services provided to the LLC (see Note 2).

LIHTC program revenue reflects fees 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 complete. Fees for underwriting investments are recognized at the time the underlying properties are acquired (see Note 8).

The fees for asset management and Partnership administration are recognized over the life of the Partnerships (estimated to be approximately 15 years). Certain refundable fees are deferred until the potential obligation lapses.

NMTC program revenue reflects fees earned on a contractual basis for services provided to the MHIC-CDEs (see Note 7).

In general, grant income is recognized on a cost reimbursable basis as costs are incurred or in accordance with the specific provisions of the grant. Funds which are received in advance of the costs being incurred are recorded as deferred revenue in the accompanying consolidated financial statements.

Project Loans and Allowance for Possible Project Loan Losses

Loans are stated at the amount of unpaid principal. Interest on project loans is recognized as income by applying the interest rates in effect to the principal amount outstanding. Accrual of interest income on project loans receivable is suspended when a loan is contractually delinquent for ninety days. The accrual is resumed when the loan becomes contractually current. An allowance for project loan losses is maintained based upon the evaluation of the risks associated with the outstanding loan assets. Any losses or recoveries subsequently realized are charged or credited to the allowance.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Below Market Loans

MHIC's mission is to pool the resources of Massachusetts lenders and investors to improve and expand the financing of affordable housing and community development throughout the state. Other not-for-profit and governmental entities having a similar policy have lent money to MHIC at advantageous terms. MHIC has not discounted these below market interest rate loans as they were made at arm's length and to further those entities' policies.

Off Balance Sheet Credit Exposure

As a financial services provider, MHIC routinely extends credit in the form of loan commitments. The funded portion of these commitments is reflected on the accompanying consolidated statements of financial position as project loans. The unfunded portions of these commitments, which represent contractual obligations that may require the use of cash in the future, are considered off-balance sheet liabilities. They involve, to varying degrees, elements of credit and interest rate risk that are not recognized in the accompanying consolidated statements of financial position.

Unfunded loan commitments represent the maximum possible credit risk should the borrowers fully draw down their loans. They are subject to the provisions of the underlying loan agreements and are cancellable only if the borrower is in default or in violation of any loan covenants. As of December 31, 2017 and 2016, unfunded loan commitments totaled \$7,334,013 and \$1,871,513, respectively. These commitments have been established pursuant to MHIC's loan policy.

Since MHIC's loan portfolio is heavily concentrated with loans for affordable housing that contain limited market risk, an allowance for loan losses for unfunded commitments is only established for specific borrowers on a case by case basis. At December 31, 2017 and 2016, there were no reserves for unfunded loan commitments.

Income Tax Status

In February 1993, MHIC was granted tax-exempt status as a 501(c)(3) corporation under federal and state tax law. MHEF is a for-profit corporation and therefore is subject to federal and state income taxes. MHEF accounts for income taxes, whereby deferred taxes are recognized using the liability method. This method calculates deferred tax assets and liabilities based on tax rates that are expected to apply when temporary differences reverse. HNEF LP is a limited partnership and any taxable income or loss passes through to, and is reportable by, the partners individually. NSLF, the HNEF LLCs' and CMF are disregarded entities for tax purposes.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. Background and Accounting Policies - continued

Income Tax Status - continued

MHIC and its wholly owned subsidiaries evaluate tax positions taken or expected to be taken in their tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year consolidated financial statements. At December 31, 2017, MHIC and its wholly owned subsidiaries believe that they have no uncertain tax positions within any of their open tax years, (2014-2016).

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost or fair market value if donated, less accumulated depreciation. Depreciation is computed by the straight-line method using rates based on estimated useful lives that range from 3 to 5 years. Assets with a cost of greater than \$1,000 and a useful life of greater than one year are capitalized.

Functional Expenses

Expenses are charged directly to programs or management and general based on specific identification. Indirect expenses are allocated based on methodologies determined by management. The consolidated statements of activities disclose expenses by natural classification. The functional classification is as follows:

<i>Description</i>	<i>2017</i>	<i>2016</i>
Program support	\$ 9,981,412	\$ 7,049,261
Management and general	<u>769,374</u>	<u>681,471</u>
Total	<u>\$ 10,750,786</u>	<u>\$ 7,730,732</u>

Investments and Investment Income

Program Related Investments

MHIC accounts for its program related investments using the equity method of accounting. Under the equity method, the investments are carried at cost and adjusted for MHIC's share of income, losses, additional investments and cash distributions from the program related investments. As a limited partner in the program related investments, with no further funding obligations, MHIC ceases recognition of losses for financial statement purposes once the cost of an investment is reduced to zero. Changes in the value of the investments, which are other than temporary, are recognized as necessary.

