

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries
And
Legally-Separate Controlled Entities

Consolidated Financial Statements
And
Independent Auditors' Report
December 31, 2016 and 2015

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To The Board of Directors of
Massachusetts Housing Investment Corporation

We have audited the accompanying consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit corporation), its wholly owned subsidiaries and its legally-separate controlled entities (the Organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of several legally-separate controlled entities (the Entities), in which these statements reflect total assets of \$135,563,820 and \$196,203,604, respectively, as of December 31, 2016 and 2015, and total loss of \$28,847,088 and \$33,165,467, respectively, for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Entities is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2016 and 2015, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented on pages 29 through 38 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, based on our audit and the reports of other auditors the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Daniel Dennis & Company LLP

August 16, 2017

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Consolidated Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
<i>Assets:</i>		
Cash	\$ 29,887,836	\$ 43,907,169
Investment in marketable securities	418,576	564,064
Investment in capital stock	105,500	116,300
Project loans	51,358,345	90,569,860
Interest receivable	184,264	1,287,635
Equity interest in operating partnerships	226,856,018	219,316,763
Fee receivable - LIHTC Partnerships	288,694	742,957
Fee receivable - NMTC CDEs	324,951	135,379
Amounts receivable and other assets	730,362	1,499,719
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$1,237,633 and \$1,217,080	30,799	42,103
Capitalized costs, net of accumulated amortization	<u>35,452</u>	<u>74,380</u>
Total assets	<u>\$ 310,220,797</u>	<u>\$ 358,256,329</u>
<i>Liabilities and Net Assets:</i>		
<i>Liabilities:</i>		
Notes payable	\$ 10,938,171	\$ 45,029,785
Deferred interest payable	-	955,249
Capital redemption payable	250,000	437,500
Unearned fees	633,569	878,406
Deferred grant revenue	-	452,464
Accrued expenses and other liabilities	<u>1,912,214</u>	<u>4,292,822</u>
Total liabilities	<u>13,733,954</u>	<u>52,046,226</u>
<i>Net assets:</i>		
Non-controlling interest	276,620,602	287,318,594
Unrestricted:		
Undesignated	19,141,412	18,391,509
Designated	500,000	500,000
Temporarily restricted	<u>224,829</u>	<u>-</u>
Total net assets	<u>296,486,843</u>	<u>306,210,103</u>
Total liabilities and net assets	<u>\$ 310,220,797</u>	<u>\$ 358,256,329</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Consolidated Statements of Activities
For The Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>Operating Revenue and Support</i>						
Interest on deposits	\$ 70,804	\$ -	\$ 70,804	\$ 81,891	\$ -	\$ 81,891
Interest on project loans	2,563,458	-	2,563,458	4,007,118	-	4,007,118
Unrealized loss on investments	(5,385)	-	(5,385)	(55,370)	-	(55,370)
Loan program revenue	241,577	-	241,577	291,194	-	291,194
NMTC program revenue	2,485,007	-	2,485,007	3,042,358	-	3,042,358
LIHTC program revenue	625,250	-	625,250	1,411,995	-	1,411,995
Other program revenue	885,955	-	885,955	678,044	-	678,044
Grant revenue	652,635	224,829	877,464	-	-	-
Net assets released from restrictions	-	-	-	264,508	(264,508)	-
Total operating revenue and support	7,519,301	224,829	7,744,130	9,721,738	(264,508)	9,457,230
<i>Operating Expenses</i>						
Salaries and employee benefits	6,036,280	-	6,036,280	6,304,224	-	6,304,224
Occupancy, equipment and furniture	297,390	-	297,390	301,229	-	301,229
Professional services	897,036	-	897,036	1,002,447	-	1,002,447
Depreciation and amortization	59,481	-	59,481	59,465	-	59,465
Grant expenses	63,843	-	63,843	322,775	-	322,775
Interest expenses	771,270	-	771,270	1,873,716	-	1,873,716
Bad debt	557,264	-	557,264	920,424	-	920,424
Other expenses	1,343,282	-	1,343,282	2,885,831	-	2,885,831
Total operating expenses	10,025,846	-	10,025,846	13,670,111	-	13,670,111
<i>Non - Operating Revenue/(Expenses)</i>						
Forgiveness of debt	3,351,953	-	3,351,953	2,867,754	-	2,867,754
Loss on redemption/write off of portfolio investments	(20,906,493)	-	(20,906,493)	(22,165,774)	-	(22,165,774)
Loss from investment in subsidiaries	(29,940,504)	-	(29,940,504)	(26,064,149)	-	(26,064,149)
Total non-operating revenue/(expenses)	(47,495,044)	-	(47,495,044)	(45,362,169)	-	(45,362,169)
Change in net assets	(50,001,589)	224,829	(49,776,760)	(49,310,542)	(264,508)	(49,575,050)
Less amounts attributed to non-controlling interest	(50,751,492)	-	(50,751,492)	(50,720,668)	-	(50,720,668)
Change in net assets, controlling interest	\$ 749,903	\$ 224,829	\$ 974,732	\$ 1,410,126	\$ (264,508)	\$ 1,145,618

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Consolidated Statements of Changes in Net Assets
For The Years Ended December 31, 2016 and 2015

	<i>2016</i>				<i>2015</i>			
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Non-Controlling Interest</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Non-Controlling Interest</i>	<i>Total</i>
Net assets at beginning of year	\$ 18,891,509	\$ -	\$ 287,318,594	\$ 306,210,103	\$ 17,481,383	\$ 264,508	\$ 315,319,612	\$ 333,065,503
Contributions	-	-	44,272,618	44,272,618	-	-	33,195,475	33,195,475
Distributions	-	-	(4,219,118)	(4,219,118)	-	-	(10,475,825)	(10,475,825)
Change in net assets	<u>749,903</u>	<u>224,829</u>	<u>(50,751,492)</u>	<u>(49,776,760)</u>	<u>1,410,126</u>	<u>(264,508)</u>	<u>(50,720,668)</u>	<u>(49,575,050)</u>
Net assets at end of year	<u>\$ 19,641,412</u>	<u>\$ 224,829</u>	<u>\$ 276,620,602</u>	<u>\$ 296,486,843</u>	<u>\$ 18,891,509</u>	<u>\$ -</u>	<u>\$ 287,318,594</u>	<u>\$ 306,210,103</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2016 and 2015

	2016	2015
<i>Operating activities:</i>		
Change in net assets	\$ (49,776,760)	\$ (49,575,050)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>		
Depreciation and amortization expense	59,481	59,465
Other revenue	(191,032)	-
Loss on redemption/write-off of portfolio investments	20,906,493	22,165,774
Write off of loan interest receivable	-	506,791
Forgiveness of debt	(3,351,953)	(2,867,754)
Bad debt	557,264	270,959
Unrealized loss on investments	5,385	198,044
Loss from investments of subsidiaries	29,940,504	26,064,149
Decrease in amounts receivable and other assets	769,357	1,211,882
Increase in interest receivable	(523,834)	(191,516)
Decrease in unearned fees	(244,837)	(377,853)
(Decrease)/increase in accrued expenses and other liabilities	(2,530,536)	2,065,841
Increase in deferred interest payable	68,971	249,870
Decrease in deferred grant revenue	(452,464)	-
Decrease/(increase) in fees receivable—LIHTC Partnerships	454,263	(965,120)
Increase in fees receivable—NMTC CDEs	(189,572)	(279,728)
Net cash used in operating activities	<u>(4,499,270)</u>	<u>(1,464,246)</u>
<i>Investing activities:</i>		
Funds advanced under project loans	(34,414,892)	(29,992,019)
Collection of funds from project loans	25,152,762	57,678,437
Purchase of affiliate loan from third party	(731,272)	-
Redemption of marketable securities	145,488	532,351
Sales/(purchases) of other investments, net	10,800	(51,162)
Investments and project loan advances to project partnerships	(39,634,246)	(27,905,042)
Distributions and project loan repayments from project partnerships	819,830	1,269,059
Proceeds from redemption/transfer of project partnership interests	-	4,238,343
Purchase of fixed assets and capitalized costs	(9,251)	(66,285)
Net cash (used in)/provided by investing activities	<u>(48,660,781)</u>	<u>5,703,682</u>
<i>Financing activities:</i>		
Repayment of notes payable	(3,736,426)	(25,088,407)
Proceeds from notes payable	3,011,144	1,461,048
Capital contributions received	44,272,618	33,195,475
Distributions	(4,219,118)	(10,475,825)
Decrease in capital redemption payable	(187,500)	(187,500)
Net cash provided by/(used in) financing activities	<u>39,140,718</u>	<u>(1,095,209)</u>
Net change in cash	(14,019,333)	3,144,227
Cash at beginning of year	<u>43,907,169</u>	<u>40,762,942</u>
Cash at end of year	<u>\$ 29,887,836</u>	<u>\$ 43,907,169</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 1,147,753</u>	<u>\$ 1,680,998</u>

See accompanying notes to consolidated financial statements.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

1. *Background and Accounting Policies*

Purpose

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

Program Activities

MHIC has established five main financing programs to carry out its mission:

Loan Program

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

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 (LIHTC Funds) structured for investment in low-income housing projects (Operating Partnerships) in Massachusetts. MHEF was formed in June 1993 and is currently the general partner/managing member of twenty LIHTC Funds.

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, 2016 and 2015, MHIC has received eleven allocations of new markets tax credits totaling \$807,000,000.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Program Activities - continued

New Markets Tax Credit (NMTC) Program - continued

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

Neighborhood Stabilization Program (NSP)

The NSP utilizes federal grant funds to enhance the feasibility of acquiring and rehabilitating foreclosed residential properties in targeted neighborhoods in Massachusetts. The foreclosed properties are typically acquired and rehabilitated with a combination of financing from NSLF (see Note 3) and federal subsidy in the form of subordinate loans or non-interest bearing loans from MHIC.

