

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

Consolidated Financial Statements
And
Independent Auditors' Reports
December 31, 2022 and 2021

**Massachusetts Housing Investment Corporation
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Wholly Owned Subsidiaries**

December 31, 2022 and 2021

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Massachusetts Housing Investment Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit corporation) and its wholly owned subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries as of December 31, 2022 and 2021, 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.

Basis for Qualified Opinion

As more fully described in Note 23 to the consolidated financial statements, the Organization presents the financial position and results of operations of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries only. In our opinion, accounting principles generally accepted in the United States of America require that Massachusetts Housing Investment Corporation and its wholly owned subsidiaries consolidate several affiliated legally-separate for-profit entities into these consolidated financial statements. The effects on the accompanying consolidated financial statements are described in Note 23.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter – Adoption of Accounting Pronouncements

As discussed in Note 1 to the consolidated financial statements, the Organization has adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 33 through 35 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

August 11, 2023

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Financial Position
December 31, 2022 and 2021

Assets

	<i>2022</i>	<i>2021</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 21,473,526	\$ 9,016,110
Restricted cash	5,780,411	4,017,328
Fee receivable - LIHTC Partnerships	3,684,131	1,727,201
Fee receivable - NMTC CDEs'	816,321	864,610
Current portion of program related loans	7,279,433	9,250,243
Program loan interest receivable	112,049	355,608
Accounts receivable	976,752	694,362
Factoring advance receivables, net	1,184,713	391,338
Due from affiliates	<u>737,734</u>	<u>1,066,803</u>
Total current assets	<u>42,045,070</u>	<u>27,383,603</u>
<i>Other Assets</i>		
Investment in marketable securities	5,431	26,037
Investment in capital stock	319,400	319,400
Program related loans	16,311,502	19,344,176
Program related investments	5,080,206	4,168,497
Other assets	262,462	361,246
Operating lease right of use asset	1,359,733	-
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$572,408 and \$509,022 in 2022 and 2021, respectively	<u>93,502</u>	<u>150,156</u>
Total other assets	<u>23,432,236</u>	<u>24,369,512</u>
Total assets	<u>\$ 65,477,306</u>	<u>\$ 51,753,115</u>

See accompanying notes to consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Financial Position - *continued*
December 31, 2022 and 2021

Liabilities and Net Assets

	2022	2021
<i>Current Liabilities</i>		
Current portion of notes payable	\$ 235,996	\$ 195,561
Due to affiliate	400,000	-
Deferred grant revenue	4,204,581	1,492,765
Operating lease liability, current	468,125	-
Accrued expenses and other liabilities	<u>2,462,631</u>	<u>1,123,275</u>
Total current liabilities	<u>7,771,333</u>	<u>2,811,601</u>
 <i>Long-Term Liabilities</i>		
Unearned fees	1,834,363	2,151,478
Operating lease liability	1,086,523	-
Notes payable	<u>26,144,169</u>	<u>23,866,273</u>
Total long-term liabilities	<u>29,065,055</u>	<u>26,017,751</u>
Total liabilities	<u>36,836,388</u>	<u>28,829,352</u>
 <i>Net Assets</i>		
Without donor restrictions	25,885,918	20,608,901
With donor restrictions	<u>2,755,000</u>	<u>2,314,862</u>
Total net assets	<u>28,640,918</u>	<u>22,923,763</u>
Total liabilities and net assets	<u>\$ 65,477,306</u>	<u>\$ 51,753,115</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, 2022 and 2021

	2022			2021		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Operating Revenue and Support</i>						
Interest on deposits	\$ 80,866	\$ -	\$ 80,866	\$ 14,957	\$ -	\$ 14,957
Interest on program related loans	923,273	-	923,273	886,366	-	886,366
Loan program revenue	987,430	-	987,430	1,172,758	-	1,172,758
NMTC program revenue	1,609,069	-	1,609,069	1,485,113	-	1,485,113
LIHTC program revenue	7,290,286	-	7,290,286	4,790,490	-	4,790,490
Other program revenue	1,370,675	-	1,370,675	983,869	-	983,869
Grant revenue	12,000	-	12,000	80,805	-	80,805
Net assets released from restrictions	514,862	(514,862)	-	-	-	-
Total operating revenue and support	<u>12,788,461</u>	<u>(514,862)</u>	<u>12,273,599</u>	<u>9,414,358</u>	<u>-</u>	<u>9,414,358</u>
<i>Operating Expenses</i>						
Salaries and employee benefits	8,507,562	-	8,507,562	6,081,615	-	6,081,615
Occupancy, equipment and furniture	532,308	-	532,308	583,181	-	583,181
Professional services	1,749,448	-	1,749,448	1,481,468	-	1,481,468
Depreciation	63,386	-	63,386	86,662	-	86,662
Interest expense	249,028	-	249,028	237,832	-	237,832
Other office expenses and support	900,935	-	900,935	584,938	-	584,938
Total operating expenses	<u>12,002,667</u>	<u>-</u>	<u>12,002,667</u>	<u>9,055,696</u>	<u>-</u>	<u>9,055,696</u>
Change in net assets from operations	785,794	(514,862)	270,932	358,662	-	358,662
<i>Non - Operating Revenue/(Expenses)</i>						
Federal grant revenue	1,333,184	955,000	2,288,184	1,160,485	499,862	1,660,347
Other grant revenue	1,500,000	-	1,500,000	7,708,739	-	7,708,739
Other grant expenses	(1,500,000)	-	(1,500,000)	(7,708,739)	-	(7,708,739)
Gain/(loss) from investment in subsidiaries	3,158,039	-	3,158,039	(160,110)	-	(160,110)
Total change in net assets	5,277,017	440,138	5,717,155	1,359,037	499,862	1,858,899
Net assets at beginning of year	<u>20,608,901</u>	<u>2,314,862</u>	<u>22,923,763</u>	<u>19,249,864</u>	<u>1,815,000</u>	<u>21,064,864</u>
Net assets at end of year	<u>\$ 25,885,918</u>	<u>\$ 2,755,000</u>	<u>\$ 28,640,918</u>	<u>\$ 20,608,901</u>	<u>\$ 2,314,862</u>	<u>\$ 22,923,763</u>

See accompanying notes to consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