**Massachusetts Housing Investment Corporation
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Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Investments and Investment Income - continued

Investments in Capital Stock

As of December 31, 2017 and 2016, MHIC owned capital stock in the Federal Home Loan Bank of Boston (FHLBB). The investment in FHLBB is valued at cost due to the lack of information that can be used to approximate the fair value. At December 31, 2017 and 2016, MHIC's investment in the FHLBB totaled \$22,000 and \$10,500, respectively. Management annually performs an assessment of any possible impairment. As of December 31, 2017 and 2016, management has determined that no such impairment exists.

Investments in Marketable Securities

Marketable securities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See below for discussion of fair value measurements.

Dividends, interest and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use.

Fair Value Measurements

Fair value measurements are reported using a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

**Massachusetts Housing Investment Corporation
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Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

1. *Background and Accounting Policies - continued*

Fair Value Measurements - continued

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. *Loan Program*

The loan program utilizes a structure whereby investors invest in the LLC which in turn provides financing to low-income housing and community development projects. The interest earned on this financing is passed-through to investors to provide a "reasonable" return on investment.

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.

MHIC earns advisory fees for managing the affairs of the LLC pursuant to the terms of an Advisory Agreement. The scope of services under the Advisory Agreement includes 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 LLC in the ordinary course of its business.

During the years ended December 31, 2017 and 2016, MHIC earned \$716,143 and \$784,367, respectively, in fees for services provided to the LLC. Amounts receivable in connection with these fees totaled \$71,762 and \$330,058 at December 31, 2017 and 2016, respectively.

For the years ended December 31, 2017 and 2016, MHIC waived certain fees due under the terms of the Advisory Agreement in order to improve the return to the LLC's members.

**Massachusetts Housing Investment Corporation
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Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

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

MHEF, as general partner/managing member of the aforementioned Partnerships, has a de minimis interest 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 is 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 December 31, 2017 and 2016, MHEF had total assets of \$491,219, and MHIC's investment in MHEF amounted to \$491,219.

4. *Neighborhood Stabilization Loan Fund LLC (NSLF)*

NSLF is organized as a single-member Massachusetts limited liability company, with MHIC as the sole member and program administrator. The purpose of NSLF is to provide loans to local organizations whose goal is the purchase and rehabilitation of foreclosed residential properties in neighborhoods in Massachusetts with a concentration of foreclosed properties. NSLF has secured debt as its primary source of capital, which is used to provide financing for the acquisition and rehabilitation of foreclosed properties.

At December 31, 2017 and 2016, NSLF had total assets of \$268,074 and \$551,104 and MHIC's investment amounted to \$265,019, and \$549,252, respectively.

5. *Healthy Neighborhoods Equity Fund*

HNEF LP is organized as a Massachusetts limited partnership for the purpose of investing in or making loans to entities that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments. During 2016, HNEF LP was wholly owned by the HNEF LLCs' and had total assets of \$6,335,808, and the HNEF LLCs' investment amounted to \$5,997,020 at December 31, 2016.

During 2017, several unrelated investors acquired the majority of the limited partnership interest in HNEF LP.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

5. *Healthy Neighborhoods Equity Fund – continued*

The HNEF LLCs' are organized as single-member Massachusetts limited liability companies, with MHIC as the sole member and administrator. The purpose of the HNEF LLCs' is to acquire partnership interests in and provide management services to HNEF LP. The HNEF LLCs' account for its investments in HNEF LP using the equity method. Under the equity method, the investments are carried at cost and adjusted for the HNEF LLCs' share of income or loss, additional investments made and cash distributions received.

At December 31, 2017, the HNEF LLCs' had total assets of \$6,171,269, and MHIC's investment amounted to \$6,171,269.

MHIC as the sole member of the HNEF LLCs', provides management services and operating advances to HNEF LP. During the year ended December 31, 2017, MHIC earned \$204,399 in fees for services provided to HNEF LP. At December 31, 2017 amounts receivable in connection with these fees totaled \$578,758.