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

HomeCorps Community Restoration Grant Program (HCRG)

The HCRG program utilizes state grant funds to enhance the feasibility of acquisition and rehabilitation of foreclosed residential properties in targeted neighborhoods in Massachusetts. The foreclosed properties are typically acquired and rehabilitated with a combination of financing from NSLF (see Note 3) and state subsidy in the form of subordinate loans or non-interest bearing loans from MHIC.

Basis of Accounting

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

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Principles of Consolidation

The consolidated financial statements include the accounts of MHIC and its wholly-owned subsidiaries, Massachusetts Housing Equity Fund, Inc. (MHEF), Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF), MHIC HNEF Investor LLC (HNEF Investor), MHIC HNEF Manager LLC (HNEF Manager), MHIC New Markets Manager LLC (MHIC NMM LLC), MHIC New Markets Investor LLC (MHIC NMILLC) and Neighborhood Stabilization Loan Fund LLC (NSLF). MHIC is also the majority owner of MHIC NE New Markets CDE I LLC (MHIC NM CDE I).

In addition, MHIC and some of its wholly owned subsidiaries are the general partner/managing member in the LLC and various LIHTC and NMTC Funds. Under GAAP, a not-for-profit corporation that owns or controls the general partner/managing member is presumed to have control of that related limited partnership/limited liability company unless certain circumstances exist that overcome that presumption of control.

Accordingly, MHIC is deemed to have control over the LLC and the following LIHTC and NMTC Funds. The limited partner/member interests are reflected as non-controlling interests in the net assets section of the consolidated financial statements.

NMTC Funds:

MHIC New Markets Fund II LLC:
 MHIC New Markets CDE II LLC Series 2
 MHIC New Markets CDE II LLC Series 3
 MHIC New Markets CDE II LLC Series 4
 MHIC New Markets CDE II LLC Series 5
 Nuestra Commercial Markets Fund 2008
 MHIC NE CDE I Subsidiary 10, LLC
MHIC New Markets Fund III LLC:
 MHIC New Markets CDE III LLC Series 1
 MHIC New Markets CDE III LLC Series 2
 MHIC New Markets CDE III LLC Series 3
 MHIC New Markets CDE III LLC Series 4
 MHIC New Markets CDE III LLC Series 5
 MHIC New Markets CDE IV LLC Series 1
 MHIC New Markets CDE IV LLC Series 2
 MHIC New Markets CDE IV LLC Series 3
 MHIC New Markets CDE IV LLC Series 4
 MHIC NE CDE I Subsidiary 6 LLC
MHIC New Markets Fund IV LLC:
 MHIC NE New Markets CDE I LLC Series 1
 MHIC NE New Markets CDE I LLC Series 2

LIHTC Funds:

Massachusetts Housing Equity Fund 1996 Limited Partnersh
Massachusetts Housing Equity Fund 1997 Limited Partnersh
Massachusetts Housing Equity Fund 1998 Limited Partnersh
Massachusetts Housing Equity Fund 1999 Limited Partnersh
Massachusetts Housing Equity Fund 2000, LLC
Massachusetts Housing Equity Fund 2001, LLC
Massachusetts Housing Equity Fund 2002, LLC
Massachusetts Housing Equity Fund X, LLC
Massachusetts Housing Equity Fund XI, LLC
Massachusetts Housing Equity Fund XII, LLC
Massachusetts Housing Equity Fund XIII, LLC
Massachusetts Housing Equity Fund XIV, LLC
Massachusetts Housing Equity Fund XVI, LLC
Massachusetts Housing Equity Fund XVII, LLC
Massachusetts Housing Equity Fund XVIII, LLC
Massachusetts Housing Equity Fund XIX, LLC
Massachusetts Housing Equity Fund XX, LLC
Massachusetts Housing Equity Fund XXI, LLC
Massachusetts Housing Equity Fund XXII, LLC
Massachusetts Housing Equity Fund XXIII, LLC

For financial reporting purposes, the financial position and activities of MHIC and the entities listed above have been consolidated and all significant intercompany accounts and transactions have been eliminated. All entities listed above will be collectively referred to as the Organization.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, the Organization did not hold any cash equivalents.

Basis of Presentation

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. There were no permanently restricted net assets at December 31, 2016 and 2015.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time (see Note 18).

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

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue. Board and external source designated funds are recorded as such in unrestricted net assets.

Revenue Recognition

Loan program revenue reflects fees earned on a contractual basis for services provided.

LIHTC program revenue reflects fees for services that include organization, syndication, underwriting, long-term asset management and administration. The fees for syndicating and organizing the LIHTC funds are recognized when syndication is complete. Fees for underwriting investments are recognized at the time the underlying properties are acquired (see Note 7).

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Revenue Recognition - continued

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

NMTC program revenue reflects fees earned on a contractual basis for services provided to the MHIC-CDEs (see Note 6).

Grant income is recognized on a cost reimbursable basis as costs are incurred. Funds which are received in advance of the costs being incurred are recorded as deferred revenue in the accompanying consolidated financial statements.

Project Loans and Allowance for Possible Project Loan Losses

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

Off Balance Sheet Credit Exposure

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

Unfunded loan commitments represent the maximum possible credit risk should the borrowers fully draw down their loans. They are subject to the provisions of the underlying loan agreements and are cancellable only if the borrower is in default or in violation of any loan covenants. As of December 31, 2016 and 2015, unfunded loan commitments totaled \$17,881,581 and \$19,361,616, respectively. These commitments have been established pursuant to the Organization's loan policy.

Since the Organization's loan portfolio is heavily concentrated with loans for affordable housing that contain limited market risk, an allowance for loan losses for unfunded commitments is only established for specific borrowers on a case by case basis. At December 31, 2016 and 2015, there were no reserves for unfunded loan commitments.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Below Market Loans

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

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, 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.

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, Inc. and MHIC NMILLC are for-profit corporations and therefore are subject to federal and state income taxes. HNEF, MHIC NM CDE I, the LIHTC Funds and the NMTC Funds are limited partnerships and any taxable income or loss passes through to, and is reportable by, the partners individually. NSLF, HNEF Investor, HNEF Manager and MHIC NMM LLC are disregarded entities for tax purposes.

MHIC's for-profit corporate subsidiaries account 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.

The Organization evaluates tax positions taken or expected to be taken in its 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, 2016 the Organization believes that it has no uncertain tax positions within any of its open tax years, (2013-2015).

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.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. Background and Accounting Policies - continued

Functional Expenses

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

<i>Description</i>	<i>2016</i>	<i>2015</i>
Program support	\$ 9,344,375	\$ 12,950,903
Management and general	<u>681,471</u>	<u>719,208</u>
Total	<u>\$ 10,025,846</u>	<u>\$ 13,670,111</u>

Investments and Investment Income

Investments in Operating Partnerships

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

Investments in Capital Stock

During 2016 and 2015, the Organization 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, 2016 and 2015, the Organization's investment in the FHLBB totaled \$105,500 and \$116,300, respectively. Management annually performs an assessment of any possible impairment. As of December 31, 2016 and 2015, management has determined that no such impairment exists.

Investments in Marketable Securities

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

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

1. *Background and Accounting Policies - continued*

Investments in Marketable Securities - continued

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

Fair Value Measurements

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

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

- | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

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

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

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

MHEF, as general partner/managing member of the aforementioned LIHTC Funds, has a de minimis interest in their respective profits, losses and distributions. However, MHEF accounts for its investment in the LIHTC Funds, it is deemed to control, using the consolidation method. There are also several single investor LIHTC funds that MHEF does not control which are accounted for under 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 single investor LIHTC Funds, additional investments and cash distributions.

The LIHTC Funds, 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 Fund, or MHEF acting independently as an investor, may deem it in its best interest to voluntarily invest additional funds in order to protect its investment.

As of December 31, 2016 and 2015, MHEF had total assets of \$491,219 and 2,901,846, and MHIC's investment in MHEF amounted to \$491,219 and \$2,900,675, respectively.

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

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

At December 31, 2016 and 2015, NSLF had total assets of \$551,104 and \$2,112,872, and MHIC's investment amounted to \$549,252, and \$1,052,375, respectively.

4. *Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF)*

HNEF is organized as a Massachusetts limited partnership with two limited partners, MHIC HNEF Investor LLC (HNEF Investor) and MHIC HNEF Manager LLC (HNEF Manager). HNEF Investor and HNEF Manager are single-member Massachusetts limited liability companies, in which MHIC is the sole member. At December 31, 2016 and 2015 HNEF Investor and HNEF Manager own 99.99% and .01%, respectively, in HNEF. The purpose of HNEF is to invest in or make loans to entities that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments.

At December 31, 2016 and 2015, HNEF had total assets of \$6,335,808 and \$895,663, and MHIC's investment amounted to \$5,997,020 and \$591,507, respectively.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

5. *The LLC*

The LLC is a Massachusetts limited liability company that was established on January 2, 2001, to pool the resources of members to provide financing for the creation and preservation of affordable housing and community development activities that serve lower income populations, distressed communities or other community development needs not well served by conventional financing. The LLC will continue in existence until December 31, 2099, unless terminated earlier in accordance with the dissolution provisions of the LLC's operating agreement. The LLC has thirteen members who combined own 100% of the interest in the income, gain, losses and deductions of the LLC. MHIC is the manager member of the LLC and under GAAP, is deemed to have control over this entity.

At December 31, 2016 and 2015, the LLC had total assets of \$34,316,747 and \$33,088,555, respectively. At December 31, 2016 and 2015, members' equity of \$32,201,904 and \$31,785,411, respectively, is reported as non-controlling interest on the accompanying consolidated statements of financial position.