<i>Program Services</i>					
<i>2022</i>	<i>Loan and Other Programs</i>	<i>NMTC</i>	<i>LIHTC</i>	<i>Management and General</i>	<i>2022 Total</i>
Salaries and employee benefits	\$ 3,283,288	\$ 746,168	\$ 3,380,356	\$ 1,097,750	\$ 8,507,562
Occupancy, equipment and furniture	205,432	46,687	211,505	68,684	532,308
Professional services	720,750	163,800	742,059	122,839	1,749,448
Depreciation	24,462	5,560	25,185	8,179	63,386
Interest expense	249,028	-	-	-	249,028
Other office expenses and support	347,696	79,018	357,975	116,246	900,935
	<u>\$ 4,830,656</u>	<u>\$ 1,041,233</u>	<u>\$ 4,717,080</u>	<u>\$ 1,413,698</u>	<u>\$ 12,002,667</u>

<i>Program Services</i>					
<i>2021</i>	<i>Loan and Other Programs</i>	<i>NMTC</i>	<i>LIHTC</i>	<i>Management and General</i>	<i>2021 Total</i>
Salaries and employee benefits	\$ 3,526,140	\$ 418,984	\$ 1,351,766	\$ 784,725	\$ 6,081,615
Occupancy, equipment and furniture	338,131	40,177	129,624	75,249	583,181
Professional services	922,735	109,642	353,736	95,355	1,481,468
Depreciation	50,248	5,970	19,262	11,182	86,662
Interest expense	237,832	-	-	-	237,832
Other office expenses and support	339,141	40,297	130,011	75,489	584,938
	<u>\$ 5,414,227</u>	<u>\$ 615,070</u>	<u>\$ 1,984,399</u>	<u>\$ 1,042,000</u>	<u>\$ 9,055,696</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, 2022 and 2021

	2022	2021
<i>Operating activities:</i>		
Change in net assets	\$ 5,717,155	\$ 1,858,899
<i>Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:</i>		
Depreciation	63,386	86,662
Amortization of operating lease right of use asset	434,007	-
(Gain)/loss from investment in subsidiaries	(3,158,039)	160,110
Other income	(170,808)	(419,967)
<i>Change in operating assets and liabilities:</i>		
Due from/to affiliates, net	729,069	(532,150)
Factoring advance receivables	(793,375)	(391,338)
Accounts receivable and other assets	(183,606)	(18,519)
Unearned fees	(317,115)	(540,591)
Deferred grant revenue	2,711,816	348,943
Accrued expense and other liabilities	1,549,007	(1,481,078)
Operating lease liability	(448,743)	-
Fees receivable—LIHTC Partnerships	(1,956,930)	377,945
Fees receivable—NMTC CDEs'	48,289	231,356
Program loan interest receivable	<u>243,559</u>	<u>(92,735)</u>
Net cash provided by/(used in) operating activities	<u>4,467,672</u>	<u>(412,463)</u>
<i>Investing activities:</i>		
Funds advanced under program related loans	(9,288,930)	(13,009,135)
Collection of funds from program related loans	14,463,222	8,598,400
Redemption of marketable securities	20,606	33,570
Distributions from program related investments	2,248,275	2,280
Purchase of other investments	(1,945)	(68,007)
Purchase of furniture and equipment	<u>(6,732)</u>	<u>(123,631)</u>
Net cash provided by/(used in) investing activities	<u>7,434,496</u>	<u>(4,566,523)</u>
<i>Financing activities:</i>		
Repayment of notes payable	(1,181,669)	(1,809,175)
Proceeds from notes payable	<u>3,500,000</u>	<u>5,835,500</u>
Net cash provided by financing activities	<u>2,318,331</u>	<u>4,026,325</u>
Net change in cash, cash equivalents and restricted cash	14,220,499	(952,661)
Cash, cash equivalents and restricted cash, beginning of year	<u>13,033,438</u>	<u>13,986,099</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$27,253,937</u>	<u>\$13,033,438</u>
<i>Reconciliation of cash, cash equivalents and restricted cash</i>		
Cash and cash equivalents	\$21,473,526	\$ 9,016,110
Restricted cash	<u>5,780,411</u>	<u>4,017,328</u>
Total cash and restricted cash	<u>\$27,253,937</u>	<u>\$13,033,438</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 255,825</u>	<u>\$ 241,439</u>

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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 New England.

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiaries. At December 31, 2022 and 2021, wholly owned subsidiaries include Massachusetts Housing Equity Fund, Inc. (MHEF), Neighborhood Stabilization Loan Fund LLC (NSLF), MHIC HNEF Investor LLC (HNEF Investor), MHIC HNEF Manager LLC (HNEF Manager), MHIC HNEF Class B Investor LLC (HNEF Class B), MHIC CMF Affordable Housing Fund I LLC (CMF), MHIC Neighborhood Commerce Fund I LLC (NCF), and MHIC HNEF II Manager LLC (HNEF II Manager). All significant intercompany transactions and balances have been eliminated in consolidation.

Program Activities

MHIC has established four 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, 2022 and 2021

1. *Background and Accounting Policies – continued*

Program Activities - continued

Healthy Neighborhood Equity Funds (HNEF)

The HNEF program uses private equity to finance mixed-use, mixed-income transit-oriented development with the potential to be transformative in terms of jobs, health, and climate impacts. Investor returns are generated from project cash flow, along with priority distributions from refinancing or equity take-outs. MHIC is the manager of two HNEF investment funds, Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF I LP) and Healthy Neighborhoods Equity Fund II Limited Partnership (HNEF II LP), and also provides top-loss capital through subordinate investment in those entities.

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 forty-one LIHTC 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, 2022, MHIC has received thirteen allocations of tax credits totaling \$942,000,000.

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 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. In aggregate, MHIC has made cumulative investments totaling \$907,000,000, of which \$176,297,900 and \$235,411,096 was outstanding as of December 31, 2022 and 2021, respectively.

Basis of Accounting and Presentation

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).

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Basis of Accounting and Presentation – continued

Under GAAP, MHIC is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of MHIC. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MHIC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions of cash and other assets are reported as increases to net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Contributions with donor restrictions received where related restrictions are met in the same reporting period are classified as contributions without donor restrictions.

Cash and Cash Equivalents

MHIC considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, MHIC held cash equivalents of \$5,145,619 and \$2,995,020, respectively.

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.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Program Related Loans and Allowance for Possible Loan Losses

Loans are stated at the amount of unpaid principal. Interest on program related loans is recognized as income by applying the interest rates in effect to the principal amount outstanding. Accrual of interest income on program related 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 program related 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.

