Massachusetts Housing Investment Corporation
And
Wholly Owned Subsidiaries

Consolidated Financial Statements
And
Independent Auditors' Reports

December 31, 2023 and 2022

Massachusetts Housing Investment Corporation
And
Wholly Owned Subsidiaries

December 31, 2023 and 2022

Table of Contents

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, 2023 and 2022, 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, 2023 and 2022, 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 21 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 21.

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.

Dedham Executive Center, 990 Washington Street, Suite 203, Dedham, Massachusetts 02026 Telephone (617) 262-9898 Fax (617) 279-0837

Emphasis of Matter – Adoption of Accounting Pronouncement

As discussed in Note 1 to the consolidated financial statements, the Organization has adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. 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 35 through 37 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 July 2, 2024, 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

July 2, 2024

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries
Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets

	2023	*2022*
Current Assets		
Cash and cash equivalents	$ 17,421,330	$ 21,473,526
Restricted cash	10,689,523	5,780,411
Fee receivable - LIHTC Partnerships	2,892,292	3,684,131
Fee receivable - NMTC CDEs'	459,643	816,321
Current portion of program related loans	8,795,385	7,279,433
Program loan interest receivable	139,479	112,049
Accounts receivable	682,334	591,342
Grants and contracts receivable	536,043	385,410
Factoring advance receivables	1,883,548	1,195,492
Less allowance for credit losses on factoring advance receivables	(19,651)	(10,779)
Due from affiliates	953,719	737,734
Total current assets	44,433,645	42,045,070
Other Assets		
Investment in capital stock	319,400	319,400
Program related loans	17,742,563	17,000,366
Less allowance for credit losses on program related loans	(566,295)	(688,864)
Federal, state and locally funded loans	103,217,925	41,996,859
Less allowance for credit losses on federal, state and locally funded loans	(103,217,925)	(41,996,859)
Program related investments	5,913,331	5,080,206
Other assets	299,002	267,893
Operating lease right-of-use asset	924,351	1,359,733
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $639,726 and $572,408 in 2023 and 2022, respectively	40,182	93,502
Total other assets	24,672,534	23,432,236
Total assets	$ 69,106,179	$ 65,477,306

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries
Consolidated Statements of Financial Position - *continued*
December 31, 2023 and 2022

Liabilities and Net Assets

	2023	*2022*
Current Liabilities		
Current portion of notes payable	$ 316,903	$ 235,996
Due to affiliate	-	400,000
Deferred grant revenue	6,451,933	4,204,581
Operating lease liability, current	532,710	468,125
Accrued expenses and other liabilities	2,523,807	2,462,631
Total current liabilities	9,825,353	7,771,333
Long-Term Liabilities		
Unearned fees	1,562,878	1,834,363
Operating lease liability	553,794	1,086,523
Notes payable	26,805,774	26,144,169
Total long-term liabilities	28,922,446	29,065,055
Total liabilities	38,747,799	36,836,388
Net Assets		
Without donor restrictions	27,895,910	25,885,918
With donor restrictions	2,462,470	2,755,000
Total net assets	30,358,380	28,640,918
Total liabilities and net assets	$ 69,106,179	$ 65,477,306

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, 2023 and 2022

	2023			*2022*		
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Without Donor Restrictions*	*With Donor Restrictions*	*Total*
Operating Revenue and Support						
Interest on deposits	$ 944,693	$ -	$ 944,693	$ 80,866	$ -	$ 80,866
Interest on program related loans	1,255,288	-	1,255,288	923,273	-	923,273
Loan program revenue	1,162,243	-	1,162,243	987,430	-	987,430
NMTC program revenue	2,119,880	-	2,119,880	1,609,069	-	1,609,069
LIHTC program revenue	5,845,071	-	5,845,071	7,290,286	-	7,290,286
Other program revenue	1,018,639	-	1,018,639	1,370,675	-	1,370,675
Grant revenue	-	-	-	12,000	-	12,000
Net assets released from restrictions	1,950,000	(1,950,000)	-	514,862	(514,862)	-
Total operating revenue and support	14,295,814	(1,950,000)	12,345,814	12,788,461	(514,862)	12,273,599
Operating Expenses						
Salaries and employee benefits	7,464,141	-	7,464,141	8,507,562	-	8,507,562
Occupancy, equipment and furniture	539,787	-	539,787	532,308	-	532,308
Professional services	2,750,707	-	2,750,707	1,749,448	-	1,749,448
Depreciation	67,319	-	67,319	63,386	-	63,386
Interest expense	270,799	-	270,799	249,028	-	249,028
Other office expenses and support	992,899	-	992,899	900,935	-	900,935
Total operating expenses	12,085,652	-	12,085,652	12,002,667	-	12,002,667
Change in net assets from operations	2,210,162	(1,950,000)	260,162	785,794	(514,862)	270,932
Non - Operating Revenue/(Expenses)						
Gain on sale of state tax credits	59,599,257	-	59,599,257	-	-	-
Provision for credit losses	(59,721,067)	-	(59,721,067)	-	-	-
Federal grant revenue	-	1,657,470	1,657,470	1,333,184	955,000	2,288,184
Other grant revenue	-	-	-	1,500,000	-	1,500,000
Other grant expenses	-	-	-	(1,500,000)	-	(1,500,000)
(Loss)/gain from investment in subsidiaries	(78,360)	-	(78,360)	3,158,039	-	3,158,039
Total change in net assets	2,009,992	(292,530)	1,717,462	5,277,017	440,138	5,717,155
Net assets at beginning of year	25,885,918	2,755,000	28,640,918	20,608,901	2,314,862	22,923,763
Net assets at end of year	$ 27,895,910	$ 2,462,470	$ 30,358,380	$ 25,885,918	$ 2,755,000	$ 28,640,918