6. *NMTC Funds and Program Revenue*

NMTC Funds

As described in Note 1, MHIC through a wholly owned subsidiary, as the managing member, is deemed to have control over MHIC New Markets Fund II LLC (NMTC Fund II), MHIC New Markets Fund III LLC (NMTC Fund III) and MHIC New Markets Fund IV LLC (NMTC Fund IV). These NMTC Fund's were formed for the purpose of making qualified equity investments (QEIs), as defined in Section 45D(b) of the Internal Revenue Code, in one or more series of MHIC-CDEs. These QEIs are made for the purpose of claiming the NMTCs. These NMTC Funds provided investment capital to businesses in low-income communities in Massachusetts that are not served by conventional forms of financing or equity. NMTC Fund II and NMTC Fund III were dissolved on December 31, 2016. NMTC Fund IV will continue in existence until December 31, 2018, unless terminated earlier in accordance with the provisions of the fund's operating agreement. As of December 31, 2016 and 2015, these NMTC Funds qualified for and were assigned approximately \$259,132,240 of NMTC's.

At December 31, 2016 and 2015, NMTC Fund II, NMTC Fund III and NMTC Fund IV had total assets of \$11,447,884 and \$68,701,232, respectively. At December 31, 2016 and 2015, members' equity of \$3,255,542 and \$24,672,070, respectively, is reported as non-controlling interest on the accompanying consolidated statements of financial position.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

6. *NMTC Funds and Program Revenue - continued*

As of December 31, 2016 and 2015, the unwind of NMTC Fund II and NMTC Fund III in addition to the assignment of various limited partner interest in Operating Partnerships and project loans receivable resulted in losses on redemption/write off of portfolio investments of \$20,906,493 and \$22,165,774, respectively. In addition, as of December 31, 2016 and 2015 interest receivable and other write-off's associated with the unwind of the NMTC Funds and assignment of various limited partner interest in Operating Partnerships resulted in bad debt expense of \$557,264 and \$920,424, respectively.

Program Revenue

MHIC has entered into agreements with various single investor NMTC Funds, of which it does not control, to provide various professional, administrative and management services. The fees for these services were determined by MHIC. These services include all administrative and management support in connection with the formation of the MHIC-CDEs, legal and professional services required to close loans to or investments in qualifying businesses, and asset management services to monitor business and compliance aspects of MHIC-CDEs loans and investments.

During the years ended December 31, 2016 and 2015, MHIC earned total fees for services to the MHIC-CDEs of \$2,485,007 and \$3,042,358, respectively. Amounts receivable in connection with these fees totaled \$324,951 and \$135,379 at December 31, 2016 and 2015, respectively.

7. *LIHTC Funds and Program Revenue*

LIHTC Funds

As described in Note 1, MHIC through a wholly owned subsidiary, as the managing member, is deemed to have control over twenty LIHTC Funds at December 31, 2016 and 2015. The LIHTC Funds were formed in order to acquire, rehabilitate, construct, operate and manage multifamily properties located in Massachusetts that are expected to qualify for federal low income housing tax credits. These tax credits along with the LIHTC Fund's share of income and losses from the Operating Partnerships are then allocated to the LIHTC Funds' members. The LIHTC Funds' will continue in existence in accordance with each respective operating agreement. The Massachusetts Housing Equity Fund 1996 Limited Partnership and Massachusetts Housing Equity Fund 1997 Limited Partnership were both dissolved as of December 31, 2015. The Massachusetts Housing Equity Fund 1998 Limited Partnership was dissolved as of December 31, 2016.

At December 31, 2016 and 2015, the LIHTC Funds controlled by MHIC had total assets of \$243,799,875 and \$237,528,345, respectively. At December 31, 2016 and 2015, partners'/members' equity of \$241,163,156 and \$230,861,113, respectively, is reported as non-controlling interest on the accompanying consolidated statements of financial position.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

7. *LIHTC Funds and Program Revenue - continued*

LIHTC Program Revenue

MHIC has entered into agreements with various single investor LIHTC Funds, of which it does not control, to provide investment and management services. The fees for these services were determined by MHIC. These services include underwriting and administrative support in connection with syndicating investments, legal and professional services required to close loans to or investments in qualifying businesses and long term asset management services to monitor business and compliance aspects of the portfolio of investments.

During the years ended December 31, 2016 and 2015, MHIC earned total fees for services to the single investor LIHTC Funds of \$625,250 and \$1,411,995, respectively. Amounts receivable in connection with these fees totaled \$288,694 and \$742,957 at December 31, 2016 and 2015, respectively.

8. *Project Loans*

Project loans are loans made to low-income housing and community development projects and are offered in conjunction with financing provided by affiliates of the Organization. The Organization 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 8.56% and are secured, in a subordinated position, by the underlying real estate.

At December 31, 2016 and 2015 the activity in the project loans was as follows:

	<i>2016</i>	<i>2015</i>
Beginning balance	\$ 92,439,549	\$ 181,878,676
Loan disbursements	34,414,892	29,940,545
Loans assigned/distributed	(32,744,091)	(34,045,984)
Loans written off	(17,147,582)	(27,655,251)
Loan repayments	<u>(25,152,762)</u>	<u>(57,678,437)</u>
Project loans outstanding	51,810,006	92,439,549
Allowance for loan losses	<u>(451,661)</u>	<u>(1,869,689)</u>
Ending balance	<u>\$ 51,358,345</u>	<u>\$ 90,569,860</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

8. *Project Loans - continued*

Project loans consist of the following:

<i>Loan category</i>	<i>2016</i>	<i>2015</i>
Construction	\$ 11,531,664	\$ 15,774,079
Line of credit	563,000	145,000
Acquisition	23,385,487	10,344,087
Amortizing	3,354,845	1,766,289
Mini perm	11,985,907	63,422,671
Bridge	989,103	923,234
Predevelopment	-	64,189
Project loans outstanding	51,810,006	92,439,549
Allowance for loan losses	(451,661)	(1,869,689)
Project loans, net	<u>\$ 51,358,345</u>	<u>\$ 90,569,860</u>

At December 31, 2016, contract maturities of the above loans are as follows:

2017	\$ 12,034,143
2018	20,709,827
2019	6,160,297
2020	178,649
2021	64,942
Thereafter	<u>12,662,148</u>
Total	<u>\$ 51,810,006</u>

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at December 31, 2016 and 2015:

	<u>Past Due</u>					<u>Status of Interest Accruals</u>	
						Total Financing Receivables on Non- Accrual Status	Financing Receivables Past Days +90 still Accruing interest
December 31, 2016	Current	30-59 Days	60-89 Days	90 + days	Total Financing Receivables		
Construction	\$ 11,531,664	\$ -	\$ -	\$ -	\$ 11,531,664	\$ -	\$ -
Line of credit	563,000	-	-	-	563,000	-	-
Acquisition	23,385,487	-	-	-	23,385,487	-	-
Amortizing	3,354,845	-	-	-	3,354,845	-	-
Mini perm	11,985,907	-	-	-	11,985,907	-	-
Bridge	989,103	-	-	-	989,103	-	-
Total	<u>\$ 51,810,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,810,006</u>	<u>\$ -</u>	<u>\$ -</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

8. *Project Loans - continued*

		Past Due				Status of Interest Accruals	
						Total Financing Receivables on Non- Accrual Status	Financing Receivables Past Days +90 still Accruing interest
December 31, 2015	Current	30-59 Days	60-89 Days	90 + days	Total Financing Receivables		
Construction	\$ 15,774,079	\$ -	\$ -	\$ -	\$ 15,774,079	\$ -	\$ -
Line of credit	145,000	-	-	-	145,000	-	-
Acquisition	10,344,087	-	-	-	10,344,087	-	-
Amortizing	1,766,289	-	-	-	1,766,289	-	-
Mini perm	62,983,158	-	-	439,513	63,422,671	439,513	-
Bridge	923,234	-	-	-	923,234	-	-
Predevelopment	-	-	-	64,189	64,189	64,189	-
Total	<u>\$ 91,935,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,702</u>	<u>\$ 92,439,549</u>	<u>\$ 503,702</u>	<u>\$ -</u>

Project loans do not include loans made under the NSP1, NSP2 and HCRG programs. Such loans made for the acquisition and rehabilitation of foreclosed properties require deeded affordability restrictions and provide for the forgiveness of outstanding loan balances based on compliance with those restrictions. NSP and HCRG loan funds of \$63,843 and \$295,335 were disbursed and recorded as grant expense in 2016 and 2015, respectively. Program regulations require that the recovery of loan funds, if any, be recorded as program income when received. As of December 31, 2016 and 2015, program income of zero and \$331,791, respectively, was earned and recorded as other program revenue on the consolidated statements of activities.

9. *Investments in Marketable Securities*

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

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

At December 31, 2016 and 2015, the securities were valued at \$418,576 and \$564,064, respectively, with \$405,597 and \$545,610, respectively, representing outstanding principal on the underlying mortgages and \$12,979 and \$18,454, respectively, representing unamortized premium. During 2016 and 2015, MHIC recorded unrealized losses on investment of \$5,385 and \$55,370, respectively.

All investment assets have been valued using the market approach. There have been no changes in the methodologies used at December 31, 2016 and 2015. The Ginnie Mae securities are backed by U.S. Government securities and valued based on quoted market prices for securities of similar maturity in markets that are not active. (Level 2)

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

10. Investments in Operating Partnerships

HNEF, the NMTC Funds and the LIHTC Funds (the Investment Companies) invest in Operating Partnerships by providing equity financing in exchange for limited partner interests, cash flows, low income housing tax credits, new markets tax credits and other benefits.