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 program related 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, 2022 and 2021, unfunded loan commitments totaled \$3,372,151 and \$5,385,535, 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, 2022 and 2021, there were no reserves for unfunded loan commitments.

Below Market Loans

MHIC's mission is to pool the resources of lenders and investors to improve and expand the financing of affordable housing and community development throughout New England. 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.

Reclassification

Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Fees and Accounts Receivable

Fees and accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of agencies and partnerships to meet their obligations. It is MHIC's policy to charge off uncollectible fees and accounts receivable when management determines the receivable will not be collected. As of December 31, 2022 and 2021, there was no allowance for doubtful accounts.

Revenue Recognition

Loan program revenue reflects fees earned on a contractual basis for services provided to the LLC (see Note 2). MHIC recognizes revenue from the loan program as the services are provided.

LIHTC program revenue reflects fees earned on a contractual basis for services that include organization, syndication, underwriting, long-term asset management and partnership administration. The fees for syndicating and organizing the LIHTC 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 LIHTC Partnerships (estimated to be approximately 15 years). Certain refundable fees are deferred until the potential obligation lapses (see Note 8).

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

Other program revenue includes the following:

HNEF Fees: Fees earned on a contractual basis for asset management and administration of HNEF I LP and HNEF II LP (see Note 4). MHIC recognizes revenue from HNEF LP as the services are provided.

State Tax Credit Fees: Fees earned on a contractual basis where MHIC acts as an intermediary between not-for-profit community development corporations (CDC) and for-profit agencies. MHIC works directly with a not-for-profit CDC that is allocated State Tax Credits and facilitates the assignment and sale of State Tax Credits to for-profit agencies which in turn will help finance the development of affordable housing. MHIC recognizes this revenue when the credits are sold based on its contractual agreement with a not-for-profit CDC and payment is expected within thirty to ninety days.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Revenue Recognition - continued

State Tax Credit Fees (continued): For the year ended December 31, 2022 and 2021, revenue earned was \$493,418 and zero, respectively. At December 31, 2022 and 2021, receivables related to these fees totaled \$435,293 and zero, respectively, and there were no contract liabilities.

In addition, the remaining other program revenue includes additional fees for services under housing programs administered by MHIC, which are received from unrelated third parties. This revenue is recorded on a monthly basis as the services are provided, and payment is expected within thirty days of billing. At December 31, 2022 and 2021, receivables related to the additional fees totaled \$46,099 and \$23,374, respectively and there were no contract liabilities.

In general, grant income is derived from cost-reimbursable federal, state and local government contracts, which are conditioned upon certain performance requirements and/or the incurrence of qualifying expenditures. Amounts received are recognized as revenue when MHIC has incurred expenditures in compliance with specific grant or contract provisions. Amounts received prior to costs being incurred are recorded as deferred revenue in the accompanying consolidated financial statements.

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.

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. NSLF, HNEF Investor, HNEF Manager, HNEF II Manager, HNEF Class B, CMF, and NCF are disregarded entities for tax purposes.

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, 2022, MHIC and its wholly owned subsidiaries believe that they have no uncertain tax positions within any of their open tax years, (2019-2021).

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

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 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.

Investments in Capital Stock

As of December 31, 2022 and 2021, 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, 2022 and 2021, MHIC's investment in the FHLBB totaled \$319,400. Annually, management performs an assessment of any possible impairment. As of December 31, 2022 and 2021, 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 net assets without donor restrictions 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 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.
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**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Fair Value Measurements - continued

- Level 2 Inputs to the valuation methodology include:
- 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.

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.

Functional Expenses

Expenses are charged directly to programs or management and general based on specific identification. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and employee benefits, occupancy, equipment and furniture, depreciation, and other office expenses and support, which are allocated on the basis of time and effort.

The consolidated statements of functional expenses disclose operating expenses by functional and natural classification, and excludes non-operating expenses related to the grant activity as described below.

Measure of Operations

In its consolidated statements of activities, MHIC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities and excludes gains and losses from its program related investments, federal and other non-operating grant revenue, and federal and other non-operating grant expenditures.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

1. *Background and Accounting Policies – continued*

Leases

MHIC determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and operating lease liabilities on the consolidated statement of financial position, except for leases with an initial term of less than twelve months, for which MHIC made the short-term lease election. At lease commencement, ROU assets and operating lease liabilities reflect the present value of the future minimum payments over the lease term and discounted using the risk-free rate. Operating lease expense is recognized on a straight-line basis over the lease term. MHIC does not report ROU assets and operating lease liabilities for its short-term leases (leases with a term of twelve months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize the ROU assets and lease liabilities on the consolidated statements of financial position.

MHIC adopted the leasing standards effective January 1, 2022 using the modified retrospective approach with January 1, 2022 as the initial date of application. MHIC elected to use all available practical expedients provided in the transition guidance. These allowed MHIC to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and ROU asset impairment. As of January 1, 2022, adoption of Topic 842 did not result in any change to beginning net assets or any material adjustments to statement of financial position accounts related to lessee accounting, but it did result in an increase in operating lease ROU asset and in operating lease liabilities of \$1,793,740 and \$2,003,391, respectively.

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.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

2. *Loan Program – continued*

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. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

During the years ended December 31, 2022 and 2021, MHIC earned \$987,430 and \$1,172,758, respectively, in fees for services provided to the LLC. Amounts receivable in connection with these fees totaled \$240,392, \$185,667 and \$115,588 at December 31, 2022, 2021 and 2020, respectively, and there were no contract liabilities.

For the years ended December 31, 2022 and 2021, MHIC waived certain fees due under the terms of the Advisory Agreement in order to improve the return to the LLC's members.

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

MHEF, as general partner/managing member of the LIHTC Partnerships, has a de minimis interest in their respective profits, losses and distributions. MHEF accounts for its investment in the LIHTC 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 LIHTC Partnerships, additional investments and cash distributions.

The LIHTC 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 LIHTC 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, 2022 and 2021, MHEF had total assets of \$1,222, and MHIC's investment in MHEF amounted to \$1,222.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

4. *Healthy Neighborhoods Equity Fund (HNEF)*

HNEF I LP and HNEF II LP are organized as Massachusetts limited partnerships 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.