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, 2023 and 2022

	Program Services				
2023	*Loan and Other Programs*	*NMTC*	*LIHTC*	*Management and General*	*2023 Total*
Salaries and employee benefits	$ 2,795,441	$ 975,154	$ 2,730,431	$ 963,115	$ 7,464,141
Occupancy, equipment and furniture	202,159	70,521	197,458	69,649	539,787
Professional services	1,044,867	364,489	1,020,568	320,783	2,750,707
Depreciation	25,212	8,795	24,626	8,686	67,319
Interest expense	270,799	-	-	-	270,799
Other office expenses and support	372,023	129,776	363,371	127,729	992,899
Total expenses	$ 4,710,501	$ 1,548,735	$ 4,336,454	$ 1,489,962	$ 12,085,652

	Program Services				
2022	*Loan and Other Programs*	*NMTC*	*LIHTC*	*Management and General*	*2022 Total*
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
Total expenses	$ 4,830,656	$ 1,041,233	$ 4,717,080	$ 1,413,698	$ 12,002,667

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, 2023 and 2022

	2023	*2022*
Operating activities:		
Change in net assets	$ 1,717,462	$ 5,717,155
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	67,319	63,386
Gain on sale of state tax credits	(59,599,257)	-
Provision for credit losses	59,721,067	-
Amortization of operating lease right-of-use asset	435,382	434,007
Loss/(gain) from investment in subsidiaries	78,360	(3,158,039)
Other income	-	(170,808)
Change in operating assets and liabilities:		
Due from/to affiliates, net	(615,985)	729,069
Factoring advance receivables	(679,184)	(793,375)
Accounts receivable and other assets	(272,734)	(183,606)
Unearned fees	(271,485)	(317,115)
Deferred grant revenue	2,247,352	2,711,816
Accrued expense and other liabilities	61,176	1,549,007
Operating lease liability	(468,144)	(448,743)
Fees receivable—LIHTC Partnerships	791,839	(1,956,930)
Fees receivable—NMTC CDEs'	356,678	48,289
Program loan interest receivable	(27,430)	243,559
Net cash provided by operating activities	3,542,416	4,467,672
Investing activities:		
Funds advanced under program related loans	(6,740,883)	(9,288,930)
Collection of funds from program related loans	4,360,165	14,463,222
Funds advanced under federal, state and locally funded loans	(59,721,067)	-
Proceeds from sale of state tax credits	59,599,257	-
Redemption of marketable securities	-	20,606
Contributions in program related investments	(910,994)	-
Distributions from program related investments	-	2,248,275
Purchase of other investments	-	(1,945)
Purchase of furniture and equipment	(14,490)	(6,732)
Net cash (used in)/provided by investing activities	(3,428,012)	7,434,496
Financing activities:		
Repayment of notes payable	(196,088)	(1,181,669)
Proceeds from notes payable	938,600	3,500,000
Net cash provided by financing activities	742,512	2,318,331
Net change in cash, cash equivalents and restricted cash	856,916	14,220,499
Cash, cash equivalents and restricted cash, beginning of year	27,253,937	13,033,438
Cash, cash equivalents and restricted cash, end of year	$ 28,110,853	$ 27,253,937
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 17,421,330	$ 21,473,526
Restricted cash	10,689,523	5,780,411
Total cash and restricted cash	$ 28,110,853	$ 27,253,937
Supplemental information		
Interest paid	$ 270,844	$ 255,825

See accompanying notes to consolidated financial statements.

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, 2023 and 2022, 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).

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, 2023, MHIC has received fifteen 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 $930,382,916, of which $202,258,219 and $176,297,900 was outstanding as of December 31, 2023 and 2022, 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).

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

For the purposes of the statements of cash flows, cash and restricted cash consists of funds in the MHIC's operating accounts and restricted cash accounts. See note 17 for more information on restricted cash. All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

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.