As of December 31, 2016, the Investment Companies have advanced \$405,144,199, to 104 Operating Partnerships and had outstanding commitments of \$72,577,145. As of December 31, 2015, the Investment Companies have advanced \$414,245,959, to 109 Operating Partnerships and had outstanding commitments of \$68,837,830.

Because the Investment Companies do not have the ability to exercise significant influence over the investments as the limited partner and due to the lack of information that can be used to approximate the fair value, these investments are accounted for under the equity method.

The summarized financial information for the investments in Operating Partnerships as of December 31, 2016 and 2015 is as follows:

Condensed Combined Balance Sheets

	2016	2015
<i>Assets</i>		
Current assets	\$ 41,649,951	\$ 48,089,987
Investment property, net	1,139,356,187	1,089,193,724
Other assets	<u>88,402,662</u>	<u>104,246,492</u>
Total Assets	<u>\$ 1,269,408,800</u>	<u>\$ 1,241,530,203</u>
<i>Liabilities and Partners' Capital</i>		
Current liabilities	\$ 75,234,169	\$ 42,761,828
Other liabilities	1,232,628	1,443,700
Long-term debt	<u>961,719,417</u>	<u>973,515,096</u>
Total Liabilities	<u>1,038,186,214</u>	<u>1,017,720,624</u>
Investment Companies share of combined capital	193,206,180	181,092,361
Other partners' share of combined capital	<u>38,016,406</u>	<u>42,717,218</u>
Total Partners' Capital	<u>231,222,586</u>	<u>223,809,579</u>
Total Liabilities and Partners' capital	<u>\$ 1,269,408,800</u>	<u>\$ 1,241,530,203</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

10. Investments in Operating Partnerships - continued

Condensed Combined Statements of Operations

	2016	2015
<i>Revenues</i>		
Rent revenue	\$ 117,186,528	\$ 123,870,654
Cancellation of debt	111,048	789,456
Casualty gain	-	1,030,524
Interest revenue	<u>1,037,432</u>	<u>968,313</u>
Total Revenue	<u>118,335,008</u>	<u>126,658,947</u>
<i>Expenses</i>		
Operating expenses	76,309,009	82,722,819
Interest expense	37,238,112	42,237,329
Depreciation and amortization	<u>34,303,846</u>	<u>36,460,953</u>
Total Expenses	<u>147,850,967</u>	<u>161,421,101</u>
Combined net loss	<u>\$ (29,515,959)</u>	<u>\$ (34,762,154)</u>
Investment Companies share of combined net loss	\$ (24,690,329)	\$ (28,616,261)
Other partners' share of combined net loss	<u>(4,825,630)</u>	<u>(6,145,893)</u>
Total combined net loss	<u>\$ (29,515,959)</u>	<u>\$ (34,762,154)</u>

Reconciliation of Investments at Equity

	2016	2015
Investment Companies share of capital at December 31, as shown above	\$ 193,206,180	\$ 181,092,361
Cumulative losses in excess of investment in individual Operating Partnerships	29,667,790	34,032,980
Excess basis of acquisition and financing costs	<u>3,982,048</u>	<u>4,191,422</u>
Investment at equity at December 31	<u>\$ 226,856,018</u>	<u>\$ 219,316,763</u>
Investment Companies share of operations as of December 31, as shown above	\$ (24,690,329)	\$ (28,616,261)
Losses in excess of investment in individual Operating Partnerships	6,889,517	9,806,752
Amortization of excess basis, acquisition and financing costs	(4,137)	(174,837)
Loss on assignment of interests in Operating Partnerships	<u>(12,135,555)</u>	<u>(7,079,803)</u>
Investment Companies share of operations	<u>\$ (29,940,504)</u>	<u>\$ (26,064,149)</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

10. *Investments in Operating Partnerships – continued*

Management annually performs an assessment of any possible impairment of the investments in Operating Partnerships. As of December 31, 2016 and 2015 management has determined that no such impairment exists.

11. *Notes Payable*

MHIC

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, 2016 and 2015, the outstanding balance was \$1,000,000.

During 2016, 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, 2016 the outstanding balance was \$1,000,000.

During 2015, MHIC borrowed \$750,000 from the FHLBB. The loan bears interest at .69% and was paid in full in February 2016.

The LLC

Revolving

The LLC has established revolving credit facilities totaling \$15,000,000 to provide leverage for funding its portfolio of floating rate loans. These revolving credit facilities are guaranteed by MHIC. Each advance under the respective facilities has a separate maturity date and interest rate, which is determined on the date of the advance. The LLC has the option of selecting from several methods for determining the rate at which interest will accrue on a given advance. All of the advances to date accrue interest at the 30-day LIBOR rate plus 120 basis points.

The LLC has pledged various first mortgages from its loan portfolio as collateral for the facilities. At December 31, 2016 and 2015, there was no outstanding balance.

FHLBB Note

The LLC had indebtedness to the FHLBB for \$2,000,000. The note bears interest based on a rate set by the FHLBB which is adjusted on a daily basis. The outstanding principal and interest is due daily, but the portion not repaid will be automatically renewed. However, the FHLBB may demand payment of the outstanding principal and accrued interest on one Boston Banking Day's notice at the FHLBB's sole discretion. At December 31, 2016 and 2015, outstanding principal totaled \$1,000,000 and zero, respectively.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

11. Notes Payable - continued

FHLBB Note - continued

The LLC had indebtedness to the FHLBB for \$250,000. The note bears interest at .56% and matured on January 14, 2016. At December 31, 2016 and 2015, outstanding principal totaled zero and \$250,000, respectively.

Additional Note

The LLC had indebtedness to a not-for-profit corporation for \$500,000. The note bears interest of 2% and matures April 1, 2021. At December 31, 2016 and 2015, outstanding principal totaled \$500,000.

NMTC Funds

The NMTC Funds entered into several note agreements with several banks, investments firms and community investment companies. The balance of the loans under these agreements was \$6,080,250 and \$29,855,381, at December 31, 2016 and 2015, respectively. Interest rates on these notes ranged from 1% to 6.75% and are due at various dates through 2045. Substantially all of the proceeds of these loans were used to make investments in MHIC CDEs.

During 2016 and 2015, several loans totaling \$21,912,410 and \$18,900,400, respectively, were fully satisfied through payment, assignment and assumption of loans receivable from operating partnerships and accrued/deferred interest of \$1,997,772 and \$520,566, respectively, was forgiven. Deferred interest was zero and \$955,249 at December 31, 2016 and 2015, respectively.

These notes were secured by first priority in the NMTC Funds' investments in MHIC CDEs and future capital contributions of their members.

Subordinate notes payable consisted of deferred loans from the City of Boston, other municipalities and various community development organizations. These loans bore interest at rates ranging from 0% to 9% and are due at various dates between December 2018 and December 2050. Payments of principal and interest are deferred and due at maturity. These notes were secured by the NMTC Funds' investments in MHIC CDEs. The balance of the loans under these agreements was \$1,357,921 and \$12,674,404, at December 31, 2016 and 2015, respectively.

During 2016 and 2015, several loans totaling \$10,480,733 and \$14,939,367, respectively, were fully satisfied through assignment and assumption of loans receivable from operating partnerships and accrued/deferred interest of \$568,431 and \$868,116, respectively, was forgiven. During 2016 and 2015, zero and \$117,414, respectively, was repaid and the remaining balance of \$785,750 and \$1,479,072, respectively, was forgiven. Loans and accrued/deferred interest forgiven are included in forgiveness of debt in the accompanying consolidated statements of activities.

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

11. Notes Payable - continued

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

<i>Year</i>	<i>Amount</i>
2017	\$ 1,220,183
2018	190,228
2019	231,369
2020	233,657
2021	735,643
Thereafter	<u>8,327,091</u>
Total	<u><u>\$ 10,938,171</u></u>

12. Unearned Fees

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

At December 31, 2016 and 2015, unearned fees were \$633,569 and \$878,406, respectively.

13. Cash and Credit Risk

At December 31, 2016 and 2015, 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. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on its cash balances.

14. Leases

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

Future minimum payments under these noncancelable operating leases consist of the following at December 31, 2016:

<i>Year</i>	<i>Amount</i>
2017	<u><u>\$ 193,328</u></u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

14. Leases - continued

MHIC incurred lease expenses associated with office space and equipment of \$297,390 and \$301,229 for the years ended December 31, 2016 and 2015, respectively. MHIC's current office lease expires on September 30, 2017.

15. 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 \$414,847 and \$394,126 for the years ended December 31, 2016 and 2015, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

In addition, during 2016 and 2015, MHIC established a rabbi-trust to supplement the retirement plan of its President and CEO, which includes annual contributions of \$100,000 through 2017.

16. Guarantees Provided for Borrowing Facilities of Affiliates

As of December 31, 2016 and 2015, 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.

17. Fixed Assets

Property and equipment consists of the following:

	2016	2015
Furniture	\$ 252,634	\$ 252,634
Equipment	525,616	516,367
Leasehold improvements	<u>490,182</u>	<u>490,182</u>
Total fixed assets	1,268,432	1,259,183
Accumulated depreciation	<u>(1,237,633)</u>	<u>(1,217,080)</u>
Total	<u>\$ 30,799</u>	<u>\$ 42,103</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Notes to Consolidated Financial Statements - *continued*
December 31, 2016 and 2015

18. *Temporarily Restricted Net Assets*

During 2016, MHIC received restricted contributions under the Abandoned Housing Receivership Grant from the Attorney General's Office in the amount of \$375,000 and from the U.S. Bancorp Community Development Corporation for the development of a specific project in the amount of \$50,000. The use restrictions of these contributions were not fully satisfied as of year-end and therefore the unused portion has been classified as temporarily restricted net assets. Temporarily restricted net assets totaled \$224,829 and zero, at December 31, 2016 and 2015, respectively.