HNEF Manager, HNEF II Manager, HNEF Investor and HNEF Class B (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 I LP and HNEF II LP. The HNEF LLCs' account for their investments in HNEF I LP and HNEF II 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, 2022 and 2021, the HNEF LLCs' had total assets of \$5,041,629 and \$4,125,652, and MHIC's investment amounted to \$5,041,629 and \$4,125,652, respectively.

MHIC as the sole member of the HNEF LLCs', has entered into agreements with HNEF I LP and HNEF II LP to provide investment and management services.

Under the terms of these agreements, MHIC provides asset management services to assist in the organization, administration, and management of the limited partnerships' affairs. These fees are earned monthly at a rate of 2% of the weighted average of aggregate entity investments made by HNEF I LP and HNEF II LP, and are payable quarterly, subject to available cash flow. During the years ended December 31, 2022 and 2021, MHIC earned \$403,364 and \$420,885, respectively, in fees for services provided.

Additionally, MHIC pays certain third party operating expenses on behalf of HNEF I LP and HNEF II LP, which are reimbursable to MHIC when paid.

At December 31, 2022, 2021 and 2020, amounts receivable in connection with these contractual fees totaled \$497,342, \$422,440 and \$419,065, respectively, and there were no contract liabilities.

5. *Capital Magnet Fund Program*

During 2017, MHIC received \$1,800,000 in grant funds from the Community Development Financial Institutions Fund (CDFI) to capitalize CMF, a single member Massachusetts limited liability company, with MHIC as the sole member and program administrator. During 2022, MHIC received \$5,000,000 in grant funds from the CDFI to finance homeownership, affordable housing, and economic development activities. The purpose of the CMF awards are 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.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

5. *Capital Magnet Fund Program - continued*

At December 31, 2022 and 2021, CMF had total assets of \$2,652,074 and \$2,251,279, and MHIC's investment amounted to \$2,252,074 and \$2,225,279, respectively.

At December 31, 2022, MHIC has committed and closed \$805,000 of financing using its second CMF award.

6. *MHIC Neighborhood Commerce Fund I LLC (NCF)*

During 2019, MHIC received \$612,000 in grant funds from the Community Development Financial Institutions Fund (CDFI) to capitalize NCF, a single member Massachusetts limited liability company, with MHIC as the sole member and program administrator. The purpose of NCF is to provide working capital loans or fit-out loans to small businesses that are tenants in MHIC financed properties.

At December 31, 2022 and 2021, NCF had total assets of \$4,843,644 and \$4,719,590, and MHIC's investment amounted to \$1,303,098 and \$1,219,590, respectively.

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

MHIC has entered into agreements with the various MHIC-CDEs to provide 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. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

During the years ended December 31, 2022 and 2021, MHIC earned total fees for services to the MHIC CDEs of \$1,609,069 and \$1,485,113, respectively. Amounts receivable in connection with these contractual fees totaled \$816,321, \$864,610 and \$1,095,966 at December 31, 2022, 2021 and 2020, respectively, and there were no contract liabilities.

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

MHIC has entered into agreements with 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. These fees are earned on a monthly basis as the services are provided and payment is anticipated within thirty days of billing based on available cash flow.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

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

During the years ended December 31, 2022 and 2021, MHIC earned total fees for services to the LIHTC Partnerships of \$7,290,286 and \$4,790,490, respectively. Amounts receivable in connection with these contractual fees totaled \$3,684,131, \$1,727,201 and \$2,105,146 at December 31, 2022, 2021 and 2020, respectively.

During 2021, MHIC made an advance to a LIHTC Partnership to bridge equity financing for an Operating Partnership. The amount outstanding as of December 31, 2022 and 2021 was zero and \$458,696, respectively.

Unearned equity fees reflect MHIC's obligation to provide future services to the LIHTC Partnerships as consideration for the fees received in advance. This obligation is reduced as services are provided, according to the revenue recognition methodology as described above.

The following table provides information about significant changes in the unearned fees for the years ended December 31, 2022 and 2021:

	<i>2022</i>	<i>2021</i>
Unearned fees, beginning balance	\$ 2,151,478	\$ 2,692,069
Investor servicing fees recognized	(462,223)	(540,591)
Collection of advanced fees	145,108	-
Unearned fees, ending balance	<u>\$ 1,834,363</u>	<u>\$ 2,151,478</u>

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 0% to 6.35% and are secured, in a subordinated position, by the underlying real estate.

At December 31, 2022 and 2021, the activity in the program related loans were as follows:

	<i>2022</i>	<i>2021</i>
Beginning balance	\$ 29,454,091	\$ 25,043,356
Loan disbursements	9,288,930	13,009,135
Loan repayments	<u>(14,463,222)</u>	<u>(8,598,400)</u>
Program related loans outstanding	24,279,799	29,454,091
Allowance for loan losses	<u>(688,864)</u>	<u>(859,672)</u>
Ending balance	<u>\$ 23,590,935</u>	<u>\$ 28,594,419</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

9. *Program Related Loans - continued*

At December 31, 2022 and 2021, project loans consist of the following:

<i>Loan category</i>	<i>2022</i>	<i>2021</i>
Construction	\$ 2,363,715	\$ 3,545,673
Acquisition	4,857,765	3,984,000
Amortizing	10,893,982	11,592,216
Mini perm	3,061,778	114,665
Bridge	861,922	8,545,774
Predevelopment	<u>2,240,637</u>	<u>1,671,763</u>
Program related loans outstanding	24,279,799	29,454,091
Allowance for loan losses	<u>(688,864)</u>	<u>(859,672)</u>
Ending balance	<u>\$ 23,590,935</u>	<u>\$ 28,594,419</u>

At December 31, 2022, contract maturities of the above loans are as follows:

2023	\$ 7,279,433
2024	-
2025	2,188,728
2026	3,596,150
2027	-
Thereafter	<u>11,215,488</u>
Total	<u>\$ 24,279,799</u>

The amount of loans on which MHIC has ceased accruing interest totaled \$865,892 and \$2,997,618 at December 31, 2022 and 2021, respectively. The amount of interest not recorded on nonaccrual loans was approximately \$70,576 and \$44,597 for the years ended December 31, 2022 and 2021, respectively.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

9. Program Related Loans – continued

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at December 31, 2022 and 2021:

	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non-Accrual Status	Financing
							Total Financing Receivables on Past 90 + Days still Accruing Interest
December 31, 2022							
Construction	\$ 2,363,715	\$ -	\$ -	\$ -	\$ 2,363,715	\$ -	\$ -
Acquisition	4,857,765	-	-	-	4,857,765	-	-
Amortizing	10,028,090	-	-	865,892	10,893,982	865,892	-
Mini perm	3,061,778	-	-	-	3,061,778	-	-
Bridge	861,922	-	-	-	861,922	-	-
Predevelopment	2,240,637	-	-	-	2,240,637	-	-
Total	\$ 23,413,907	\$ -	\$ -	\$ 865,892	\$ 24,279,799	\$ 865,892	\$ -

	Past Due				Total Financing Receivables	Status of Interest Accruals	
	Current	30-59 Days	60-89 Days	90 + Days		Non-Accrual Status	Financing
							Total Financing Receivables on Past 90 + Days still Accruing Interest
December 31, 2021							
Construction	\$ 1,708,077	\$ -	\$ -	\$ 1,837,596	\$ 3,545,673	\$ 1,837,596	\$ -
Acquisition	3,984,000	-	-	-	3,984,000	-	-
Amortizing	10,432,194	-	-	1,160,022	11,592,216	1,160,022	-
Mini perm	114,665	-	-	-	114,665	-	-
Bridge	8,545,774	-	-	-	8,545,774	-	-
Predevelopment	1,671,763	-	-	-	1,671,763	-	-
Total	\$ 26,456,473	\$ -	\$ -	\$ 2,997,618	\$ 29,454,091	\$ 2,997,618	\$ -

Program related loans do not include loans made utilizing Federal Realty Investment Trust (FRIT) subsidy grant funds and Healthy Retail and Commerce Initiative (HRCI) grants. FRIT loans were made for the development of 49 scattered site units of permanent affordable housing in the City of Somerville, and are fully reserved and expected to be forgiven. HRCI loans were made to one project with the purpose of improving health and well-being of children and families disproportionately impacted by inequities in health and the social determinants of health, and are fully reserved and expected to be forgiven. During 2022 and 2021, loan funds disbursed and recorded as grant expense totaled \$1,500,000 and \$7,708,739, respectively.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

10. *Program Related Investments*

MHIC acquired a .01% interest in various New Markets program CDEs and/or subsidiaries amounting to \$38,577 and \$42,845 at December 31, 2022 and 2021, 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.

The HNEF LLCs have provided equity financing to HNEF I LP and HNEF II LP for approximately 31% and 5% of partnership interests, respectively. At December 31, 2022 and 2021, this investment is accounted for on the equity method and totaled \$5,041,629 and \$4,125,652, respectively.

At December 31, 2022 and 2021, HNEF I LP had total assets of \$9,757,233 and \$14,302,724, total liabilities of zero and \$420,885, and total partners' equity of \$9,757,233 and \$13,881,839, respectively. For the years ended December 31, 2022 and 2021, HNEF I LP had total revenue of \$11,273,519 and \$431,095, total expenses of \$415,563 and \$942,191, and net income of \$10,857,956 and a net loss of \$511,096, respectively.

At December 31, 2022 and 2021, HNEF II LP had total assets of \$9,424,926 and zero, total liabilities of \$9,698,602 and zero, and total partners' deficit of \$273,676 and zero, respectively. For the years ended December 31, 2022 and 2021, HNEF II LP had total revenue of \$192,260 and zero, total expenses of \$422,895 and zero, and a net loss of \$230,635 and zero, respectively.

11. *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, 2022 and 2021, the securities were valued at \$5,431 and \$26,037, respectively. During 2022 and 2021, MHIC recorded unrealized gains of \$235 and unrealized losses of \$262, respectively.

All investment assets have been valued using the market approach. There have been no changes in the methodologies used at December 31, 2022 and 2021.

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.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

12. 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, 2022 and 2021, the outstanding balance was \$1,000,000.

MHIC has borrowed \$1,000,000 from the Boston Foundation. The loan bears interest at 1.5% and matures on December 15, 2025. At December 31, 2022 and 2021, the outstanding balance was \$1,000,000.

MHIC has 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, 2022 and 2021, the outstanding balance was \$3,600,000.

MHIC has borrowed \$2,672,778 from the Federal Home Loan Bank under the Jobs for New England program (JNE) for the purpose of making commercial loans to two specific projects. In addition, MHIC borrowed \$5,115,500 under the Affordable Housing Program (AHP) for the purpose of making permanent loans to three specific projects. The loans bear interest at rates ranging from 0% to 1% and have maturity dates that range from April 2025 to July 2041. At December 31, 2022 and 2021, the outstanding balance of notes payable to the Federal Home Loan Bank was \$7,118,976 and \$7,314,535, respectively.

MHIC has borrowed \$5,000,000 from the Kresge Foundation for the purpose of making commercial loans to specific projects. The loan bears interest at 1% and matures November 27, 2028. At December 31, 2022 and 2021, the outstanding balance was \$2,787,616 and \$3,183,668, respectively.

MHIC has borrowed \$1,000,000 from the Boston Medical Center for the purpose of making commercial loans to specific projects. The loan bears no interest and matures December 18, 2026. At December 31, 2022 and 2021, the outstanding balance was \$1,000,000.

MHIC has borrowed \$1,625,000 from Mass General Brigham Incorporated for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures May 14, 2026. At December 31, 2022 and 2021, the outstanding balance was \$758,631.

MHIC has borrowed \$150,000 from the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program. The loan bears interest at 2.75% and matures June 8, 2050. At December 31, 2022 and 2021, the outstanding balance was zero and \$150,000, respectively.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

12. Notes Payable – continued

MHIC has entered into an Equity Equivalent Investment Agreement (EQ2 Agreement) with Citizens Bank for up to \$5,000,000 to facilitate investments evaluated under the provisions of the Community Reinvestment Act (CRA). During 2020, MHIC borrowed \$3,000,000 under the EQ2 Agreement. The subordinated debt instrument bears interest at 2% and matures at various dates between October 1, 2025 and October 1, 2030, with automatic three-year extensions at each renewal date. The note also contains various restrictions and covenants as required under the EQ2 Agreement. At December 31, 2022 and 2021, the outstanding balance was \$5,000,000.

MHIC has borrowed \$600,000 from Tufts Health Plan Foundation, Inc. to be used for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures August 19, 2028. At December 31, 2022 and 2021, the outstanding balance was \$600,000.

