

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

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

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

December 31, 2017 and 2016

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**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

To The Board of Directors of  
**Massachusetts Housing Investment Corporation**

We have audited the accompanying consolidated financial statements of Massachusetts Housing Investment Corporation (a nonprofit corporation), its wholly owned subsidiaries and its legally-separate controlled entities (the Organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 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 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 \$121,087,600 and \$135,563,820, respectively, as of December 31, 2017 and 2016, and total loss of \$18,682,707 and \$28,847,088, 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 the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented on pages 30 through 39 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 audits 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 audits 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.

August XX, 2018

**Massachusetts Housing Investment Corporation**  
**Wholly Owned Subsidiaries and Legally-Separate Controlled Entities**  
Consolidated Statements of Financial Position  
December 31, 2017 and 2016

|                                                                                                                  | 2017                  | As Restated<br>2016   |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <i>Assets:</i>                                                                                                   |                       |                       |
| Cash                                                                                                             | \$ 61,613,344         | \$ 29,887,836         |
| Investment in marketable securities                                                                              | 304,639               | 418,576               |
| Investment in capital stock                                                                                      | 117,000               | 105,500               |
| Project loans                                                                                                    | 23,858,402            | 51,358,345            |
| Interest receivable                                                                                              | 147,269               | 184,264               |
| Equity interest in operating partnerships                                                                        | 241,014,261           | 226,220,836           |
| Fees receivable - LIHTC Partnerships                                                                             | 1,021,574             | 288,694               |
| Fees receivable - NMTC CDEs                                                                                      | 138,122               | 324,951               |
| Amounts receivable and other assets                                                                              | 1,064,835             | 730,362               |
| Furniture, equipment and leasehold improvements, net of<br>accumulated depreciation of \$125,336 and \$1,237,634 | 348,372               | 30,799                |
| Capitalized costs, net of accumulated amortization                                                               | 37,406                | 35,452                |
| Total assets                                                                                                     | <u>\$ 329,665,224</u> | <u>\$ 309,585,615</u> |
| <i>Liabilities and Net Assets:</i>                                                                               |                       |                       |
| <i>Liabilities:</i>                                                                                              |                       |                       |
| Notes payable                                                                                                    | \$ 7,457,921          | \$ 10,938,171         |
| Capital redemption payable                                                                                       | 1,114,054             | 250,000               |
| Unearned fees                                                                                                    | 1,037,957             | 633,569               |
| Deferred grant revenue                                                                                           | 1,563,774             | -                     |
| Accrued expenses and other liabilities                                                                           | 2,429,245             | 1,912,214             |
| Total liabilities                                                                                                | <u>13,602,951</u>     | <u>13,733,954</u>     |
| <i>Net assets:</i>                                                                                               |                       |                       |
| Non-controlling interest                                                                                         | 295,850,052           | 275,985,420           |
| Unrestricted:                                                                                                    |                       |                       |
| Undesignated                                                                                                     | 19,662,221            | 19,141,412            |
| Designated                                                                                                       | 500,000               | 500,000               |
| Temporarily restricted                                                                                           | 50,000                | 224,829               |
| Total net assets                                                                                                 | <u>316,062,273</u>    | <u>295,851,661</u>    |
| Total liabilities and net assets                                                                                 | <u>\$ 329,665,224</u> | <u>\$ 309,585,615</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, 2017 and 2016