19. *Designated Net Assets*

During 2014, the Board of Directors designated \$500,000 to provide grants, investments, and/or preferential financing to support and revitalize the South End/Roxbury neighborhoods of Boston, Massachusetts. The designated amount is included under unrestricted net assets on the consolidated statements of financial position. As of December 31, 2016 and 2015, none of the designated amount has been spent.

20. *Capital Contributions*

The Investment Companies have entered into subscription agreements with several investors for limited partnership interest. At December 31, 2016 and 2015, the total outstanding committed capital contributions totaled \$92,408,027 and \$97,346,109, respectively.

21. *Subsequent Events*

The Organization has performed an evaluation of subsequent events through August 16, 2017, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that requires recognition or disclosure in these consolidated financial statements.

Supplemental Schedules

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Consolidating Schedule of Financial Position
December 31, 2016

<i>Assets:</i>	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LP</i>	<i>MHIC LLC</i>	<i>NMTC Funds</i>	<i>LIHTC Funds</i>	<i>Elimination</i>	<i>Consolidated</i>
Cash	\$ 4,788,364	\$ 491,219	\$ 299,023	\$ 115,740	\$ 1,612,205	\$ 841,906	\$ 21,739,379	\$ -	\$ 29,887,836
Investment in marketable securities	418,576	-	-	-	-	-	-	-	418,576
Investment in capital stock	10,500	-	-	-	95,000	-	-	-	105,500
Project loans	7,544,348	-	230,000	-	32,453,425	10,369,873	760,699	-	51,358,345
Interest receivable	184,264	-	-	-	-	-	-	-	184,264
Due from affiliates	316,320	-	81	27,983	-	-	82,856	(427,240)	-
Loans to affiliates	731,272	-	-	-	-	-	-	(731,272)	-
Investment in subsidiaries	7,037,491	-	-	-	-	-	-	(7,037,491)	-
Equity interest in operating partnerships	46,889	-	-	6,151,046	-	225,523	220,432,560	-	226,856,018
Fee receivable - LIHTC Partnerships	2,643,591	-	-	-	-	-	-	(2,354,897)	288,694
Fee receivable - NMTC CDEs'	324,951	-	-	-	-	-	-	-	324,951
Amounts receivable and other assets	876,049	-	22,000	5,587	156,117	10,582	784,381	(1,124,354)	730,362
Furniture, equipment and leasehold improvements, net of accumulated depreciation	30,799	-	-	-	-	-	-	-	30,799
Capitalized costs, net of accumulated amortization	-	-	-	35,452	-	-	-	-	35,452
Total assets	<u>\$ 24,953,414</u>	<u>\$ 491,219</u>	<u>\$ 551,104</u>	<u>\$ 6,335,808</u>	<u>\$ 34,316,747</u>	<u>\$ 11,447,884</u>	<u>\$ 243,799,875</u>	<u>\$ (11,675,254)</u>	<u>\$ 310,220,797</u>
<i>Liabilities and Net Assets:</i>									
<i>Liabilities:</i>									
Notes payable	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 8,169,443	\$ -	\$ (731,272)	\$ 10,938,171
Capital redemption payable	-	-	-	-	250,000	-	-	-	250,000
Due to affiliates	27,983	-	1,852	314,549	-	17,026	2,297,352	(2,658,762)	-
Unearned fees	1,419,275	-	-	-	-	-	-	(785,706)	633,569
Accrued expenses and other liabilities	1,639,915	-	-	24,239	364,843	5,873	339,367	(462,023)	1,912,214
Total liabilities	<u>5,087,173</u>	<u>-</u>	<u>1,852</u>	<u>338,788</u>	<u>2,114,843</u>	<u>8,192,342</u>	<u>2,636,719</u>	<u>(4,637,763)</u>	<u>13,733,954</u>
<i>Net assets:</i>									
Non-controlling interest	-	-	-	-	32,201,904	3,255,542	241,163,156	-	276,620,602
Unrestricted:									
Undesignated	19,141,412	491,219	549,252	5,997,020	-	-	-	(7,037,491)	19,141,412
Designated	500,000	-	-	-	-	-	-	-	500,000
Temporarily restricted	224,829	-	-	-	-	-	-	-	224,829
Total net assets	<u>19,866,241</u>	<u>491,219</u>	<u>549,252</u>	<u>5,997,020</u>	<u>32,201,904</u>	<u>3,255,542</u>	<u>241,163,156</u>	<u>(7,037,491)</u>	<u>296,486,843</u>
Total liabilities and net assets	<u>\$ 24,953,414</u>	<u>\$ 491,219</u>	<u>\$ 551,104</u>	<u>\$ 6,335,808</u>	<u>\$ 34,316,747</u>	<u>\$ 11,447,884</u>	<u>\$ 243,799,875</u>	<u>\$ (11,675,254)</u>	<u>\$ 310,220,797</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Consolidating Schedule of Activities
For the Year Ended December 31, 2016

	<i>MHIC</i>	<i>MHEF</i>	<i>NSLF</i>	<i>HNEF LP</i>	<i>MHIC LLC</i>	<i>NMTC Funds</i>	<i>LIHTC Funds</i>	<i>Elimination</i>	<i>Consolidated</i>
<i>Operating Revenue and Support</i>									
Interest on deposits	\$ 31,200	\$ -	\$ -	\$ 118	\$ 11,818	\$ 3,806	\$ 23,862	\$ -	\$ 70,804
Interest on project loans	311,458	-	13,596	-	1,086,883	1,151,521	-	-	2,563,458
Unrealized loss on investments	(5,385)	-	-	-	-	-	-	-	(5,385)
Loan program revenue	784,367	-	-	-	-	29,832	-	(572,622)	241,577
NMTC program revenue	2,968,979	-	-	-	-	-	-	(483,972)	2,485,007
LIHTC program revenue	3,444,061	-	-	-	-	-	-	(2,818,811)	625,250
Other program revenue	305,206	-	-	120,953	499,178	65,136	-	(104,518)	885,955
Grant revenue	877,464	-	-	-	-	-	-	-	877,464
Total operating revenue and support	<u>8,717,350</u>	<u>-</u>	<u>13,596</u>	<u>121,071</u>	<u>1,597,879</u>	<u>1,250,295</u>	<u>23,862</u>	<u>(3,979,923)</u>	<u>7,744,130</u>
<i>Operating Expenses</i>									
Salaries and employee benefits	6,036,280	-	-	-	-	-	-	-	6,036,280
Occupancy, equipment and furniture	297,390	-	-	-	-	-	-	-	297,390
Professional services	799,411	-	-	146,534	637,577	93,972	1,176,012	(1,956,470)	897,036
Depreciation and amortization	20,553	-	-	2,727	-	36,201	-	-	59,481
Grant expenses	63,843	-	-	-	-	-	-	-	63,843
Interest expense	-	-	-	-	12,434	734,355	24,481	-	771,270
Bad debt	-	-	-	-	-	557,264	-	-	557,264
Other expenses	434,330	7,071	16,719	10,392	-	1,003,711	456,059	(585,000)	1,343,282
Total operating expenses	<u>7,651,807</u>	<u>7,071</u>	<u>16,719</u>	<u>159,653</u>	<u>650,011</u>	<u>2,425,503</u>	<u>1,656,552</u>	<u>(2,541,470)</u>	<u>10,025,846</u>
<i>Non - Operating Revenue/(Expenses)</i>									
Forgiveness of debt	-	-	-	-	-	3,351,953	-	-	3,351,953
Loss on redemption/write off of portfolio investments	-	-	-	-	-	(20,906,493)	-	-	(20,906,493)
Loss from investment in subsidiaries	(90,811)	-	-	(42,035)	-	(74,554)	(30,949,368)	1,216,264	(29,940,504)
Syndication costs	-	-	-	-	-	-	(313,000)	313,000	-
Total non-operating revenue/(expenses)	<u>(90,811)</u>	<u>-</u>	<u>-</u>	<u>(42,035)</u>	<u>-</u>	<u>(17,629,094)</u>	<u>(31,262,368)</u>	<u>1,529,264</u>	<u>(47,495,044)</u>
Change in net assets	<u>\$ 974,732</u>	<u>\$ (7,071)</u>	<u>\$ (3,123)</u>	<u>\$ (80,617)</u>	<u>\$ 947,868</u>	<u>\$ (18,804,302)</u>	<u>\$ (32,895,058)</u>	<u>\$ 90,811</u>	<u>\$ (49,776,760)</u>
Net assets at beginning of year	\$ 18,891,509	\$ 2,900,675	\$ 1,052,375	\$ 591,507	\$ 31,785,411	\$ 24,672,070	\$ 230,861,113	\$ (4,544,557)	\$ 306,210,103
Capital Contribution	-	-	-	5,486,130	-	-	44,272,618	(5,486,130)	44,272,618
Distributions	-	(2,402,385)	(500,000)	-	(531,375)	(2,612,226)	(1,075,517)	2,902,385	(4,219,118)
Change in net assets	<u>974,732</u>	<u>(7,071)</u>	<u>(3,123)</u>	<u>(80,617)</u>	<u>947,868</u>	<u>(18,804,302)</u>	<u>(32,895,058)</u>	<u>90,811</u>	<u>(49,776,760)</u>
Net assets at end of year	<u>\$ 19,866,241</u>	<u>\$ 491,219</u>	<u>\$ 549,252</u>	<u>\$ 5,997,020</u>	<u>\$ 32,201,904</u>	<u>\$ 3,255,542</u>	<u>\$ 241,163,156</u>	<u>\$ (7,037,491)</u>	<u>\$ 296,486,843</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedule of Investments in Operating Partnerships
For the Year Ended December 31, 2016