1. Background and Accounting Policies – *continued*

Loans and Allowance for Possible Loan Losses

MHIC provides loans for the development of affordable housing throughout Massachusetts. Loans are stated at the amount of unpaid principal less the allowance for credit losses. Interest on loans is recognized as income by applying the interest rates in effect to the principal amount outstanding. Loans are originated according to MHIC's established loan policy and are secured by the underlying real estate. Collateral values are only re-evaluated after loan origination if a loan becomes delinquent and the borrower has shown an inability to pay. Subsequent declines in collateral values are charged-off resulting in incremental provision for credit losses. Subsequent increases in collateral values may be reflected as an adjustment to the allowance for credit losses to reflect the expectation of recoveries in an amount greater than previously expected.

The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as the demand for affordable housing, property values, or other relevant factors. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. For its loan portfolio, MHIC uses the aging method to determine the allowance for credit losses which includes historical collection and current economic risk criteria. The key risk characteristic for loans is the financial strength of the borrower or the guarantor. MHIC has determined that three years is a reasonable and supportable forecast period. At the end of the three year reasonable and supportable forecast period, assumption variables revert to their ten year average of historical values over a reversion period which is generally four years, but may be longer in some specific cases.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

1. ***Background and Accounting Policies*** *– continued*

Loans and Allowance for Possible Loan Losses – continued

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by MHIC.

Troubled Debt Restructurings (TDRs): A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered to be a TDR. The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.

Accrual of interest income on loans is suspended when a loan is contractually delinquent for ninety days. Interest payments received on such loans are applied as a reduction of the loan principal balance. The accrual is resumed when the loan becomes contractually current.

In general, MHIC does not record an allowance for credit losses for accrued interest receivables. Uncollectible accrued interest is reversed through interest income in a timely manner in line with MHIC's non-accrual and past due policies for loans. When accrued interest is reversed or charged-off in a timely manner GAAP provides a practical expedient to exclude accrued interest from the allowance for credit loss measurement. At December 31, 2023 and 2022, accrued interest receivable was $139,479 and $112,049, respectively, and there was no accrued interest reversed or charged off for the years then ended.

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 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

*1. **Background and Accounting Policies** – continued*

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, 2023 and 2022, unfunded loan commitments totaled \$3,830,145 and \$3,372,151, 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 and is recorded as a liability on the accompanying consolidated statements of financial position. At December 31, 2023 and 2022, there were no reserves for unfunded loan commitments.

Fees and Accounts Receivable

Fees and accounts receivable are stated at unpaid balances, less an allowance for credit losses. The allowance is based on historical collection experience using the aging method 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, 2023 and 2022, there was no allowance for credit losses.

Grants and Contracts Receivable

MHIC's grants and contracts receivable are from its federal and state grant and contracts as described below. They are considered unconditional because the conditions for revenue recognition and payment have been substantially met. These receivables are recorded at their net realizable value as collection is expected within one year. Receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and grants and contracts receivable are charged off when deemed uncollectible. At December 31, 2023 and 2022, management has considered all grants and contracts receivable to be fully collectible.

1. Background and Accounting Policies – continued

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 as the services are provided.

State Tax Credit Fees: Fees earned on a contractual basis where MHIC works directly with a not-for-profit community development corporations (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. For the years ended December 31, 2023 and 2022, revenue earned was $325,542 and $493,418, respectively. At December 31, 2023 and 2022, receivables related to these fees totaled $545,421 and $435,293, respectively, and there were no contract liabilities. Additionally during 2023, MHIC was allocated $70,811,102 of State Tax Credits directly from not-for-profit CDC's and sold the credits to for-profit agencies for $59,599,257 and used the proceeds to finance the development of affordable housing.

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, 2023 and 2022, receivables related to the additional fees totaled $136,913 and $156,049, respectively and there were no contract liabilities.

1. Background and Accounting Policies – *continued*

Revenue Recognition – continued

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, 2023, MHIC and its wholly owned subsidiaries believe that they have no uncertain tax positions within any of their open tax years, (2020-2022).

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.

1. Background and Accounting Policies – *continued*

Investments in Capital Stock

As of December 31, 2023 and 2022, 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, 2023 and 2022, MHIC's investment in the FHLBB totaled $319,400. Annually, management performs an assessment of any possible impairment. As of December 31, 2023 and 2022, management has determined that no such impairment exists.

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.

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 statements 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.

1. Background and Accounting Policies – continued

Change in Accounting Principle

Effective January 1, 2023, MHIC adopted Accounting Standards Update (ASU) 2016 - 13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. MHIC adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. The adoption of this ASU did not have a material impact on MHIC's financial statements but did expand on how the allowance for credit losses is determined.

2. Loan Program

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

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

MHIC earns advisory fees for managing the affairs of the LLC pursuant to the terms of an Advisory Agreement. The scope of services under the Advisory Agreement includes managing the orderly underwriting, approval and origination of loans and acquisition of investments, servicing loans and investments, establishing loan and investment policies, supervising and managing the requisition and disbursement of funds for loans, investing idle funds, business development and various other services that may be required by the LLC in the ordinary course of its business. 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, 2023 and 2022, MHIC earned $1,162,243 and $987,430, respectively, in fees for services provided to the LLC. Amounts receivable in connection with these fees totaled $103,049, $240,392 and $185,667 at December 31, 2023, 2022 and 2021, respectively, and there were no contract liabilities.