|                                                        | 2017         |                           |              | As Restated<br>2016 |                           |              |
|--------------------------------------------------------|--------------|---------------------------|--------------|---------------------|---------------------------|--------------|
|                                                        | Unrestricted | Temporarily<br>Restricted | Total        | Unrestricted        | Temporarily<br>Restricted | Total        |
| <i>Operating Revenue and Support</i>                   |              |                           |              |                     |                           |              |
| Interest on deposits                                   | \$ 132,219   | \$ -                      | \$ 132,219   | \$ 70,804           | \$ -                      | \$ 70,804    |
| Interest on project loans                              | 1,541,442    | -                         | 1,541,442    | 2,563,458           | -                         | 2,563,458    |
| Unrealized loss on investments                         | (10,938)     | -                         | (10,938)     | (5,385)             | -                         | (5,385)      |
| Loan program revenue                                   | 187,061      | -                         | 187,061      | 241,577             | -                         | 241,577      |
| NMTC program revenue                                   | 3,734,225    | -                         | 3,734,225    | 2,485,007           | -                         | 2,485,007    |
| LIHTC program revenue                                  | 1,270,874    | -                         | 1,270,874    | 625,250             | -                         | 625,250      |
| Other program revenue                                  | 346,356      | -                         | 346,356      | 885,955             | -                         | 885,955      |
| Grant revenue                                          | 1,486,226    | -                         | 1,486,226    | 652,635             | 224,829                   | 877,464      |
| Net assets released from restrictions                  | 174,829      | (174,829)                 | -            | -                   | -                         | -            |
| Total operating revenue and support                    | 8,862,294    | (174,829)                 | 8,687,465    | 7,519,301           | 224,829                   | 7,744,130    |
| <i>Operating Expenses</i>                              |              |                           |              |                     |                           |              |
| Salaries and employee benefits                         | 6,522,247    | -                         | 6,522,247    | 6,036,280           | -                         | 6,036,280    |
| Occupancy, equipment and furniture                     | 371,065      | -                         | 371,065      | 297,390             | -                         | 297,390      |
| Professional services                                  | 1,013,595    | -                         | 1,013,595    | 897,036             | -                         | 897,036      |
| Depreciation and amortization                          | 42,633       | -                         | 42,633       | 59,481              | -                         | 59,481       |
| Grant expense                                          | 2,075,860    | -                         | 2,075,860    | 63,843              | -                         | 63,843       |
| Interest expense                                       | 38,045       | -                         | 38,045       | 771,270             | -                         | 771,270      |
| Bad debt                                               | -            | -                         | -            | 557,264             | -                         | 557,264      |
| Other expenses                                         | 1,237,599    | -                         | 1,237,599    | 1,343,282           | -                         | 1,343,282    |
| Total operating expenses                               | 11,301,044   | -                         | 11,301,044   | 10,025,846          | -                         | 10,025,846   |
| <i>Non - Operating Revenue/(Expenses)</i>              |              |                           |              |                     |                           |              |
| Forgiveness of debt                                    | -            | -                         | -            | 3,351,953           | -                         | 3,351,953    |
| Loss on redemption/write off of portfolio investments  | (2,273,088)  | -                         | (2,273,088)  | (20,906,493)        | -                         | (20,906,493) |
| Loss from investment in subsidiaries                   | (31,041,124) | -                         | (31,041,124) | (30,166,955)        | -                         | (30,166,955) |
| Total non-operating revenue/(expenses)                 | (33,314,212) | -                         | (33,314,212) | (47,721,495)        | -                         | (47,721,495) |
| Change in net assets                                   | (35,752,962) | (174,829)                 | (35,927,791) | (50,228,040)        | 224,829                   | (50,003,211) |
| Less amounts attributed to<br>non-controlling interest | (36,273,771) | -                         | (36,273,771) | (50,977,943)        | -                         | (50,977,943) |
| Change in net assets, controlling interest             | \$ 520,809   | \$ (174,829)              | \$ 345,980   | \$ 749,903          | \$ 224,829                | \$ 974,732   |