6. *MHIC CMF Affordable Housing Fund I LLC (CMF)*

During 2017, MHIC received \$1,800,000 in grant funds from the Community Development Financial Institutions Fund to capitalize CMF, a single member Massachusetts limited liability company, with MHIC as the sole member and program administrator. The purpose of CMF is to provide loans to affordable rental housing developments within Massachusetts, particularly those located in areas of high housing need and/or those with at least twenty percent of units reserved for households earning no more than fifty percent of area median income.

At December 31, 2017, CMF had total assets of \$2,065,417, and MHIC's investment amounted to \$1,806,673.

7. *New Markets Tax Credit Program Revenue (NMTC)*

MHIC has entered into agreements with the various MHIC-CDEs to provide various professional, administrative and management services. The fees for these services were determined by MHIC. These services include all administrative and management support in connection with the formation of the MHIC-CDEs, legal and professional services required to close loans to or investments in qualifying businesses, and asset management services to monitor business and compliance aspects of MHIC-CDEs' loans and investments.

During the years ended December 31, 2017 and 2016, MHIC earned total fees for services to the MHIC-CDEs of \$3,773,374 and \$2,968,979, respectively. Amounts receivable in connection with these fees totaled \$146,572 and \$324,951 at December 31, 2017 and 2016, respectively.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

8. *Low Income Housing Tax Credit Program Revenue (LIHTC)*

MHIC has entered into agreements with the various LIHTC Partnerships to provide investment and management services. The fees for these services were determined by MHIC. These services include underwriting and administrative support in connection with syndicating investments, legal and professional services required to close loans to or investments in qualifying businesses and long term asset management services to monitor business and compliance aspects of the portfolio of investments.

During the years ended December 31, 2017 and 2016, MHIC earned total fees for services to the LIHTC Partnerships of \$4,524,305 and \$3,444,061, respectively. Amounts receivable in connection with these fees totaled \$1,972,336 and \$2,643,591 at December 31, 2017 and 2016, respectively.

9. *Program Related Loans*

Program related loans are loans made to low-income housing and community development projects and are offered in conjunction with financing provided by affiliates of MHIC. MHIC typically provides the predevelopment or high loan-to-value component of the financing for a given transaction. Program related loans earn interest at either fixed or variable rates that range from 2.00% to 6.00% and are secured, in a subordinated position, by the underlying real estate. At December 31, 2017 and 2016 the activity in the program related loans were as follows:

	<i>2017</i>	<i>2016</i>
Beginning balance	\$ 7,826,009	\$ 2,516,722
Loan disbursements	2,915,949	5,909,555
Loan assigned/written off	730,000	(422,540)
Loan repayments	<u>(6,674,399)</u>	<u>(177,728)</u>
Program related loans outstanding	4,797,559	7,826,009
Allowance for loan losses	<u>(28,451)</u>	<u>(51,661)</u>
Ending balance	<u>\$ 4,769,108</u>	<u>\$ 7,774,348</u>

Project loans consist of the following:

<i>Loan category</i>	<i>2017</i>	<i>2016</i>
Construction	\$ 58,215	\$ 301,500
Acquisition	750,487	4,475,487
Amortizing	2,749,844	2,812,763
Mini perm	811,600	114,975
Predevelopment	<u>427,413</u>	<u>121,284</u>
Program related loans outstanding	4,797,559	7,826,009
Allowance for loan losses	<u>(28,451)</u>	<u>(51,661)</u>
Ending balance	<u>\$ 4,769,108</u>	<u>\$ 7,774,348</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

9. Program Related Loans – continued

At December 31, 2017, contract maturities of the above loans are as follows:

2018	\$	244,800
2019		1,548,215
2020		457,816
2021		72,871
2022		75,604
Thereafter		<u>2,398,253</u>
Total	\$	<u><u>4,797,559</u></u>

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at December 31, 2017 and 2016:

December 31, 2017	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non- Accrual Status	Financing Receivables on Past 90 + Days still Accruing interest
Construction	\$ 58,215	\$ -	\$ -	\$ -	\$ 58,215	\$ -	\$ -
Acquisition	750,487	-	-	-	750,487	-	-
Amortizing	2,749,844	-	-	-	2,749,844	-	-
Mini perm	811,600	-	-	-	811,600	-	-
Predevelopment	427,413	-	-	-	427,413	-	-
Total	<u>\$ 4,797,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,797,559</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2016	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non- Accrual Status	Financing Receivables on Past 90 + Days still Accruing interest
Construction	\$ 301,500	\$ -	\$ -	\$ -	\$ 301,500	\$ -	\$ -
Acquisition	4,475,487	-	-	-	4,475,487	-	-
Amortizing	2,812,763	-	-	-	2,812,763	-	-
Mini perm	114,975	-	-	-	114,975	-	-
Predevelopment	121,284	-	-	-	121,284	-	-
Total	<u>\$ 7,826,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,826,009</u>	<u>\$ -</u>	<u>\$ -</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

9. Program Related Loans – continued

Program related loans do not include loans made under the NSP1, NSP2 and HCRG programs. Such loans made for the acquisition and rehabilitation of foreclosed properties require deeded affordability restrictions and provide for the forgiveness of outstanding loan balances based on compliance with those restrictions. NSP and HCRG loan funds of \$253,445 and \$63,843 were disbursed and recorded as grant expense in 2017 and 2016, respectively. Program regulations require that the recovery of loan funds, if any, be recorded as program income when received. As of December 31, 2017 and 2016, no program income was earned and recorded in the consolidated statements of activities.

10. Loans to Affiliates

MHIC provides loans to affiliates to help bridge timing-related financing funding gaps.

Loan activity for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Beginning balance	\$ 731,272	\$ -
Loan disbursements	-	731,272
Loan assigned/written off	(731,272)	
Loan repayments	-	-
Ending balance	<u>\$ -</u>	<u>\$ 731,272</u>

Loans to affiliates are callable upon demand and the proceeds for a given transaction are typically outstanding for less than one year. Loans to affiliates earn a variable rate of interest (that range from 1% to 3%) and are unsecured.

11. Program Related Investments

The HNEF LLCs' have provided equity financing to HNEF LP for approximately 31% of its partnership interests. At December 31, 2017, this investment is accounted for on the equity method and totaled \$6,171,269. At December 31, 2017, HNEF LP had total assets of \$17,101,427, total liabilities of \$578,757 and total partners capital of \$16,522,670. For the year ended December 31, 2017, HNEF LP had total revenue of \$119,258, total expenses of \$458,879 and a net loss of \$339,621.

In addition, MHIC acquired a .01% interest in various New Markets program CDEs and/or subsidiaries amounting to \$39,250 and \$46,889 at December 31, 2017 and 2016, respectively. MHIC through its wholly owned subsidiaries entered into these limited liability companies to serve as the investor member and accounts for these investments under the equity method.

As described in Note 5, HNEF LP was wholly owned by the HNEF LLCs' for the year ended December 31, 2016.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

11. *Program Related Investments - continued*

HNEF LP invests in Project Partnerships owning low income housing improvement projects by providing equity financing in exchange for limited partner interests. As of December 31, 2016, HNEF advanced \$6,380,666 to three Project Partnerships and had outstanding commitments totaling \$6,400,000. At December 31, 2016, HNEF LP had a 32% limited partner interest in Gerrish LLC, a 50% limited partner interest in Trinity Ashmont Two LP and a 37% limited partner interest in Landing Apartments LLC. These investments, which are accounted for under the equity method, totaled \$6,151,046 at December 31, 2016.

At December 31, 2016, these Project Partnerships had total assets of \$27,056,920, total liabilities of \$13,100,552 and total partners capital of \$13,956,368. For the year ended December 31, 2016, these Project Partnerships had total revenue of \$467, total expenses of \$150,482 and net losses of \$150,015.

12. *Investments in Marketable Securities*

Investments in marketable securities consist of Ginnie Mae pass-through securities.

The Ginnie Mae securities were purchased as collateral for certain borrowing transactions with the Federal Home Loan Bank of Boston. There is an active secondary market for these securities and management considers them held “for-sale”. The underlying assets consist of mortgage loans that are insured by the federal government.

At December 31, 2017 and 2016, the securities were valued at \$304,639 and \$418,576, respectively, with \$302,598 and \$405,597, respectively, representing outstanding principal on the underlying mortgages and \$2,041 and \$12,979, respectively, representing unamortized premium. During 2017 and 2016, MHIC recorded unrealized losses on investment of \$10,938 and \$5,385, respectively.