For the years ended December 31, 2023 and 2022, 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.

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, 2023 and 2022, the HNEF LLCs' had total assets of $5,874,263 and $5,041,629, and MHIC's investment amounted to $5,874,263 and $5,041,629, 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, 2023 and 2022, MHIC earned $441,735 and $403,364, respectively, in fees for services provided.

4. Healthy Neighborhoods Equity Fund (HNEF) – *continued*

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, 2023, 2022 and 2021, amounts receivable in connection with these contractual fees totaled \$850,670, \$497,342 and \$422,440 respectively, and there were no contract liabilities.

5. Capital Magnet Fund Program (CMF)

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 primary 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.

At December 31, 2023 and 2022, CMF had total assets of \$2,263,590 and \$2,652,074, and MHIC's investment amounted to \$2,263,590 and \$2,252,074, respectively.

At December 31, 2023 and 2022, MHIC has committed and closed \$2,462,470 and \$805,000 of financing using its second CMF award, respectively.

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, 2023 and 2022, NCF had total assets of \$6,634,901 and \$4,843,644, and MHIC's investment amounted to \$1,500,819 and \$1,303,098, 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, 2023 and 2022, MHIC earned total fees for services to the MHIC CDEs of $2,119,880 and $1,609,069, respectively. Amounts receivable in connection with these contractual fees totaled $459,643, $816,321 and $864,610 at December 31, 2023, 2022 and 2021, 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.

During the years ended December 31, 2023 and 2022, MHIC earned total fees for services to the LIHTC Partnerships of $5,845,071 and $7,290,286, respectively. Amounts receivable in connection with these contractual fees totaled $2,892,292, $3,684,131 and $1,727,201 at December 31, 2023, 2022 and 2021, 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, 2023 and 2022:

	2023	*2022*
Unearned fees, beginning balance	$ 1,834,363	$ 2,151,478
Investor servicing fees recognized	(459,083)	(462,223)
Collection of advanced fees	187,598	145,108
Unearned fees, ending balance	$ 1,562,878	$ 1,834,363

9. Loans Receivable

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 8.00% and are secured, in a subordinated position, by the underlying real estate.

At December 31, 2023 and 2022, the activity in the program related loans were as follows:

	2023	*2022*
Beginning balance	$ 24,279,799	$ 29,454,091
Loan disbursements	6,740,883	9,288,930
Loan assigned/written off	(122,569)	-
Loan repayments	(4,360,165)	(14,463,222)
Program related loans outstanding	26,537,948	24,279,799
Allowance for credit losses	(566,295)	(688,864)
Ending balance	$ 25,971,653	$ 23,590,935

At December 31, 2023 and 2022, program related loans consist of the following:

Loan category	*2023*	*2022*
Construction	$ -	$ 2,363,715
Acquisition	5,003,176	4,857,765
Amortizing	13,356,386	10,893,982
Mini perm	2,845,199	3,061,778
Line of credit	419,610	-
Bridge	3,400,094	861,922
Predevelopment	1,513,483	2,240,637
Program related loans outstanding	26,537,948	24,279,799
Allowance for credit losses	(566,295)	(688,864)
Ending balance	$ 25,971,653	$ 23,590,935

9. *Loans Receivable* – *continued*

At December 31, 2023, contract maturities of the above loans are as follows:

2024	$	8,795,385
2025		2,231,857
2026		3,388,284
2027		-
2028		4,910,708
Thereafter		7,211,714
Total	$	26,537,948

MHIC uses credit quality indicators and shared risk characteristics to assess the credit quality of its program related loan receivables.

Credit quality indicators are used in determining the estimated amount and the timing of expected credit losses for program related loan receivables. Management records an allowance to reduce the receivables to the amount that is expected to be collectible. The allowance is based on an expected loss rate that is determined primarily based on the age of the receivables, internal scoring models, and other qualitative economic factors.

The credit quality indicators are based on internal scoring models that analyze past performance to predict the likelihood of a project loan falling delinquent. The scoring models assess a number of variables, including origination characteristics, program related loan history, payment patterns, and the extent of collection efforts. Based on the score derived from these models, program related loans are further grouped by risk category to determine the collection strategy to be applied to such loans. A program related loan is considered to be delinquent and in default status when a loan is contractually delinquent for ninety days. A program related loan is considered “Satisfactory” if the balance sheet of the borrower is liquid and acceptably leveraged; strong guarantor; experienced developer, “Acceptable” if operating performance of the borrower is characterized by occasional deficits of business related revenues over expenses offset by significant non-business related revenue from grants and fund raising and resulting in at least break-even bottom line results; borrower seems capable of augmenting its cash flow to cover any expected deficits, “Marginal” if potential weaknesses which may, if not checked or corrected, weaken the asset or inadequately protect MHIC’s credit position at some future date, “Substandard” if evidence clearly defines weaknesses and are considered to be inadequately protected by the current sound worth and paying capacity of the obligor or of any pledged collateral and “Doubtful” if weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable or improbable. The risk class determines the speed and severity of collection efforts including initiatives taken to facilitate payment.