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, 2017 and 2016

|                                                       | <i>Unrestricted</i>  | <i>Temporarily<br/>Restricted</i> | <i>Non-Controlling<br/>Interest</i> | <i>Total</i>          |
|-------------------------------------------------------|----------------------|-----------------------------------|-------------------------------------|-----------------------|
| Net assets at January 1, 2016, as previously reported | \$ 18,891,509        | \$ -                              | \$ 287,318,594                      | \$ 306,210,103        |
| Correction of an error                                | -                    | -                                 | (408,731)                           | (408,731)             |
| Net assets at January 1, 2016, as restated            | 18,891,509           | -                                 | 286,909,863                         | 305,801,372           |
| Contributions                                         | -                    | -                                 | 44,272,618                          | 44,272,618            |
| Distributions                                         | -                    | -                                 | (4,219,118)                         | (4,219,118)           |
| Change in net assets, previously reported             | 749,903              | 224,829                           | (50,751,492)                        | (49,776,760)          |
| Correction of an error                                | -                    | -                                 | (226,451)                           | (226,451)             |
| Net assets at December 31, 2016, as restated          | 19,641,412           | 224,829                           | 275,985,420                         | 295,851,661           |
| Contributions                                         | -                    | -                                 | 61,498,550                          | 61,498,550            |
| Distributions                                         | -                    | -                                 | (5,360,147)                         | (5,360,147)           |
| Change in net assets                                  | 520,809              | (174,829)                         | (36,273,771)                        | (35,927,791)          |
| Net assets at December 31, 2017                       | <u>\$ 20,162,221</u> | <u>\$ 50,000</u>                  | <u>\$ 295,850,052</u>               | <u>\$ 316,062,273</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, 2017 and 2016

|                                                                                                | 2017                 | As Restated<br>2016  |
|------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <i>Operating activities:</i>                                                                   |                      |                      |
| Change in net assets                                                                           | \$ (35,927,791)      | \$ (50,003,211)      |
| <i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i> |                      |                      |
| Depreciation and amortization expense                                                          | 42,633               | 59,481               |
| Other revenue                                                                                  | -                    | (191,032)            |
| Loss on redemption/write-off of portfolio investments                                          | 2,273,088            | 20,906,493           |
| Forgiveness of debt                                                                            | -                    | (3,351,953)          |
| Bad debt                                                                                       | -                    | 557,264              |
| Unrealized loss on investments                                                                 | 10,938               | 5,385                |
| Loss from investments of subsidiaries                                                          | 31,041,124           | 30,166,955           |
| Non-cash contributions furniture and equipment                                                 | (200,800)            | -                    |
| <i>Change in operating assets and liabilities:</i>                                             |                      |                      |
| Amounts receivable and other assets                                                            | (334,473)            | 769,357              |
| Interest receivable                                                                            | 36,995               | (523,834)            |
| Unearned fees                                                                                  | 404,388              | (244,837)            |
| Accrued expenses and other liabilities                                                         | 500,732              | (2,530,536)          |
| Deferred interest payable                                                                      | -                    | 68,971               |
| Deferred grant revenue                                                                         | 1,563,774            | (452,464)            |
| Fees receivable—LIHTC Partnerships                                                             | (732,880)            | 454,263              |
| Fees receivable—NMTC CDEs                                                                      | 186,829              | (189,572)            |
| Net cash used in operating activities                                                          | <u>(1,135,443)</u>   | <u>(4,499,270)</u>   |
| <i>Investing activities:</i>                                                                   |                      |                      |
| Funds advanced under project loans                                                             | (17,851,232)         | (34,414,892)         |
| Collection of funds from project loans                                                         | 37,506,857           | 25,152,762           |
| Purchase of affiliate loan from third party                                                    | -                    | (731,272)            |
| Redemption of marketable securities                                                            | 113,937              | 145,488              |
| Sales/(purchases) of other investments, net                                                    | (11,500)             | 10,800               |
| Investments in project partnerships                                                            | (46,882,688)         | (39,634,246)         |
| Distributions and project loan repayments from project partnerships                            | 56,753               | 819,830              |
| Proceeds from redemption/transfer of project partnership interests                             | 259,529              | -                    |
| Purchase of fixed assets and capitalized costs                                                 | (145,869)            | (9,251)              |
| Net cash used in investing activities                                                          | <u>(26,954,213)</u>  | <u>(48,660,781)</u>  |
| <i>Financing activities:</i>                                                                   |                      |                      |
| Repayment of notes payable                                                                     | (4,501,272)          | (3,736,426)          |
| Proceeds from notes payable                                                                    | 7,100,000            | 3,011,144            |
| Capital contributions received                                                                 | 61,498,550           | 44,272,618           |
| Distributions                                                                                  | (4,094,614)          | (4,219,118)          |
| Decrease in capital redemption payable                                                         | (187,500)            | (187,500)            |
| Net cash provided by financing activities                                                      | <u>59,815,164</u>    | <u>39,140,718</u>    |
| Net change in cash                                                                             | 31,725,508           | (14,019,333)         |
| Cash at beginning of year                                                                      | <u>29,887,836</u>    | <u>43,907,169</u>    |
| Cash at end of year                                                                            | <u>\$ 61,613,344</u> | <u>\$ 29,887,836</u> |
| <i>Supplemental information</i>                                                                |                      |                      |
| Interest paid                                                                                  | <u>\$ 232,244</u>    | <u>\$ 1,147,753</u>  |
| <i>Non-cash investing and financing activities</i>                                             |                      |                      |
| Non-cash contributions furniture and equipment                                                 | <u>\$ 200,800</u>    | <u>\$ -</u>          |