MHIC has borrowed \$455,000 from Blue Cross & Blue Shield of Rhode Island to be used for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures October 6, 2028. At December 31, 2022 and 2021, the outstanding balance was \$245,339 and \$455,000, respectively.

During 2022, MHIC borrowed \$500,000 from Neighborhood Health Plan of Rhode Island to be used for the purpose of making a commercial loan to a specific project. The loan bears interest at 1% and matures October 1, 2028. At December 31, 2022, the outstanding balance was \$269,603.

During 2022, MHIC borrowed \$3,000,000 from a charitable foundation to support healthy neighborhoods. The loan bears interest at 1% and matures November 16, 2027. At December 31, 2022, the outstanding balance was \$3,000,000.

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

2023	\$	235,996
2024		276,995
2025		6,153,378
2026		4,436,143
2027		3,281,100
Thereafter		<u>11,996,553</u>
Total	\$	<u><u>26,380,165</u></u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

13. *Cash and Credit Risk*

At December 31, 2022 and 2021, 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.

14. *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 \$379,689 and \$377,884 for the years ended December 31, 2022 and 2021, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

15. *Guarantees Provided for Borrowing Facilities of Affiliates*

As of December 31, 2022 and 2021, 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.

16. *Leases*

MHIC leases its office facilities under an operating lease that expires on December 31, 2025 with one five-year option to extend.

As of December 31, 2022, the right-of-use (ROU) asset had a balance of \$1,359,733, as shown in other assets on the consolidated statement of financial position and the lease liability is included in current liabilities and long-term liabilities with a balance of \$468,125 and \$1,086,523, respectively. The lease asset and liability were calculated utilizing the risk-free discount rate of 2.05%, according to MHIC's elected policy. The option to extend the lease was not considered when assessing the value of the ROU asset because management is not reasonably certain that it will exercise its option to renew the lease as of the date of these consolidated financial statements.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

16. Leases – continued

Additional information about MHIC’s operating lease is as follows:

Lease costs (included in occupancy, equipment and furniture):

Operating lease cost \$ 475,077

Other Information:

Cash paid for amounts included in measuring operating
lease liabilities:

Operating cash flows from operating leases \$ 489,812

Weighted average remaining lease term (years) 3

Weighted average discount rate 2.05%

Maturities of operating lease liabilities as of December 31, 2022 are as follows:

	<i>Year</i>	<i>Amount</i>
	2023	\$ 499,995
	2024	554,984
	2025	<u>565,167</u>
Total lease payments		1,620,146
Less: interest		<u>(65,498)</u>
Present value of lease liabilities		<u><u>\$ 1,554,648</u></u>

17. Fixed Assets

Property and equipment consists of the following:

	2022	2021
Furniture	\$ 249,762	\$ 249,553
Equipment	286,314	279,791
Leasehold improvements	<u>129,834</u>	<u>129,834</u>
Total fixed assets	665,910	659,178
Accumulated depreciation	<u>(572,408)</u>	<u>(509,022)</u>
Total	<u><u>\$ 93,502</u></u>	<u><u>\$ 150,156</u></u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

18. *Restricted Cash*

At December 31, 2022 and 2021, restricted cash consists of the following:

	<i>2022</i>	<i>2021</i>
CDFI conditional grant advances	\$ 4,205,979	\$ 1,493,476
CDFI unadvanced program income	1,042,667	767,497
Other program lending funds	<u>531,765</u>	<u>1,756,355</u>
Total restricted cash	<u>\$ 5,780,411</u>	<u>\$ 4,017,328</u>

19. *Net Assets with Donor Restrictions*

Net assets with donor restrictions for the years ended December 31, 2022 and 2021 were as follows:

	<i>2022</i>	<i>2021</i>
<i>Specific Purpose and Passage of Time</i>		
CDFI Capital Magnets Grant restricted for use in a revolving loan fund	\$ 2,605,000	\$ 1,800,000
CDFI Neighborhood Commerce Grant restricted for use towards loan loss reserves	-	278,830
CDFI Minority Contractor Factoring Grant restricted for use towards factoring receivables	-	236,032
CDFI Rapid Response Program Grant restricted for use towards closing new financial products in target markets	<u>150,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,755,000</u>	<u>\$ 2,314,862</u>

Net assets released from net assets with donor restrictions for the years ended December 31, 2022 and 2021 were as follows:

	<i>2022</i>	<i>2021</i>
<i>Satisfaction of Purpose Restrictions</i>		
CDFI Neighborhood Commerce Grant restricted for use towards loan loss reserves	\$ 278,830	\$ -
CDFI Minority Contractor Factoring Grant restricted for use towards factoring receivables	<u>236,032</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 514,862</u>	<u>\$ -</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

20. *Liquidity and Availability*

The following represents MHIC's financial assets at December 31, 2022 and 2021:

	<i>2022</i>	<i>2021</i>
<i>Financial assets at year end:</i>		
Cash and cash equivalents	\$ 21,473,526	\$ 9,016,110
Restricted cash	5,780,411	4,017,328
Fee receivable - LIHTC Partnerships	3,684,131	1,727,201
Fee receivable - NMTC CDEs'	816,321	864,610
Current portion of program related loans	7,279,433	9,250,243
Program loan interest receivable	112,049	355,608
Accounts receivable	976,752	694,362
Factoring advance receivables, net	1,184,713	391,338
Due from affiliates	<u>737,734</u>	<u>1,066,803</u>
Total financial assets	<u>42,045,070</u>	<u>27,383,603</u>
 <i>Less amounts not available to be used within one year:</i>		
Net assets with donor restrictions	<u>(2,755,000)</u>	<u>(2,314,862)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 39,290,070</u>	<u>\$ 25,068,741</u>

As part of its liquidity management, MHIC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, MHIC invests cash in excess of daily requirements in overnight funding deposits and money market accounts. The Board of Directors occasionally designates a portion of any operating surplus to provide for additional cash needs. Additionally, any proceeds received from the program related loans may be used to repay current obligations on notes payable, make new program related loans or be appropriated to support other aspects of MHIC's general operations.

21. *Factoring Advance Receivables*

The factoring program is designed to provide working capital to minority-owned businesses faced with growth constraints due to lack of liquidity and insufficient access to debt capital through banks. MHIC provides receivables financing to expedite receipt of construction requisition funds on MHIC-financed projects, which is primarily funded by grant programs MHIC administers on behalf of the CDFI.