9. *Loans Receivable* – *continued*

The following table presents program related loan receivables, at amortized cost, as of December 31, 2023 and 2022, by credit quality indicator:

	2023	*2022*
Risk Rating		
Satisfactory	$ 14,881,947	$ 17,033,071
Acceptable	6,874,808	2,628,346
Marginal	4,111,361	3,752,490
Substandard	669,832	865,892
Doubtful	-	-
Total	$ 26,537,948	$ 24,279,799

The data used to assess the credit quality of project loans and the amounts presented in this table was last updated on December 31, 2023.

At December 31, 2023 and 2022, the activity in the program related loans allowance for credit losses were as follows:

	2023	*2022*
Beginning balance	$ 688,864	$ 859,672
Recoveries	-	(170,808)
Write offs	(122,569)	-
Ending balance	$ 566,295	$ 688,864

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at December 31, 2023 and 2022:

		Past Due				Status of Interest Accruals	
December 31, 2023	Current	30-59 Days	60-89 Days	90 + Days	Total Financing Receivables	Total Financing Receivables on Non-Accrual Status	Financing Receivables Past 90 + Days still Accruing Interest
Acquisition	$ 5,003,176	$ -	$ -	$ -	$ 5,003,176	$ -	$ -
Amortizing	12,686,554	-	-	669,832	13,356,386	669,832	-
Mini perm	2,845,199	-	-	-	2,845,199	-	-
Line of credit	419,610	-	-	-	419,610	-	-
Bridge	3,400,094	-	-	-	3,400,094	-	-
Predevelopment	1,513,483	-	-	-	1,513,483	-	-
Total	$ 25,868,116	$ -	$ -	$ 669,832	$ 26,537,948	$ 669,832	$ -

9. Loans Receivable – *continued*

		Past Due				Status of Interest Accruals	
December 31, 2022	Current	30-59 Days	60-89 Days	90 + Days	Total Financing Receivables	Total Financing Receivables on Non-Accrual Status	Financing Receivables Past 90 + Days still Accruing Interest
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	$ -

The amount of loans on which MHIC has ceased accruing interested totaled $669,832 and $865,892 at December 31, 2023 and 2022, respectively. The amount of cumulative interest not recorded on nonaccrual loans was approximately $94,186 and $70,576 for the years ended December 31, 2023 and 2022, respectively.

Program related loans do not include loans utilizing Federal, state and local government funded grants, the proceeds of which were used to issue subordinate non-interest bearing loans. Such loans are made for the acquisition and rehabilitation of affordable housing in furtherance of both the Federal, state or local government affordable housing initiatives and MHIC's mission, require deeded affordability restrictions and provide for the forgiveness of outstanding loan balances based on compliance with those restrictions at maturity. These loans require the properties are maintained for affordable housing during the loan term, require no monthly principal or interest payments and are expected to be forgiven or assigned at maturity and are fully reserved against. At December 31, 2023 and 2022, the outstanding balance of these loans and allowance for credit losses were $103,217,925 and $41,996,859, respectively.

10. Program Related Investments

MHIC acquired a .01% interest in various New Markets program CDEs and/or subsidiaries amounting to $39,068 and $38,577 at December 31, 2023 and 2022, 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, 2023 and 2022, this investment is accounted for on the equity method and totaled $5,874,263 and $5,041,629, respectively.

10. Program Related Investments – continued

At December 31, 2023 and 2022, HNEF I LP had total assets of $9,576,065 and $9,757,233, total liabilities of $224,912 and zero, and total partners' equity of $9,351,153 and $9,757,233, respectively. For the years ended December 31, 2023 and 2022, HNEF I LP had total revenue of $1,746 and $11,273,519, total expenses of $407,826 and $415,563, and net loss of $406,080 and a net income of $10,857,956, respectively.

At December 31, 2023 and 2022, HNEF II LP had total assets of $18,427,314 and $9,424,926, total liabilities of $625,758 and $9,698,602, and total partners' equity/(deficit) of $17,801,556 and $(273,676), respectively. For the years ended December 31, 2023 and 2022, HNEF II LP had total revenue of $379,804 and $192,260, total expenses of $524,470 and $422,895, and a net loss of $144,666 and $230,635, respectively.

11. Cash and Credit Risk

At December 31, 2023 and 2022, 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.

In addition to the federally insured limits noted above, during 2023 MHIC entered into an Insured Cash Sweep (ICS) Deposit Placement Agreement with one of its financial institutions. ICS is a program that allows banks to pay a fee to access the IntraFi network of banks in the FDIC network. ICS accounts extend FDIC insurance by breaking up large cash deposits and distributing the smaller amounts to multiple banks. The current limit for protection is $150 million. Participants receive access to all funds and the "home" Bank will receive credit for the deposits, as they participate in a reciprocal agreement in the program. The total amount of deposits under this agreement at December 31, 2023 was $9,208,068.