*See accompanying notes to consolidated financial statements.*



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

**1. *Background and Accounting Policies***

*Purpose*

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

*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-nine 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, 2017 and 2016, 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, 2017 and 2016

**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-four 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, 2017 and 2016

**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), MHIC HNEF Investor LLC (HNEF Investor), MHIC HNEF Manager LLC (HNEF Manager), MHIC HNEF Class B Investor LLC (HNEF Class B), MHIC New Markets Manager LLC (MHIC NMM LLC), MHIC New Markets Investor LLC (MHIC NMILLC), MHIC CMF Affordable Housing Fund I LLC (CMF) 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, Healthy Neighborhoods Equity Fund I Limited Partnership (HNEF) 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, HNEF 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 1998 Limited Partnership  
Massachusetts Housing Equity Fund 1999 Limited Partnership  
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  
Massachusetts Housing Equity Fund XXVI, 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, 2017 and 2016

**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, 2017 and 2016, the Organization did not hold any cash equivalents.

*Basis of Presentation*

Net assets, 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, 2017 and 2016.

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

*Revenue Recognition*

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

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).

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.

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

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

*Revenue Recognition - continued*

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

In general, grant income is recognized on a cost reimbursable basis as costs are incurred or in accordance with the specific provisions of the grant. Funds 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, 2017 and 2016, unfunded loan commitments totaled \$22,596,891 and \$17,881,581, 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, 2017 and 2016, 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, 2017 and 2016

**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 LLC, 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, HNEF Class B, CMF 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, 2017, the Organization believes that it has no uncertain tax positions within any of its open tax years, (2014-2016).

*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, 2017 and 2016

**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>2017</i>          | <i>2016</i>          |
|------------------------|----------------------|----------------------|
| Program support        | \$ 10,531,670        | \$ 9,344,375         |
| Management and general | <u>769,374</u>       | <u>681,471</u>       |
| Total                  | <u>\$ 11,301,044</u> | <u>\$ 10,025,846</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 2017 and 2016, 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, 2017 and 2016, the Organization's investment in the FHLBB totaled \$117,000 and \$105,500, respectively. Management annually performs an assessment of any possible impairment. As of December 31, 2017 and 2016, management has determined that no such impairment exists.

*Investments in Marketable Securities*

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

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

**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"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <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, 2017 and 2016

**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, 2017 and 2016, MHEF had total assets of \$491,219, and MHIC's investment in MHEF amounted to \$491,219.