<i>Investor</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
<i>NMTC Fund IV</i>	Spike Segundo MT, LLC	99.99%	\$ 452,210	\$ 452,210	\$ -
<i>NMTC Fund IV</i>	Eustis Street MT, LLC	99.99%	265,238	265,238	-
<i>MHEF 1998 LP</i>	Grant Manor LP	99.99%	5,966,692	5,966,692	-
<i>MHEF 1999 LP</i>	BCN Properties LP	99.99%	4,271,234	4,271,234	-
<i>MHEF 2000 LLC</i>	Hano Homes LP	99.99%	1,610,290	1,610,290	-
<i>MHEF 2001 LLC</i>	150 Magnolia LP	99.99%	3,470,448	3,470,448	-
<i>MHEF 2001 LLC</i>	Conwell Street LLC	99.99%	1,885,017	1,885,017	-
<i>MHEF 2001 LLC</i>	Pittsfield YMCA HA LLC	99.99%	2,036,764	2,036,764	-
<i>MHEF 2001 LLC</i>	Puerta de la Esperanza, LLC	99.99%	4,373,678	4,373,678	-
<i>MHEF 2001 LLC</i>	St. Botolph Assisted Living LP	99.99%	4,271,462	4,271,462	-
<i>MHEF 2001 LLC</i>	Victoria Apartments LP	99.99%	11,422,388	11,422,388	-
<i>MHEF 2001 LLC</i>	Windfield Family Apartments LP	99.99%	3,371,666	3,371,666	-
<i>MHEF 2002 LLC</i>	Robert L. Fortes House LP	99.99%	2,273,616	2,273,616	-
<i>MHEF 2002 LLC</i>	HAPCO, LLC	99.99%	2,415,000	2,415,000	-
<i>MHEF 2002 LLC</i>	Columbia Cast, LLC	99.99%	3,637,811	3,637,811	-
<i>MHEF 2002 LLC</i>	Peabody Majestic LP	99.99%	630,948	630,948	-
<i>MHEF 2002 LLC</i>	New Court Terrace, LLC	99.99%	5,946,571	5,946,571	-
<i>MHEF 2002 LLC</i>	Sargeant West Apartments II LP	99.99%	7,451,290	7,451,290	-
<i>MHEF 2002 LLC</i>	St. Jean Baptiste, LLC	99.99%	2,571,082	2,571,082	-
<i>MHEF 2002 LLC</i>	Reviviendo Family Housing, LLC	99.99%	1,401,260	1,401,260	-
<i>MHEF 2002 LLC</i>	Hotel Raymond, LLC	99.99%	1,004,501	1,004,501	-
<i>MHEF 2002 LLC</i>	Salem Heights Preservation Assoc LP	99.99%	7,342,634	7,342,634	-
<i>MHEF 2002 LLC</i>	Cross Street Housing LP	99.99%	2,005,416	2,005,416	-
<i>MHEF 2002 LLC</i>	Egleston Crossing UE LP	92.11%	6,772,461	6,772,461	-
<i>MHEF 2002 LLC</i>	RTH Community Apartments LP	99.99%	1,470,956	1,470,956	-
<i>MHEF X LLC</i>	Acushnet Commons LP	99.99%	2,047,111	2,047,111	-
<i>MHEF X LLC</i>	Capital Square Associates, LLC	99.99%	6,248,131	6,248,131	-
<i>MHEF X LLC</i>	Moltenbrey Apartments LP	99.99%	2,511,500	2,511,500	-
<i>MHEF X LLC</i>	147 Essex Avenue, LLC	99.99%	6,302,826	6,302,826	-
<i>MHEF X LLC</i>	Morville House Apartments LP	99.99%	9,183,342	9,183,342	-
<i>MHEF X LLC</i>	YWCA Fina House, LLC	99.99%	2,401,476	2,401,476	-
<i>MHEF X LLC</i>	Plantation Apartments LP	99.99%	1,973,256	1,973,256	-
<i>MHEF X LLC</i>	Meadowbrook Preservation Assoc LP	99.99%	6,568,164	6,568,164	-
<i>MHEF XI LLC</i>	Brunswick Holborn Two LP	99.99%	5,890,812	5,890,812	-
<i>MHEF XI LLC</i>	Columbia Wood Two LP	99.99%	6,574,743	6,574,743	-
<i>MHEF XI LLC</i>	Egleston Crossing UE LP	7.88%	580,000	580,000	-
<i>MHEF XI LLC</i>	Trolley Rental, LLC	99.99%	4,414,455	4,414,455	-
<i>MHEF XII LLC</i>	Dudley Village North LP	99.99%	4,038,767	4,038,767	-
<i>MHEF XII LLC</i>	Lazarus Hope, LLC	99.99%	2,850,915	2,850,915	-
<i>MHEF XII LLC</i>	Long-Glen Rental, LLC	99.99%	7,718,628	7,718,628	-
<i>MHEF XII LLC</i>	Till Chelsea LP	99.99%	4,669,240	4,669,240	-
<i>MHEF XIII LLC</i>	Bridle Pathe Preservation Associates	99.99%	5,143,028	5,143,028	-
<i>MHEF XIII LLC</i>	Chestnut Gardens Preservation Assoc LP	99.99%	3,403,229	3,403,229	-
<i>MHEF XIII LLC</i>	Church Street School LP	91.64%	4,752,100	4,752,100	-
<i>MHEF XIII LLC</i>	Dom Narodowy Polski PA LP	99.99%	1,681,806	1,681,806	-
<i>MHEF XIII LLC</i>	EA Fish Ashers Path, LLC	99.99%	7,466,968	7,466,968	-
<i>MHEF XIII LLC</i>	Eastgate Preservation Associates LP	99.99%	5,262,611	5,262,611	-
<i>MHEF XIII LLC</i>	Fairweather Preservation Associates LP	99.99%	10,105,015	10,105,015	-

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedule of Investments in Operating Partnerships - *continued*
For the Year Ended December 31, 2016

<i>Investor</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
MHEF XIII LLC	Irving Square Redeveloper, LLC	99.98%	2,474,512	2,474,512	-
MHEF XIV LLC	Canal Bluffs Rental LP	99.99%	4,812,020	4,812,020	-
MHEF XIV LLC	Church Street School LP	8.35%	400,000	400,000	-
MHEF XIV LLC	New Lithgow Residential, LLC	99.99%	1,369,040	1,369,040	-
MHEF XIV LLC	Sanford Apartments LP	99.98%	3,861,996	3,861,996	-
MHEF XIV LLC	Schoolhouse Brookledge Cummins LP	99.98%	6,248,844	6,248,844	-
MHEF XIV LLC	West Barnstable Communities LP	99.99%	5,795,420	5,795,420	-
MHEF XVI LLC	School House Kenilworth Williams LP	99.98%	6,459,989	6,459,989	-
MHEF XVI LLC	Lebaron Phase II Rental, LLC	59.99%	4,491,191	4,491,191	-
MHEF XVII LLC	ACDC Fort Street, LLC	99.99%	5,727,460	5,727,460	-
MHEF XVII LLC	Stevens Corner LP	99.98%	4,341,678	4,341,678	-
MHEF XVII LLC	JCHE Framingham LP	50.00%	3,240,641	3,240,641	-
MHEF XVII LLC	Bloomfield Gardens LP	99.99%	4,824,089	4,824,089	-
MHEF XVIII LLC	Better Homes Tapley, LLC	99.99%	512,365	512,365	-
MHEF XVIII LLC	142 Water Street LP	88.77%	6,959,904	6,959,904	-
MHEF XVIII LLC	Cromwell Court Preservation Assoc LP	51.00%	1,558,068	1,558,068	-
MHEF XVIII LLC	KGH LP	99.99%	3,128,087	3,128,087	-
MHEF XVIII LLC	UE Apartments, LLC	99.99%	6,006,689	6,006,689	-
MHEF XVIII LLC	Unity Place, LLC	99.99%	3,517,599	3,517,599	-
MHEF XVIII LLC	Sitkowski LP	7.00%	693,844	693,844	-
MHEF XVIII LLC	Winter Gardens, LLC	99.99%	4,049,595	4,049,595	-
MHEF XIX LLC	Austin Corridor II LP	99.99%	2,940,741	2,940,741	-
MHEF XIX LLC	Peters Grove Preservation Assoc LP	52.10%	2,000,952	2,000,952	-
MHEF XIX LLC	Franklin Preservation Associates LP	68.80%	14,267,222	14,267,222	-
MHEF XIX LLC	LBB Apartments, LLC	99.99%	7,352,005	7,352,005	-
MHEF XIX LLC	108 Newbury Street, LLC	99.99%	3,314,088	3,314,088	-
MHEF XIX LLC	CC Station Lofts, LLC	99.99%	2,903,343	2,903,343	-
MHEF XIX LLC	Olympia Amherst LP	71.18%	6,041,283	6,041,283	-
MHEF XX LLC	Cross Town Corners, LLC	99.99%	8,643,944	8,643,944	-
MHEF XX LLC	MHIC - NAHT Kenmore Abbey, LLC	99.99%	9,000,000	9,000,000	-
MHEF XX LLC	Olympia Oaks LP	28.81%	2,442,436	2,442,436	-
MHEF XX LLC	BC Edmands House, LLC	99.97%	7,528,004	7,528,004	-
MHEF XX LLC	ACDC Tremont Village, LLC	99.99%	2,397,092	2,397,092	-
MHEF XX LLC	Sitkowski LP	92.00%	8,592,732	8,592,732	-
MHEF XX LLC	Founders Court	99.99%	1,400,574	210,085	1,190,489
MHEF XXI LLC	Commonwealth Glenville, LLC	76.99%	8,820,022	882,002	7,938,020
MHEF XXI LLC	Caritas Project Place Cortes, LLC	99.99%	3,659,925	2,854,742	805,183
MHEF XXI LLC	KenQuad LP	99.99%	4,252,852	4,242,852	10,000
MHEF XXI LLC	CranCarp LP	99.99%	3,022,153	2,266,615	755,538
MHEF XXI LLC	HRI Putnam Square II, LLC	99.99%	7,857,757	7,857,757	-
MHEF XXI LLC	Bishop Allen Apartments, LLC	51.53%	1,921,555	1,921,555	-
MHEF XXI LLC	TND Homes I, LLC	99.99%	2,968,838	2,523,512	445,326
MHEF XXI LLC	Welcome Home Housing, LLC	99.99%	2,502,951	2,492,951	10,000
MHEF XXII LLC	Briston Arms Preservation Assoc LP	99.99%	12,346,511	10,000,674	2,345,837
MHEF XXII LLC	Port Landing Tenant, LLC	99.99%	3,632,621	3,274,859	357,762
MHEF XXII LLC	MM Picker, LLC	99.99%	13,957,577	1,395,757	12,561,820
MHEF XXII LLC	Auburn Court LLC	99.99%	9,631,100	1,444,665	8,186,435
MHEF XXII LLC	Tribune Preservation Associates LP	99.99%	5,648,666	847,300	4,801,366