All investment assets have been valued using the market approach. There have been no changes in the methodologies used at December 31, 2017 and 2016.

The Ginnie Mae’s securities are backed by U.S. Government securities and estimated based on quoted market prices for securities of similar maturity in markets that are not active and are considered level 2 investments.

13. *Notes Payable*

MHIC has borrowed \$1,000,000 from the Department of Housing and Community Development under the Affordable Housing Trust Fund Statute. The loan bears no interest and the entire amount is payable in full on December 31, 2030. At December 31, 2017 and 2016, the outstanding balance was \$1,000,000.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

13. Notes Payable - *continued*

During 2016, MHIC borrowed \$1,000,000 from the Boston Foundation. The loan bears interest at 1.5% and matures on December 15, 2025. At December 31, 2017 and 2016, the outstanding balance was \$1,000,000.

During 2017, MHIC borrowed \$3,600,000 from the Northern Trust Company. The loan bears interest at 1.5% and matures on December 14, 2025. At December 31, 2017, the outstanding balance was \$3,600,000.

During 2017, CMF entered into a revolving loan agreement with the LLC. The total amount available under the revolving loan is \$5,400,000 and all outstanding principal and interest is payable no later than April 2027. Any outstanding principal will bear interest at one percentage point above the prime rate, adjusted daily. At December 31, 2017, the outstanding balance was \$183,677.

Scheduled payments of principal for the next five years and thereafter is as follows:

2018	\$	-
2019		-
2020		183,677
2021		-
2022		-
Thereafter		<u>5,600,000</u>
Total	\$	<u><u>5,783,677</u></u>

14. Unearned Fees

Unearned equity fees reflect MHIC's obligation to provide future services to the LIHTC Partnerships as consideration for the fees receivable. These services include underwriting investments, long-term asset management and partnership administration. This obligation is reduced as services are provided, according to the revenue recognition methodology associated with the particular service (see Note 1).

At December 31, 2017 and 2016, unearned fees were \$2,214,861 and \$1,419,275, respectively.

15. Cash and Credit Risk

At December 31, 2017 and 2016, cash balances are held at financial institutions with federal insured limits of up to \$250,000 for each financial institution. Balances held at these institutions during the year can exceed this limit. MHIC has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

16. Leases

MHIC leases its facilities and certain furniture and equipment under operating leases that expire over future periods and require various minimum rental payments.

MHIC incurred lease expenses associated with office space and equipment of \$371,065 and \$297,390, for the years ended December 31, 2017 and 2016, respectively. MHIC's current office lease expires on December 31, 2025 with one five year option to extend.

Future minimum payments under these noncancelable operating leases consist of the following at December 31, 2017:

<i>Year</i>	<i>Amount</i>
2018	\$ 493,876
2019	459,263
2020	469,446
2021	479,629
2022	489,812
Thereafter	<u>1,620,146</u>
Total	<u>\$ 4,012,172</u>

17. 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 has multiple components that are based upon a percentage of employee salary. These components include 4% profit sharing, a 100% match of employee contributions up to 3% of a given employee's salary and a safe harbor match of up to an additional 1% of a given employee's salary. MHIC contributed and charged to expense \$402,315 and \$414,847 for the years ended December 31, 2017 and 2016, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

In addition, during 2017 and 2016, MHIC established a rabbi-trust to supplement the retirement plan of its President and CEO, which includes annual contributions of \$100,000 through 2017.

18. Designated Net Assets

During 2014, the Board of Directors designated \$500,000 to provide grants, investments, and/or preferential financing to support and revitalize the South End/Roxbury neighborhoods of Boston, Massachusetts. The designated amount is included under unrestricted net assets on the consolidated statements of financial position. As of December 31, 2017 and 2016, none of the designated amount has been spent.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

19. Guarantees Provided for Borrowing Facilities of Affiliates

As of December 31, 2017 and 2016, MHIC is the guarantor on several borrowing facilities of its affiliates, for which there is no outstanding balance. These credit facilities are primarily secured by pledges of first mortgage loans, unconditional investor notes or partnership interests. In the event that the borrowings of the affiliates cannot be repaid as scheduled and the above mentioned primary collateral is not sufficient to cover the outstanding balance, MHIC would assure the obligation. MHIC has not recognized any obligations relative to the guarantees.