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

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

HNEF is organized as a Massachusetts limited partnership for the purpose of investing in or making loans to entities that intend to engage in the construction or rehabilitation of mixed-income, mixed-use commercial and residential developments. During 2016, HNEF was wholly owned by HNEF Manager, HNEF Class B and HNEF Investor (the HNEF LLCs'). During 2017, several unrelated investors acquired the majority of the limited partnership interest in HNEF.

At December 31, 2017 and 2016, HNEF had total assets of \$17,101,427 and \$6,335,808, respectively, and the HNEF LLCs' investment amounted to \$6,171,269 and \$5,997,020, respectively. At December 31, 2017 and 2016, partners' equity of \$10,351,401 and zero, 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, 2017 and 2016

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

The HNEF LLCs' are organized as single-member Massachusetts limited liability companies, with MHIC as the sole member and administrator. The purpose of the HNEF LLCs' is to acquire partnership interests in and provide management services to HNEF. HNEF Manager is the general partner of HNEF and under GAAP, is deemed to have control over that entity.

At December 31, 2017 and 2016, the HNEF LLCs' had total assets of \$6,171,269 and \$5,997,020, respectively, and MHIC's investment amounted to \$6,171,269 and \$5,997,020, respectively.

**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, 2017 and 2016, the LLC had total assets of \$37,468,866 and \$34,316,747, respectively. At December 31, 2017 and 2016, members' equity of \$36,794,489 and \$32,201,904, 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, 2017 and 2016, these NMTC Funds qualified for and were assigned approximately \$259,132,240 of NMTC's.

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

**6. *NMTC Funds and Program Revenue - continued***

At December 31, 2017 and 2016, the NMTC funds controlled by MHIC had total assets of \$2,305,248 and \$11,447,884, respectively. At December 31, 2017 and 2016, members' equity of \$938,311 and \$3,255,542, respectively, is reported as non-controlling interest on the accompanying consolidated statements of financial position.

As of December 31, 2017 and 2016, the unwind of the NMTC funds, in addition to the assignment of various limited partner interests in Operating Partnerships and project loans receivable, resulted in losses on redemption/write off of portfolio investments of \$2,273,088 and \$20,906,493, respectively. In addition, as of December 31, 2016 interest receivable and other write-off's associated with the unwind of the NMTC Funds and assignment of various limited partner interests in Operating Partnerships resulted in bad debt expense of \$557,264.

*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, 2017 and 2016, MHIC earned total fees for services to the MHIC-CDEs of \$3,734,225 and \$2,485,007, respectively. Amounts receivable in connection with these fees totaled \$138,122 and \$324,951 at December 31, 2017 and 2016, 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 nineteen LIHTC Funds at December 31, 2017 and 2016. 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 1998 Limited Partnership, Massachusetts Housing Equity Fund 1999 Limited Partnership and Massachusetts Housing Equity Fund 2000, LLC were dissolved during 2017.

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

**7. *LIHTC Funds and Program Revenue - continued***

At December 31, 2017 and 2016, the LIHTC Funds controlled by MHIC had total assets of \$250,030,420 and \$243,799,875, respectively. At December 31, 2017 and 2016, partners'/members' equity of \$247,765,851 and \$240,527,974, respectively, is reported as non-controlling interest on the accompanying consolidated statements of financial position.

*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, 2017 and 2016, MHIC earned total fees for services to the single investor LIHTC Funds of \$1,270,874 and \$625,250, respectively. Amounts receivable in connection with these fees totaled \$1,021,574 and \$288,694 at December 31, 2017 and 2016, 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, 2017 and 2016, the activity in the project loans was as follows:

|                            | <i>2017</i>          | <i>2016</i>          |
|----------------------------|----------------------|----------------------|
| Beginning balance          | \$ 51,810,006        | \$ 92,439,549        |
| Loan disbursements         | 17,851,232           | 34,414,892           |
| Loans assigned/distributed | (5,494,440)          | (32,744,091)         |
| Loans written off          | (2,373,088)          | (17,147,582)         |
| Loan repayments            | <u>(37,506,857)</u>  | <u>(25,152,762)</u>  |
| Project loans outstanding  | 24,286,853           | 51,810,006           |
| Allowance for loan losses  | <u>(428,451)</u>     | <u>(451,661)</u>     |
| Ending balance             | <u>\$ 23,858,402</u> | <u>\$ 51,358,345</u> |