At December 31, 2022 and 2021, factoring advance receivables totaled \$1,184,713 and \$391,338, respectively, net of reserves for losses of \$10,779 and zero, respectively.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Consolidated Financial Statements - *continued*
December 31, 2022 and 2021

22. Commitments

MHIC has formed HNEF II LP for the purpose of investing in or making loans to operating limited partnerships and limited liability companies that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments (project partnerships).

As of December 31, 2022, MHIC has secured approximately \$40,000,000 in commitments of capital from investors which have been admitted as limited partners in HNEF II. MHIC is committed to contributing approximately \$2,000,000 to HNEF II. As of December 31, 2022, MHIC has advanced \$9,450,000 to HNEF II LP to bridge investor capital.

23. 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 and seventeen LIHTC Partnerships, which have not been consolidated into these financial statements, even though consolidation is required under GAAP.

The following unaudited information summarizes the financial position and activities of these entities as of and for the years ended December 31, 2022 and 2021:

	2022	2021
Total assets	<u>\$ 303,263,458</u>	<u>\$ 260,037,513</u>
Total liabilities	\$ 18,765,467	\$ 5,929,834
Equity	<u>284,497,991</u>	<u>254,107,679</u>
Total liabilities and equity	<u>\$ 303,263,458</u>	<u>\$ 260,037,513</u>
Total operating revenue	\$ 1,997,373	\$ 2,429,760
Total operating expenses	(2,977,760)	(3,731,391)
Total non-operating revenue/(expenses)	<u>(37,225,768)</u>	<u>(45,460,028)</u>
Net loss	<u>\$ (38,206,155)</u>	<u>\$ (46,761,659)</u>

24. Subsequent Events

MHIC has performed an evaluation of subsequent events through August 11, 2023, which is the date MHIC's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022, that require 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, 2022

<i>Assets</i>	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Current Assets</i>								
Cash and cash equivalents	\$ 20,592,999	\$ 1,222	\$ 3,937	\$ -	\$ 153,574	\$ 721,794	\$ -	\$ 21,473,526
Restricted cash	5,780,411	-	-	-	-	-	-	5,780,411
Fee receivable - LIHTC Partnerships	3,684,131	-	-	-	-	-	-	3,684,131
Fee receivable - NMTC CDEs'	816,321	-	-	-	-	-	-	816,321
Current portion of program related loans	5,350,860	-	-	-	600,000	1,328,573	-	7,279,433
Program loan interest receivable	96,415	-	-	-	-	15,634	-	112,049
Accounts receivable	976,752	-	-	-	-	-	-	976,752
Factoring advance receivables, net	1,184,713	-	-	-	-	-	-	1,184,713
Due from affiliates	4,272,474	-	-	-	1,500,000	-	(5,034,740)	737,734
	<u>42,755,076</u>	<u>1,222</u>	<u>3,937</u>	<u>-</u>	<u>2,253,574</u>	<u>2,066,001</u>	<u>(5,034,740)</u>	<u>42,045,070</u>
Total current assets								
<i>Other Assets</i>								
Investment in marketable securities	5,431	-	-	-	-	-	-	5,431
Investment in capital stock	319,400	-	-	-	-	-	-	319,400
Program related loans	13,146,477	-	-	-	398,500	2,766,525	-	16,311,502
Investment in subsidiaries	8,601,960	-	-	-	-	-	(8,601,960)	-
Program related investments	38,577	-	-	5,041,629	-	-	-	5,080,206
Other assets	257,094	-	-	-	-	11,118	(5,750)	262,462
Operating lease right of use asset	1,359,733	-	-	-	-	-	-	1,359,733
Furniture, equipment and leasehold improvements, net of accumulated depreciation	93,502	-	-	-	-	-	-	93,502
	<u>23,822,174</u>	<u>-</u>	<u>-</u>	<u>5,041,629</u>	<u>398,500</u>	<u>2,777,643</u>	<u>(8,607,710)</u>	<u>23,432,236</u>
Total other assets								
Total assets	<u>\$ 66,577,250</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 5,041,629</u>	<u>\$ 2,652,074</u>	<u>\$ 4,843,644</u>	<u>\$ (13,642,450)</u>	<u>\$ 65,477,306</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Supplemental Consolidating Schedule of Financial Position - *continued*
December 31, 2022

Liabilities and Net Assets

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Current Liabilities</i>								
Current portion of notes payable	\$ 235,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,996
Due to affiliates	1,500,000	-	-	-	400,000	3,540,490	(5,040,490)	400,000
Deferred grant revenue	4,204,581	-	-	-	-	-	-	4,204,581
Operating lease liability, current	468,125	-	-	-	-	-	-	468,125
Accrued expenses and other liabilities	2,462,575	-	-	-	-	56	-	2,462,631
Total current liabilities	<u>8,871,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>3,540,546</u>	<u>(5,040,490)</u>	<u>7,771,333</u>
<i>Long-Term Liabilities</i>								
Unearned fees	1,834,363	-	-	-	-	-	-	1,834,363
Operating lease liability	1,086,523	-	-	-	-	-	-	1,086,523
Notes payable	26,144,169	-	-	-	-	-	-	26,144,169
Total long-term liabilities	<u>29,065,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,065,055</u>
Total liabilities	<u>37,936,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>3,540,546</u>	<u>(5,040,490)</u>	<u>36,836,388</u>
<i>Net Assets</i>								
Without donor restrictions	25,885,918	1,222	3,937	5,041,629	2,252,074	1,303,098	(8,601,960)	25,885,918
With donor restrictions	2,755,000	-	-	-	-	-	-	2,755,000
Total net assets	<u>28,640,918</u>	<u>1,222</u>	<u>3,937</u>	<u>5,041,629</u>	<u>2,252,074</u>	<u>1,303,098</u>	<u>(8,601,960)</u>	<u>28,640,918</u>
Total liabilities and net assets	<u>\$ 66,577,250</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 5,041,629</u>	<u>\$ 2,652,074</u>	<u>\$ 4,843,644</u>	<u>\$ (13,642,450)</u>	<u>\$ 65,477,306</u>

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Supplemental Consolidating Schedule of Activities
For the Year Ended December 31, 2022