20. Fixed Assets

Property and equipment consists of the following:

	2017	2016
Furniture	\$ 228,172	\$ 252,634
Equipment	182,731	525,617
Leasehold improvements	<u>62,805</u>	<u>490,182</u>
Total fixed assets	473,708	1,268,433
Accumulated depreciation	<u>(125,336)</u>	<u>(1,237,634)</u>
Total	<u>\$ 348,372</u>	<u>\$ 30,799</u>

21. Temporarily Restricted Net Assets

During 2016, MHIC received restricted contributions under the Abandoned Housing Receivership Grant from the Attorney General's Office in the amount of \$375,000 and \$50,000 from the U.S. Bancorp Community Development Corporation for the development of a specific project. The use restrictions of these contributions were not fully satisfied as of year-end and therefore the unused portion has been classified as temporarily restricted net assets. Temporarily restricted net assets totaled \$50,000 and \$224,829 at December 31, 2017 and 2016, respectively.

22. Affiliated Entities

Under GAAP, a not-for-profit corporation such as MHIC, that owns the general partner or managing member of a limited partnership or limited liability company, respectively, is presumed to have control of those organizations unless certain circumstances exist that overcome that presumption of control. Accordingly, MHIC is deemed to have control over HNEF LP, the LLC, eighteen LIHTC Partnerships and three NMTC CDE's, which have not been consolidated into these financial statements, even though consolidation is required under GAAP.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2017 and 2016

22. *Affiliated Entities - continued*

The following unaudited information summarizes the financial position and activities of these entities as of and for the years ended December 31, 2017 and 2016:

	<i>2017</i>	<i>2016</i>
Total assets	<u>\$ 297,825,917</u>	<u>\$ 289,564,506</u>
Total liabilities	\$ 4,235,883	\$ 12,943,904
Equity	<u>293,590,034</u>	<u>276,620,602</u>
Total liabilities and equity	<u>\$ 297,825,917</u>	<u>\$ 289,564,506</u>
Total operating revenue	\$ 1,387,500	\$ 2,872,036
Total operating expenses	(2,604,077)	(4,732,066)
Total non-operating revenue/(expenses)	<u>(34,182,538)</u>	<u>(48,891,462)</u>
Net loss	<u>\$ (35,399,115)</u>	<u>\$ (50,751,492)</u>

23. *Subsequent Events*

MHIC has performed an evaluation of subsequent events through April 26, 2018, which is the date MHIC's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2017 that requires recognition or disclosure in these consolidated financial statements.

Supplemental Schedules

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Supplemental Consolidating Schedule of Financial Position
December 31, 2017

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Assets:</i>							
Cash	\$ 14,112,797	\$ 491,219	\$ 206,354	\$ -	\$ 1,756,397	\$ -	\$ 16,566,767
Investment in marketable securities	304,639	-	-	-	-	-	304,639
Investment in capital stock	22,000	-	-	-	-	-	22,000
Program related loans	4,404,764	-	58,215	-	306,129	-	4,769,108
Program loan interest receivable	28,178	-	-	-	-	-	28,178
Due from affiliates	659,699	-	551	-	-	(9,730)	650,520
Loans to affiliates	61,226	-	-	-	-	(61,226)	-
Investment in subsidiaries	8,734,180	-	-	-	-	(8,734,180)	-
Program related investments	39,250	-	-	6,171,269	-	-	6,210,519
Fee receivable - LIHTC Partnerships	1,972,336	-	-	-	-	-	1,972,336
Fee receivable - NMTC CDEs'	146,572	-	-	-	-	-	146,572
Amounts receivable and other assets	934,658	-	2,954	-	2,891	-	940,503
Furniture, equipment and leasehold improvements, net of accumulated depreciation	348,372	-	-	-	-	-	348,372
Total assets	<u>\$ 31,768,671</u>	<u>\$ 491,219</u>	<u>\$ 268,074</u>	<u>\$ 6,171,269</u>	<u>\$ 2,065,417</u>	<u>\$ (8,805,136)</u>	<u>\$ 31,959,514</u>
<i>Liabilities and Net Assets:</i>							
<i>Liabilities:</i>							
Notes payable	\$ 5,600,000	\$ -	\$ -	\$ -	\$ 183,677	\$ -	\$ 5,783,677
Due to affiliates	34,285	-	3,055	-	67,901	(70,956)	34,285
Unearned fees	2,214,861	-	-	-	-	-	2,214,861
Deferred grant revenue	1,563,774	-	-	-	-	-	1,563,774
Accrued expenses and other liabilities	2,143,530	-	-	-	7,166	-	2,150,696
Total liabilities	<u>11,556,450</u>	<u>-</u>	<u>3,055</u>	<u>-</u>	<u>258,744</u>	<u>(70,956)</u>	<u>11,747,293</u>
<i>Net assets:</i>							
Unrestricted:							
Undesignated	19,662,221	491,219	265,019	6,171,269	1,806,673	(8,734,180)	19,662,221
Designated	500,000	-	-	-	-	-	500,000
Temporarily restricted	50,000	-	-	-	-	-	50,000
Total net assets	<u>20,212,221</u>	<u>491,219</u>	<u>265,019</u>	<u>6,171,269</u>	<u>1,806,673</u>	<u>(8,734,180)</u>	<u>20,212,221</u>
Total liabilities and net assets	<u>\$ 31,768,671</u>	<u>\$ 491,219</u>	<u>\$ 268,074</u>	<u>\$ 6,171,269</u>	<u>\$ 2,065,417</u>	<u>\$ (8,805,136)</u>	<u>\$ 31,959,514</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Supplemental Consolidating Schedule of Activities
For the Year Ended December 31, 2017