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedule of Investments in Operating Partnerships - *continued*
For the Year Ended December 31, 2016

<i>Investor</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
<i>MHEF XXII LLC</i>	Nuestras Casas LP	99.99%	2,435,212	243,521	2,191,691
<i>MHEF XXII LLC</i>	Live Pleasant LP	99.99%	8,459,154	2,114,789	6,344,365
<i>MHEF XXII LLC</i>	Lyman School LP	99.99%	3,589,858	179,493	3,410,365
<i>MHEF XXII LLC</i>	Lenox Schoolhouse LLC	99.99%	5,047,744	504,775	4,542,969
<i>MHEF XXII LLC</i>	Coppersmith Village LP	99.99%	5,779,979	-	5,779,979
<i>HNEF</i>	Gerrish Investors, LLC	32.00%	894,536	894,536	-
<i>HNEF</i>	Trinity Ashmont Two LP	50.00%	486,130	486,130	-
<i>HNEF</i>	Landing Apartments LLC	37.00%	5,000,000	500,000	4,500,000
<i>HNEF</i>	Melnea Residences LLP	73.00%	3,500,000	-	3,500,000
<i>HNEF</i>	Bartlett B Commercial LLC	90.00%	2,900,000	-	2,900,000
<i>Total</i>			<u>\$ 477,721,344</u>	<u>\$ 405,144,199</u>	<u>\$ 72,577,145</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Schedule of Investments in Operating Partnerships
For the Year Ended December 31, 2015

<i>Fund Name</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
<i>NMTC Fund III</i>	North Street Cinema MT, LLC	99.99%	\$ 920,715	\$ 920,715	\$ -
<i>NMTC Fund III</i>	470 Main Street MT, LLC	99.99%	1,000,000	1,000,000	-
<i>NMTC Fund III</i>	WCPA MT LLC	99.99%	825,000	825,000	-
<i>NMTC Fund IV</i>	Spike Segundo MT, LLC	99.99%	425,210	425,210	-
<i>NMTC Fund IV</i>	Eustis Street MT, LLC	99.99%	265,238	265,238	-
<i>NMTC Fund IV</i>	Arts Pushkin MT LLC	99.99%	512,304	512,304	-
<i>MHEF 1998 LP</i>	Grant Manor LP	99.99%	5,966,692	5,966,692	-
<i>MHEF 1999 LP</i>	BCN Properties Limited Partnership	99.99%	4,271,234	4,271,234	-
<i>MHEF 2000 LLC</i>	Middlesex Street Housing LP	99.99%	3,126,895	3,126,895	-
<i>MHEF 2000 LLC</i>	Viviendas Apartments LP	99.99%	7,710,461	7,710,461	-
<i>MHEF 2000 LLC</i>	Crocker Cutlery LP	99.99%	5,250,803	5,250,803	-
<i>MHEF 2000 LLC</i>	Hano Homes LP	99.99%	1,610,290	1,610,290	-
<i>MHEF 2000 LLC</i>	South End Limited Partnership	99.99%	2,125,768	2,125,768	-
<i>MHEF 2000 LLC</i>	Squirrel Brand LP	99.99%	2,180,050	2,180,050	-
<i>MHEF 2001 LLC</i>	150 Magnolia LP	99.99%	3,470,448	3,470,448	-
<i>MHEF 2001 LLC</i>	Admiral's Hill Assisted Living II, LLC	99.99%	2,809,058	2,809,058	-
<i>MHEF 2001 LLC</i>	Conwell Street LLC	99.99%	1,885,017	1,885,017	-
<i>MHEF 2001 LLC</i>	Pittsfield YMCA HA, LLC	99.99%	2,036,764	2,036,764	-
<i>MHEF 2001 LLC</i>	Puerta de la Esperanza, LLC	99.99%	4,373,678	4,373,678	-
<i>MHEF 2001 LLC</i>	St. Botolph Assisted Living LP	99.99%	4,271,462	4,271,462	-
<i>MHEF 2001 LLC</i>	Victoria Apartments LP	99.99%	11,422,388	11,422,388	-
<i>MHEF 2001 LLC</i>	Windfield Family Apartments LP	99.99%	3,371,666	3,371,666	-
<i>MHEF 2002 LLC</i>	Robert L. Fortes House LP	99.99%	2,273,616	2,273,616	-
<i>MHEF 2002 LLC</i>	HAPCO, LLC	99.99%	2,415,000	2,415,000	-
<i>MHEF 2002 LLC</i>	Columbia Cast, LLC	99.99%	3,637,811	3,637,811	-
<i>MHEF 2002 LLC</i>	Peabody Majestic LP	99.99%	630,948	630,948	-
<i>MHEF 2002 LLC</i>	New Court Terrace, LLC	99.99%	5,946,571	5,946,571	-
<i>MHEF 2002 LLC</i>	Sargeant West Apartments II LP	99.99%	7,451,290	7,451,290	-
<i>MHEF 2002 LLC</i>	St. Jean Baptiste, LLC	99.99%	2,571,082	2,571,082	-
<i>MHEF 2002 LLC</i>	Reviviendo Family Housing, LLC	99.99%	1,401,260	1,401,260	-
<i>MHEF 2002 LLC</i>	Hotel Raymond, LLC	99.99%	1,004,501	1,004,501	-
<i>MHEF 2002 LLC</i>	Salem Heights Preservation Assoc LP	99.99%	7,342,634	7,342,634	-
<i>MHEF 2002 LLC</i>	Cross Street Housing LP	99.99%	2,005,416	2,005,416	-
<i>MHEF 2002 LLC</i>	Egleston Crossing UE LP	92.11%	6,772,461	6,772,461	-
<i>MHEF 2002 LLC</i>	RTH Community Apartments LP	99.99%	1,470,956	1,470,956	-
<i>MHEF X LLC</i>	Acushnet Commons LP	99.99%	2,047,111	2,047,111	-
<i>MHEF X LLC</i>	Capital Square Associates, LLC	99.99%	6,248,131	6,248,131	-
<i>MHEF X LLC</i>	Moltenbrey Apartments LP	99.99%	2,511,500	2,511,500	-
<i>MHEF X LLC</i>	Bixby Brockton LP	99.99%	2,521,000	2,521,000	-
<i>MHEF X LLC</i>	147 Essex Avenue, LLC	99.99%	6,302,826	6,302,826	-
<i>MHEF X LLC</i>	Morville House Apartments LP	99.99%	9,183,342	9,183,342	-
<i>MHEF X LLC</i>	YWCA Fina House, LLC	99.99%	2,401,476	2,401,476	-
<i>MHEF X LLC</i>	Plantation Apartments LP	99.99%	1,973,256	1,973,256	-
<i>MHEF X LLC</i>	Meadowbrook Preservation Assoc LP	99.99%	6,568,164	6,558,164	10,000
<i>MHEF XI LLC</i>	Brunswick Holborn Two LP	99.99%	5,890,812	5,890,812	-
<i>MHEF XI LLC</i>	Columbia Wood Two LP	99.99%	6,574,743	6,574,743	-
<i>MHEF XI LLC</i>	Egleston Crossing UE LP	7.88%	580,000	580,000	-
<i>MHEF XI LLC</i>	Trolley Rental, LLC	99.99%	4,414,455	4,414,455	-

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedule of Investments in Operating Partnerships - *continued*
For the Year Ended December 31, 2015