MHIC has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash.

12. 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 $384,184 and $379,689 for the years ended December 31, 2023 and 2022, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

13. Notes Payable

MHIC has borrowed $1,000,000 from the Department of Housing and Community Development under the Affordable Housing Trust Fund Statute. The loan bears no interest and the entire amount is payable in full on December 31, 2030. At December 31, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the outstanding balance of notes payable to the Federal Home Loan Bank was $6,922,888 and $7,118,976, 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, 2023 and 2022, the outstanding balance was $3,232,216 and $2,787,616, 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, 2023 and 2022, 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, 2023 and 2022, the outstanding balance was $758,631.

During 2023, MHIC borrowed $494,000 from Dana Farber to be used for the purpose of capitalizing loans and making a commercial loan to a specific project. The loan bears interest at 1% and matures September 1, 2029. At December 31, 2023, the outstanding balance was $494,000.

13. 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the outstanding balance was $245,339.

MHIC has 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, 2023 and 2022, the outstanding balance was $269,603.

MHIC has 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, 2023 and 2022, the outstanding balance was $3,000,000.

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

2024	$ 316,903
2025	6,153,378
2026	4,436,143
2027	3,281,100
2028	4,179,472
Thereafter	8,755,681
Total	$ 27,122,677

14. 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, 2023 and 2022 the right-of-use (ROU) asset had a balance of $924,351 and $1,359,733, respectively, as shown in other assets on the consolidated statements of financial position and the lease liability is included in current liabilities with a balance of $532,710 and $468,125, respectively and long-term liabilities with a balance of $553,794 and $1,086,523, respectively. The lease asset and liability were calculated utilizing the risk-free discount rate of 1.37%, 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.

Additional information about MHIC's operating lease as of December 31, 2023 and 2022 is as follows:

	2023	*2022*
Lease costs (included in occupancy, equipment and furniture):		
Operating lease cost	$ 475,194	$ 475,077
Other Information:		
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	$ 499,995	$ 489,812
Weighted average remaining lease term (years)	2	3
Weighted average discount rate	1.37%	1.37%

Maturities of operating lease liabilities as of December 31, 2023 are as follows:

Year	*Amount*
2024	$ 554,984
2025	565,167
Total lease payments	1,120,151
Less: interest	(33,647)
Present value of lease liabilities	$ 1,086,504

15. Guarantees Provided for Borrowing Facilities of Affiliates

As of December 31, 2023 and 2022, 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. Fixed Assets

Property and equipment consists of the following:

	2023	*2022*
Furniture	$ 250,236	$ 249,762
Equipment	299,838	286,314
Leasehold improvements	129,834	129,834
Total fixed assets	679,908	665,910
Accumulated depreciation	(639,726)	(572,408)
Total	$ 40,182	$ 93,502

17. Restricted Cash

At December 31, 2023 and 2022, restricted cash consists of the following:

	2023	*2022*
CDFI conditional grant advances	$ 8,798,122	$ 5,248,646
Other program lending funds	1,891,401	531,765
Total restricted cash	$ 10,689,523	$ 5,780,411

18. 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, 2023 and 2022, factoring advance receivables totaled $1,883,548 and $1,195,492, respectively, net of reserves for losses of $19,651 and $10,779, respectively.

19. Liquidity and Availability

The following represents MHIC's financial assets at December 31, 2023 and 2022:

	2023	*2022*
Financial assets at year end:		
Cash and cash equivalents	$ 17,421,330	$ 21,473,526
Restricted cash	10,689,523	5,780,411
Fee receivable - LIHTC Partnerships	2,892,292	3,684,131
Fee receivable - NMTC CDEs'	459,643	816,321
Current portion of program related loans	8,795,385	7,279,433
Program loan interest receivable	139,479	112,049
Accounts receivable	682,334	591,342
Grants and contracts receivable	536,043	385,410
Factoring advance receivables, net	1,863,897	1,184,713
Due from affiliates	953,719	737,734
Total financial assets	44,433,645	42,045,070
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,462,470)	(2,755,000)
Financial assets available to meet general expenditures within one year	$ 41,971,175	$ 39,290,070

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.

20. Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2023 and 2022 were as follows:

	2023	*2022*
Specific Purpose and Passage of Time		
CDFI Capital Magnets Grant restricted for use in a revolving loan fund	$ 2,462,470	$ 2,605,000
CDFI Rapid Response Program Grant restricted for use towards closing new financial products in target markets	-	150,000
Total net assets with donor restrictions	$ 2,462,470	$ 2,755,000

Net assets released from net assets with donor restrictions for the years ended December 31, 2023 and 2022 were as follows:

	2023	*2022*
Satisfaction of Purpose Restrictions		
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 Capital Magnets Grant restricted for use in a revolving loan fund	1,800,000	
CDFI Rapid Response Program Grant restricted for use towards closing new financial products in target markets	150,000	-
Total net assets released from restrictions	$ 1,950,000	$ 514,862

21. 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 I LP, HNEF II LP, the LLC and eighteen LIHTC Partnerships, which have not been consolidated into these financial statements, even though consolidation is required under GAAP.