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

**8. Project Loans - continued**

Project loans consist of the following:

| <i>Loan category</i>      | <i>2017</i>          | <i>2016</i>          |
|---------------------------|----------------------|----------------------|
| Construction              | \$ 9,249,602         | \$ 11,531,664        |
| Line of credit            | 442,473              | 563,000              |
| Acquisition               | 4,533,955            | 23,385,487           |
| Amortizing                | 3,235,447            | 3,354,845            |
| Mini perm                 | 4,298,422            | 11,985,907           |
| Bridge                    | 2,099,541            | 989,103              |
| Predevelopment            | 427,413              | -                    |
| Project loans outstanding | 24,286,853           | 51,810,006           |
| Allowance for loan losses | (428,451)            | (451,661)            |
| Project loans, net        | <u>\$ 23,858,402</u> | <u>\$ 51,358,345</u> |

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

|            |                      |
|------------|----------------------|
| 2018       | \$ 7,632,559         |
| 2019       | 6,384,791            |
| 2020       | 3,851,271            |
| 2021       | 122,147              |
| 2022       | 125,230              |
| Thereafter | 6,170,855            |
| Total      | <u>\$ 24,286,853</u> |

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

|                          | <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 |
| <b>December 31, 2017</b> | Current              | 30-59 Days  | 60-89 Days  | 90 + days   | Total Financing Receivables |                                                   |                                                             |
| Construction             | \$ 9,249,602         | \$ -        | \$ -        | \$ -        | \$ 9,249,602                | \$ -                                              | \$ -                                                        |
| Line of credit           | 442,473              | -           | -           | -           | 442,473                     | -                                                 | -                                                           |
| Acquisition              | 4,533,955            | -           | -           | -           | 4,533,955                   | -                                                 | -                                                           |
| Amortizing               | 3,235,447            | -           | -           | -           | 3,235,447                   | -                                                 | -                                                           |
| Mini perm                | 4,298,422            | -           | -           | -           | 4,298,422                   | -                                                 | -                                                           |
| Bridge                   | 2,099,541            | -           | -           | -           | 2,099,541                   | -                                                 | -                                                           |
| Predevelopment           | 427,413              | -           | -           | -           | 427,413                     | -                                                 | -                                                           |
| Total                    | <u>\$ 24,286,853</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,286,853</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, 2017 and 2016

**8. Project Loans - continued**

|                          |                     | <u>Past Due</u> |             |             |                      | <u>Status of Interest Accruals</u> |                |
|--------------------------|---------------------|-----------------|-------------|-------------|----------------------|------------------------------------|----------------|
|                          |                     | Current         | 30-59 Days  | 60-89 Days  | 90 + days            | Total Financing Receivables        | Accrual Status |
| <b>December 31, 2016</b> |                     |                 |             |             |                      |                                    |                |
| 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              | -                                  | -              |
| <b>Total</b>             | <b>\$51,810,006</b> | <b>\$ -</b>     | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 51,810,006</b> | <b>\$ -</b>                        | <b>\$ -</b>    |

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 \$253,445 and \$63,843 were disbursed and recorded as grant expense in 2017 and 2016, respectively. Program regulations require that the recovery of loan funds, if any, be recorded as program income when received. As of December 31, 2017 and 2016, there was no program income.

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

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

**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, 2017, the Investment Companies have advanced \$406,100,245, to 101 Operating Partnerships and had outstanding commitments of \$77,548,367. 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.