<i>Fund Name</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
MHEF XII LLC	Dudley Village North LP	99.99%	4,038,767	4,038,767	-
MHEF XII LLC	Lazarus Hope, LLC	99.99%	2,850,915	2,850,915	-
MHEF XII LLC	Long-Glen Rental, LLC	99.99%	7,718,628	7,718,628	-
MHEF XII LLC	Till Chelsea LP	99.99%	4,669,240	4,669,240	-
MHEF XIII LLC	Bridle Pathe Preservation Associates	99.99%	5,143,028	5,143,028	-
MHEF XIII LLC	Chestnut Gardens Preservation Assoc LP	99.99%	3,403,229	3,403,229	-
MHEF XIII LLC	Church Street School LP	91.64%	4,752,100	4,752,100	-
MHEF XIII LLC	Dom Narodowy Polski PA LP	99.99%	1,681,806	1,681,806	-
MHEF XIII LLC	EA Fish Ashers Path, LLC	99.99%	7,466,968	7,466,968	-
MHEF XIII LLC	Eastgate Preservation Associates LP	99.99%	5,262,611	5,262,611	-
MHEF XIII LLC	Fairweather Preservation Associates LP	99.99%	10,105,015	10,105,015	-
MHEF XIII LLC	Irving Square Redeveloper, LLC	99.98%	2,474,512	2,474,512	-
MHEF XIV LLC	Canal Bluffs Rental LP	99.99%	4,812,020	4,812,020	-
MHEF XIV LLC	Church Street School LP	8.35%	400,000	400,000	-
MHEF XIV LLC	New Lithgow Residential, LLC	99.99%	1,369,040	1,369,040	-
MHEF XIV LLC	Sanford Apartments LP	99.98%	3,861,996	3,861,996	-
MHEF XIV LLC	Schoolhouse Brookledge Cummins LP	99.98%	6,248,844	6,248,844	-
MHEF XIV LLC	West Barnstable Communities LP	99.99%	5,795,420	5,795,420	-
MHEF XVI LLC	School House Kenilworth Williams LP	99.98%	6,459,989	6,459,989	-
MHEF XVI LLC	Lebaron Phase II Rental, LLC	59.99%	4,491,191	4,491,191	-
MHEF XVII LLC	ACDC Fort Street, LLC	99.99%	5,727,460	5,727,460	-
MHEF XVII LLC	Stevens Corner LP	99.98%	4,341,678	4,341,678	-
MHEF XVII LLC	JCHE Framingham LP	50.00%	3,240,641	3,240,641	-
MHEF XVII LLC	Bloomfield Gardens LP	99.99%	4,824,089	4,824,089	-
MHEF XVIII LLC	Better Homes Tapley, LLC	99.99%	512,365	512,365	-
MHEF XVIII LLC	142 Water Street LP	88.77%	6,959,904	6,959,904	-
MHEF XVIII LLC	Cromwell Court Preservation Assoc LP	51.00%	1,558,068	1,558,068	-
MHEF XVIII LLC	KGH LP	99.99%	3,128,087	3,128,087	-
MHEF XVIII LLC	UE Apartments, LLC	99.99%	6,006,689	6,006,689	-
MHEF XVIII LLC	Unity Place, LLC	99.99%	3,517,599	3,517,599	-
MHEF XVIII LLC	Sitkowski LP	7.00%	700,000	486,500	213,500
MHEF XVIII LLC	Winter Gardens, LLC	99.99%	4,049,595	4,049,595	-
MHEF XIX LLC	Austin Corridor II LP	99.99%	2,940,741	2,940,741	-
MHEF XIX LLC	Peters Grove Preservation Assoc LP	52.10%	2,000,952	2,000,952	-
MHEF XIX LLC	Franklin Preservation Associates LP	68.80%	14,267,222	14,267,222	-
MHEF XIX LLC	LBB Apartments, LLC	99.99%	7,352,005	7,352,005	-
MHEF XIX LLC	108 Newbury Street, LLC	99.99%	3,314,088	3,314,088	-
MHEF XIX LLC	CC Station Lofts, LLC	99.99%	2,903,343	2,903,343	-
MHEF XIX LLC	Olympia Amherst LP	71.18%	6,041,283	6,041,283	-
MHEF XX LLC	Cross Town Corners, LLC	99.99%	8,643,944	8,643,944	-
MHEF XX LLC	MHIC - NAHT Kenmore Abbey, LLC	99.99%	9,000,000	9,000,000	-
MHEF XX LLC	Olympia Oaks LP	28.81%	2,442,436	2,442,436	-
MHEF XX LLC	BC Edmands House, LLC	99.97%	7,493,370	7,493,370	-
MHEF XX LLC	ACDC Tremont Village, LLC	99.99%	2,323,956	232,395	2,091,561
MHEF XX LLC	Sitkowski LP	92.00%	8,668,962	6,024,928	2,644,034
MHEF XXI LLC	Commonwealth Glenville, LLC	76.99%	8,820,022	882,002	7,938,020
MHEF XXI LLC	Caritas Project Place Cortes, LLC	99.99%	3,659,925	256,195	3,403,730
MHEF XXI LLC	HRI Putnam Square II, LLC	99.99%	7,857,757	7,757,757	100,000

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedule of Investments in Operating Partnerships - *continued*
For the Year Ended December 31, 2015

<i>Fund Name</i>	<i>Operating Partnership</i>	<i>Ownership %</i>	<i>Investment</i>	<i>Amount Funded</i>	<i>Outstanding Commitment</i>
<i>MHEF XXI LLC</i>	Bishop Allen Apartments, LLC	51.53%	1,893,277	851,974	1,041,303
<i>MHEF XXI LLC</i>	Welcome Home Housing, LLC	99.99%	2,494,551	1,621,458	873,093
<i>MHEF XXII LLC</i>	Briston Arms Preservation Assoc LP	99.99%	12,346,511	10,000,674	2,345,837
<i>MHEF XXII LLC</i>	Port Landing Tenant, LLC	99.99%	3,632,621	3,274,859	357,762
<i>MHEF XXII LLC</i>	MM Picker, LLC	99.99%	13,957,577	1,395,757	12,561,820
<i>MHEF XXII LLC</i>	Auburn Court LLC	99.99%	9,631,100	1,444,665	8,186,435
<i>MHEF XXII LLC</i>	Tribune Preservation Associates LP	99.99%	5,648,666	847,300	4,801,366
<i>MHEF XXII LLC</i>	Nuestras Casas LP	99.99%	2,435,212	243,521	2,191,691
<i>MHEF XXII LLC</i>	Live Pleasant LP	99.99%	8,459,154	2,114,789	6,344,365
<i>MHEF XXII LLC</i>	Lyman School LP	99.99%	3,589,858	179,493	3,410,365
<i>MHEF XXII LLC</i>	Lenox Schoolhouse LLC	99.99%	5,047,744	504,775	4,542,969
<i>MHEF XXII LLC</i>	Coppersmith Village LP	99.99%	5,779,979	-	5,779,979
<i>HNEF</i>	Gerrish Investors, LLC	32.00%	894,536	894,536	-
<i>Total</i>			<u>\$ 483,083,789</u>	<u>\$ 414,245,959</u>	<u>\$ 68,837,830</u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedules of Financial Position – MHIC Only
December 31, 2016 and 2015

	<i>2016</i>	<i>2015</i>
<i>Assets:</i>		
Cash	\$ 4,788,364	\$ 16,632,803
Investment in marketable securities	418,576	564,064
Investment in capital stock	10,500	43,500
Project loans	7,544,348	1,744,068
Interest receivable	184,264	-
Due from affiliates	316,320	364,303
Loans to affiliates	731,272	-
Investment in subsidiaries	7,037,491	4,544,557
Equity interest in operating partnerships	46,889	49,390
Fee receivable - LIHTC Partnerships	2,643,591	3,402,468
Fee receivable - NMTC CDEs'	324,951	185,574
Amounts receivable and other assets	876,049	682,817
Furniture, equipment and leasehold improvements, net of accumulated depreciation	<u>30,799</u>	<u>42,103</u>
Total assets	<u><u>\$ 24,953,414</u></u>	<u><u>\$ 28,255,647</u></u>
<i>Liabilities and Net Assets:</i>		
<i>Liabilities:</i>		
Notes payable	\$ 2,000,000	\$ 750,000
Due to affiliates	27,983	2,402,385
Unearned fees	1,419,275	2,231,166
Deferred grant revenue	-	452,464
Accrued expenses and other liabilities	<u>1,639,915</u>	<u>3,528,123</u>
Total liabilities	<u>5,087,173</u>	<u>9,364,138</u>
<i>Net assets:</i>		
Unrestricted:		
Undesignated	19,141,412	18,391,509
Designated	500,000	500,000
Temporarily restricted	<u>224,829</u>	<u>-</u>
Total net assets	<u>19,866,241</u>	<u>18,891,509</u>
Total liabilities and net assets	<u><u>\$ 24,953,414</u></u>	<u><u>\$ 28,255,647</u></u>

Massachusetts Housing Investment Corporation
Wholly Owned Subsidiaries and Legally-Separate Controlled Entities
Supplemental Schedules of Activities – MHIC Only
For the Years Ended December 31, 2016 and 2015

	<i>2016</i>	<i>2015</i>
<i>Operating Revenue and Support</i>		
Interest on deposits	\$ 31,200	\$ 49,117
Interest on project loans	311,458	85,049
Unrealized loss on investments	(5,385)	(55,370)
Loan program revenue	784,367	875,363
NMTC program revenue	2,968,979	3,587,709
LIHTC program revenue	3,444,061	5,044,926
Other program revenue	305,206	546,789
Grant revenue	<u>877,464</u>	<u>-</u>
Total operating revenue and support	<u>8,717,350</u>	<u>10,133,583</u>
<i>Operating Expenses</i>		
Salaries and employee benefits	6,036,280	6,304,224
Occupancy, equipment and furniture	297,390	301,229
Professional services	799,411	789,007
Depreciation and amortization	20,553	26,528
Grant expenses	63,843	322,775
Other expenses	<u>434,330</u>	<u>1,017,105</u>
Total operating expenses	<u>7,651,807</u>	<u>8,760,868</u>
<i>Non - Operating Revenue/(Expenses)</i>		
Loss from investment in subsidiaries	<u>(90,811)</u>	<u>(227,097)</u>
Total non-operating revenue/(expenses)	<u>(90,811)</u>	<u>(227,097)</u>
Change in net assets	<u>\$ 974,732</u>	<u>\$ 1,145,618</u>
Net assets at beginning of year	\$ 18,891,509	\$ 17,745,891
Change in net assets	<u>974,732</u>	<u>1,145,618</u>
Net assets at end of year	<u>\$ 19,866,241</u>	<u>\$ 18,891,509</u>