21. Affiliated Entities – continued

The following unaudited information summarizes the financial position and activities of these entities as of and for the years ended December 31, 2023 and 2022:

	2023	*2022*
Total assets	$ 317,628,437	$ 294,699,267
Total liabilities	$ 5,655,842	$ 18,765,467
Equity	311,972,595	275,933,800
Total liabilities and equity	$ 317,628,437	$ 294,699,267
Total operating revenue	$ 4,065,035	$ 2,111,308
Total operating expenses	(3,177,800)	(3,134,739)
Total non-operating revenue/(expenses)	(44,149,230)	(37,792,646)
Net loss	$ (43,261,995)	$ (38,816,077)

22. Subsequent Events

MHIC, with the approval of its board of directors, has developed an internal "Warehouse Line", the purpose of which is to be able to execute LIHTC transactions that are scheduled to be placed in a multi-investor fund prior to having investors admitted into the fund. This deployment strategy results in MHIC standing in as the sole investor in an LIHTC Operating Partnership and making the 1st equity installment with board approval. The maximum commitment exposure limit approved by the board of directors amounts to an aggregate total of $62 million. As of December 31, 2023, MHIC had no LIHTC Operating Partnership investment commitments or outstanding balances under the Warehouse Line. Subsequent to year end, MHIC has made additional commitments amounting to $43.8 million and has $6.02 million outstanding as of the date of this report.

MHIC has performed an evaluation of subsequent events July 2, 2024, which is the date MHIC's consolidated financial statements were available to be issued.

Supplemental Schedules

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries
Supplemental Consolidating Schedule of Financial Position
December 31, 2023

Assets

	MHIC	MHEF & NSLF	HNEF LLCs'	CMF	NCF	Eliminations	Consolidated
Current Assets							
Cash and cash equivalents	$ 15,347,761	$ 4,882	$ -	$ 166,457	$ 1,902,230	$ -	$ 17,421,330
Restricted cash	10,689,523	-	-	-	-	-	10,689,523
Fee receivable - LIHTC Partnerships	2,892,292	-	-	-	-	-	2,892,292
Fee receivable - NMTC CDEs'	459,643	-	-	-	-	-	459,643
Current portion of program related loans	6,416,972	-	-	600,000	1,778,413	-	8,795,385
Program loan interest receivable	111,985	-	-	1,033	26,461	-	139,479
Accounts receivable	682,334	-	-	-	-	-	682,334
Grants and contracts receivable	536,043	-	-	-	-	-	536,043
Factoring advance receivables	1,883,548	-	-	-	-	-	1,883,548
Less allowance for credit losses on factoring advance receivables	(19,651)	-	-	-	-	-	(19,651)
Due from affiliates	6,087,802	-	-	1,100,000	32,726	(6,266,809)	953,719
Total current assets	45,088,252	4,882	-	1,867,490	3,739,830	(6,266,809)	44,433,645
Other Assets							
Investment in capital stock	319,400	-	-	-	-	-	319,400
Program related loans	14,180,893	-	-	514,665	3,047,005	-	17,742,563
Less allowance for credit losses on program related loans	(295,796)	-	-	(118,565)	(151,934)	-	(566,295)
Federal, state and locally funded loans	103,217,925	-	-	-	-	-	103,217,925
Less allowance for credit losses on federal, state and locally funded loans	(103,217,925)	-	-	-	-	-	(103,217,925)
Investment in subsidiaries	9,643,831	-	-	-	-	(9,643,831)	-
Program related investments	39,068	-	5,874,263	-	-	-	5,913,331
Other assets	298,725	277	-	-	-	-	299,002
Operating lease right of use asset	924,351	-	-	-	-	-	924,351
Furniture, equipment and leasehold improvements, net of accumulated depreciation	40,182	-	-	-	-	-	40,182
Total other assets	25,150,654	277	5,874,263	396,100	2,895,071	(9,643,831)	24,672,534
Total assets	$ 70,238,906	$ 5,159	$ 5,874,263	$ 2,263,590	$ 6,634,901	$ (15,910,640)	$ 69,106,179

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries
Supplemental Consolidating Schedule of Financial Position - *continued*
December 31, 2023