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LLCs'</i>	<i>CMF</i>	<i>NCF</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Operating Revenue and Support</i>								
Interest on deposits	\$ 75,267	\$ -	\$ -	\$ -	\$ 2,561	\$ 3,038	\$ -	\$ 80,866
Interest on program related loans	754,872	-	-	-	17,897	150,504	-	923,273
Loan program revenue	987,430	-	-	-	-	-	-	987,430
NMTC program revenue	1,609,069	-	-	-	-	-	-	1,609,069
LIHTC program revenue	7,290,286	-	-	-	-	-	-	7,290,286
Other program revenue	1,434,338	-	-	-	7,837	-	(71,500)	1,370,675
Grant revenue	12,000	-	-	-	-	-	-	12,000
Total operating revenue and support	<u>12,163,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,295</u>	<u>153,542</u>	<u>(71,500)</u>	<u>12,273,599</u>
<i>Operating Expenses</i>								
Salaries and employee benefits	8,507,562	-	-	-	-	-	-	8,507,562
Occupancy, equipment and furniture	532,308	-	-	-	-	-	-	532,308
Professional services	1,749,448	-	-	-	-	-	-	1,749,448
Depreciation	63,386	-	-	-	-	-	-	63,386
Interest expense	249,028	-	-	-	-	-	-	249,028
Other office expenses and support	900,901	-	-	-	1,500	70,034	(71,500)	900,935
Total operating expenses	<u>12,002,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>70,034</u>	<u>(71,500)</u>	<u>12,002,667</u>
Change in net assets from operations	160,629	-	-	-	26,795	83,508	-	270,932
<i>Non - Operating Revenue/(Expenses)</i>								
Federal grant revenue	2,288,184	-	-	-	-	-	-	2,288,184
Other grant revenue	1,500,000	-	-	-	-	-	-	1,500,000
Other grant expenses	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Gain from investment in subsidiaries	3,268,342	-	-	3,158,039	-	-	(3,268,342)	3,158,039
Total change in net assets	<u>\$ 5,717,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,158,039</u>	<u>\$ 26,795</u>	<u>\$ 83,508</u>	<u>\$ (3,268,342)</u>	<u>\$ 5,717,155</u>
Net assets at beginning of year	\$ 22,923,763	\$ 1,222	\$ 3,937	\$ 4,125,652	\$ 2,225,279	\$ 1,219,590	\$ (7,575,680)	\$ 22,923,763
Capital contributions	-	-	-	-	-	-	-	-
Distributions	-	-	-	(2,242,062)	-	-	2,242,062	-
Change in net assets	<u>5,717,155</u>	<u>-</u>	<u>-</u>	<u>3,158,039</u>	<u>26,795</u>	<u>83,508</u>	<u>(3,268,342)</u>	<u>5,717,155</u>
Net assets at end of year	<u>\$ 28,640,918</u>	<u>\$ 1,222</u>	<u>\$ 3,937</u>	<u>\$ 5,041,629</u>	<u>\$ 2,252,074</u>	<u>\$ 1,303,098</u>	<u>\$ (8,601,960)</u>	<u>\$ 28,640,918</u>

**Schedule of Expenditures of
Federal Awards**

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Schedule of Expenditures of Federal Awards
December 31, 2022

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
<i>U.S. Department of Treasury</i>				
<i>Direct Program:</i>				
Capital Magnet Fund	21.011	N/A	\$ 2,605,000	\$ -
Community Development Financial Institutions Program	21.020	N/A	846,524	-
COVID-19 Community Development Financial Institutions Rapid Response Program	21.024	N/A	<u>1,432,100</u>	<u>-</u>
Total U.S. Department of Treasury			<u>4,883,624</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 4,883,624</u>	<u>\$ -</u>

See accompanying notes to schedule of federal awards.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Notes to Schedule of Expenditures of Federal Awards
December 31, 2022

1. *Basis of Presentation*

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Massachusetts Housing Investment Corporation and its wholly owned subsidiaries (MHIC) under programs of the Federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MHIC, it is not intended to and does not present the financial position, changes in net assets or cash flows of MHIC.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MHIC has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. *Capital Magnet Fund*

MHIC has been awarded \$1,800,000 by the Community Development Financial Institutions Fund to capitalize an Affordable Housing Fund and deploy loans under the Capital Magnet Fund program. The revolving loan fund has ongoing compliance requirements through the end of the Investment Period in January 2023. During 2022, MHIC was awarded an additional \$5,000,000 under the program to finance homeownership, affordable housing, and economic development activities, which has ongoing compliance requirements through the end of the Investment Period in September 2027. In accordance with award requirements, the Schedule includes outstanding loans and committed lines of credit as of December 31, 2022 and program income received but not deployed or committed as of December 31, 2022. At December 31, 2022, outstanding loans and committed lines of credit totaled \$1,712,333.

**Report on Internal Control and
Compliance in Accordance with
*Government Auditing Standards***



DANIEL DENNIS & Co
Certified Public Accountants

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

To the Board of Directors of
Massachusetts Housing Investment Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit Organization) and its wholly owned subsidiaries' (MHIC), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 11, 2023, which was qualified because the consolidated financial statements do not include affiliated legally-separate for-profit entities which MHIC has sponsored in furtherance of its affordable housing charitable mission.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered MHIC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MHIC's internal control. Accordingly, we do not express an opinion on the effectiveness of MHIC's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Daniel Dennis & Company LLP

August 11, 2023

**Report on Compliance and
Internal Control Required by
the Uniform Guidance**



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report on Compliance For Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance*

To the Board of Directors of
Massachusetts Housing Investment Corporation

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Massachusetts Housing Investment Corporation and its wholly owned subsidiaries' (MHIC) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MHIC's major federal program for the year ended December 31, 2022. MHIC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MHIC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MHIC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MHIC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MHIC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MHIC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MHIC's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MHIC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MHIC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MHIC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Daniel Dennis & Company LLP

August 11, 2023

**Schedule of Findings and
Questioned Costs**

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ yes X no

Identification of major programs:

<i>Federal Assistance Listing Number</i>	<i>Name of Program or Cluster</i>
21.011	Capital Magnet Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Schedule of Findings and Questioned Costs - *continued*
For the Year Ended December 31, 2022

SECTION II – Financial Statement Findings

No matters were reported.

SECTION III – Federal Award Findings and Questioned Costs

No matters were reported.

**Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries**
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

There were no unresolved audit findings from prior years' audits of Massachusetts Housing Investment Corporation.