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Operating Revenue and Support</i>							
Interest on deposits	\$ 26,436	\$ -	\$ -	\$ -	\$ 1,322	\$ -	\$ 27,758
Interest on program related loans	349,248	-	7,490	-	12,026	-	368,764
Unrealized loss on investments	(10,938)	-	-	-	-	-	(10,938)
Loan program revenue	716,143	-	-	-	-	-	716,143
NMTC program revenue	3,773,374	-	-	-	-	-	3,773,374
LIHTC program revenue	4,524,305	-	-	-	-	-	4,524,305
Other program revenue	558,633	-	-	-	-	(7,878)	550,755
Grant Income	1,486,226	-	-	-	-	-	1,486,226
Total operating revenue and support	<u>11,423,427</u>	<u>-</u>	<u>7,490</u>	<u>-</u>	<u>13,348</u>	<u>(7,878)</u>	<u>11,436,387</u>
<i>Operating Expenses</i>							
Salaries and employee benefits	6,522,247	-	-	-	-	-	6,522,247
Occupancy, equipment and furniture	371,065	-	-	-	-	-	371,065
Professional services	959,528	-	-	-	-	-	959,528
Depreciation	29,098	-	-	-	-	-	29,098
Grant expenses	2,075,860	-	-	-	-	-	2,075,860
Other expenses	792,468	-	1,723	-	6,675	(7,878)	792,988
Total operating expenses	<u>10,750,266</u>	<u>-</u>	<u>1,723</u>	<u>-</u>	<u>6,675</u>	<u>(7,878)</u>	<u>10,750,786</u>
Change in net assets from operations	673,161	-	5,767	-	6,673	-	685,601
<i>Non - Operating Revenue/(Expenses)</i>							
Loss from investment in subsidiaries	<u>(327,181)</u>	<u>-</u>	<u>-</u>	<u>(339,621)</u>	<u>-</u>	<u>327,181</u>	<u>(339,621)</u>
Total change in net assets	<u>\$ 345,980</u>	<u>\$ -</u>	<u>\$ 5,767</u>	<u>\$ (339,621)</u>	<u>\$ 6,673</u>	<u>\$ 327,181</u>	<u>\$ 345,980</u>
Net assets at beginning of year	\$ 19,866,241	\$ 491,219	\$ 549,252	\$ 5,997,020	\$ -	\$ (7,037,491)	\$ 19,866,241
Capital contributions	-	-	-	513,870	1,800,000	(2,313,870)	-
Distributions	-	-	(290,000)	-	-	290,000	-
Change in net assets	<u>345,980</u>	<u>-</u>	<u>5,767</u>	<u>(339,621)</u>	<u>6,673</u>	<u>327,181</u>	<u>345,980</u>
Net assets at end of year	<u>\$ 20,212,221</u>	<u>\$ 491,219</u>	<u>\$ 265,019</u>	<u>\$ 6,171,269</u>	<u>\$ 1,806,673</u>	<u>\$ (8,734,180)</u>	<u>\$ 20,212,221</u>