Liabilities and Net Assets

	MHIC	*MHEF & NSLF*	*HNEF LLCs'*	*CMF*	*NCF*	*Eliminations*	*Consolidated*
Current Liabilities							
Current portion of notes payable	$ 316,903	$ -	$ -	$ -	$ -	$ -	$ 316,903
Due to affiliates	1,100,000	-	-	-	5,134,082	(6,234,082)	-
Deferred grant revenue	6,451,933	-	-	-	-	-	6,451,933
Operating lease liability, current	532,710	-	-	-	-	-	532,710
Accrued expenses and other liabilities	2,556,534	-	-	-	-	(32,727)	2,523,807
Total current liabilities	10,958,080	-	-	-	5,134,082	(6,266,809)	9,825,353
Long-Term Liabilities							
Unearned fees	1,562,878	-	-	-	-	-	1,562,878
Operating lease liability	553,794	-	-	-	-	-	553,794
Notes payable	26,805,774	-	-	-	-	-	26,805,774
Total long-term liabilities	28,922,446	-	-	-	-	-	28,922,446
Total liabilities	39,880,526	-	-	-	5,134,082	(6,266,809)	38,747,799
Net Assets							
Without donor restrictions	27,895,910	5,159	5,874,263	2,263,590	1,500,819	(9,643,831)	27,895,910
With donor restrictions	2,462,470	-	-	-	-	-	2,462,470
Total net assets	30,358,380	5,159	5,874,263	2,263,590	1,500,819	(9,643,831)	30,358,380
Total liabilities and net assets	$ 70,238,906	$ 5,159	$ 5,874,263	$ 2,263,590	$ 6,634,901	$ (15,910,640)	$ 69,106,179

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries

Supplemental Consolidating Schedule of Activities

For the Year Ended December 31, 2023

	MHIC	*MHEF & NSLF*	*HNEF LLCs'*	*CMF*	*NCF*	*Eliminations*	*Consolidated*
Operating Revenue and Support							
Interest on deposits	$ 867,486	$ -	$ -	$ 1,183	$ 76,024	$ -	$ 944,693
Interest on program related loans	1,021,064	-	-	12,733	221,491	-	1,255,288
Loan program revenue	1,162,243	-	-	-	-	-	1,162,243
NMTC program revenue	2,119,880	-	-	-	-	-	2,119,880
LIHTC program revenue	5,845,071	-	-	-	-	-	5,845,071
Other program revenue	1,117,825	-	-	-	156	(99,342)	1,018,639
Total operating revenue and support	12,133,569	-	-	13,916	297,671	(99,342)	12,345,814
Operating Expenses							
Salaries and employee benefits	7,464,141	-	-	-	-	-	7,464,141
Occupancy, equipment and furniture	539,787	-	-	-	-	-	539,787
Professional services	2,750,707	-	-	-	-	-	2,750,707
Depreciation	67,319	-	-	-	-	-	67,319
Interest expense	270,799	-	-	-	-	-	270,799
Other office expenses and support	989,897	-	-	2,400	99,950	(99,348)	992,899
Total operating expenses	12,082,650	-	-	2,400	99,950	(99,348)	12,085,652
Change in net assets from operations	50,919	-	-	11,516	197,721	6	260,162
Non - Operating Revenue/(Expenses)							
Gain on sale of state tax credits	59,599,257	-	-	-	-	-	59,599,257
Provision for credit losses	(59,721,067)	-	-	-	-	-	(59,721,067)
Federal grant revenue	1,657,470	-	-	-	-	-	1,657,470
(Loss)/gain from investment in subsidiaries	130,883	-	(78,360)	-	-	(130,883)	(78,360)
Total change in net assets	$ 1,717,462	$ -	$ (78,360)	$ 11,516	$ 197,721	$ (130,877)	$ 1,717,462
Net assets at beginning of year	$ 28,640,918	$ 5,159	$ 5,041,629	$ 2,252,074	$ 1,303,098	$ (8,601,960)	$ 28,640,918
Capital contributions	-	-	910,994	-	-	(910,994)	-
Change in net assets	1,717,462	-	(78,360)	11,516	197,721	(130,877)	1,717,462
Net assets at end of year	$ 30,358,380	$ 5,159	$ 5,874,263	$ 2,263,590	$ 1,500,819	$ (9,643,831)	$ 30,358,380

Schedule of Expenditures of Federal Awards

Massachusetts Housing Investment Corporation
and Wholly Owned Subsidiaries
Schedule of Expenditures of Federal Awards
December 31, 2023

Federal Grantor (Pass-Through Grantor) Program or Cluster Title	*Federal Assistance Listing Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*	*Expenditures to Subrecipients*
U.S. Department of Treasury				
Direct Program:				
Community Development Financial Institutions Capital Magnet Fund	21.011	N/A	$ 2,462,470	$ -
Total Expenditures of Federal Awards			$ 2,462,470	$ -

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, 2023

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, 2023. 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 $5,000,000 by the Community Development Financial Institutions Fund under the Capital Magnet Fund 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 and program income received but not deployed or committed as of December 31, 2023. At December 31, 2023, outstanding loans and committed lines of credit totaled $1,657,470.

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, 2023, 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 July 2, 2024, 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.

Dedham Executive Center, 990 Washington Street, Suite 203, Dedham, Massachusetts 02026 Telephone (617) 262-9898 Fax (617) 279-0837

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

July 2, 2024

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, 2023. 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, 2023.

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

July 2, 2024

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, 2023

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:

Federal Assistance Listing Number	*Name of Program or Cluster*
21.011	Community Development Financial Institutions 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

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, 2023

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