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, 2017 and 2016, is as follows:

| <i>Condensed Combined Balance Sheets</i>       |                         |                             |
|------------------------------------------------|-------------------------|-----------------------------|
|                                                | <i>2017</i>             | <i>As Restated<br/>2016</i> |
| <i>Assets</i>                                  |                         |                             |
| Current assets                                 | \$ 37,618,141           | \$ 41,649,951               |
| Investment property, net                       | 1,161,157,883           | 1,139,196,267               |
| Other assets                                   | <u>74,660,360</u>       | <u>88,402,662</u>           |
| Total Assets                                   | <u>\$ 1,273,436,384</u> | <u>\$ 1,269,248,880</u>     |
| <i>Liabilities and Partners' Capital</i>       |                         |                             |
| Current liabilities                            | \$ 48,087,443           | \$ 75,691,650               |
| Other liabilities                              | 981,068                 | 1,232,628                   |
| Long-term debt                                 | <u>1,018,581,233</u>    | <u>962,487,668</u>          |
| Total Liabilities                              | <u>1,067,649,744</u>    | <u>1,039,411,946</u>        |
| Investment Companies share of combined capital | 229,763,723             | 192,570,998                 |
| Other partners' share of combined capital      | <u>(23,977,083)</u>     | <u>37,265,936</u>           |
| Total Partners' Capital                        | <u>205,786,640</u>      | <u>229,836,934</u>          |
| Total Liabilities and Partners' Capital        | <u>\$ 1,273,436,384</u> | <u>\$ 1,269,248,880</u>     |

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

**10. Investments in Operating Partnerships - continued**

| <i>Condensed Combined Statements of Operations</i>                                |                        |                             |
|-----------------------------------------------------------------------------------|------------------------|-----------------------------|
|                                                                                   | <i>2017</i>            | <i>As Restated<br/>2016</i> |
| <i>Revenues</i>                                                                   |                        |                             |
| Rent revenue                                                                      | \$ 117,785,154         | \$ 117,186,528              |
| Cancellation of debt                                                              | -                      | 111,048                     |
| Interest revenue                                                                  | <u>1,316,163</u>       | <u>1,037,432</u>            |
| Total Revenue                                                                     | <u>119,101,317</u>     | <u>118,335,008</u>          |
| <i>Expenses</i>                                                                   |                        |                             |
| Operating expenses                                                                | 74,122,160             | 76,803,013                  |
| Interest expense                                                                  | 39,076,973             | 37,238,112                  |
| Depreciation and amortization                                                     | <u>36,390,598</u>      | <u>34,303,846</u>           |
| Total Expenses                                                                    | <u>149,589,731</u>     | <u>148,344,971</u>          |
| Combined net loss                                                                 | <u>\$ (30,488,414)</u> | <u>\$ (30,009,963)</u>      |
| Investment Companies share of combined net loss                                   | \$ (25,991,628)        | \$ (24,916,780)             |
| Other partners' share of combined net loss                                        | <u>(4,496,786)</u>     | <u>(5,093,183)</u>          |
| Total combined net loss                                                           | <u>\$ (30,488,414)</u> | <u>\$ (30,009,963)</u>      |
| <i>Reconciliation of Investments at Equity</i>                                    |                        |                             |
|                                                                                   | <i>2017</i>            | <i>As Restated<br/>2016</i> |
| Investment Companies share of capital at<br>December 31, as shown above           | \$ 229,763,723         | \$ 192,570,998              |
| Cumulative losses in excess of investment in<br>individual Operating Partnerships | 5,372,213              | 29,667,790                  |
| Excess basis of acquisition and financing costs                                   | <u>5,878,325</u>       | <u>3,982,048</u>            |
| Investment at equity at December 31                                               | <u>\$ 241,014,261</u>  | <u>\$ 226,220,836</u>       |
| Investment Companies share of operations<br>as of December 31, as shown above     | \$ (25,991,628)        | \$ (24,916,780)             |
| Losses in excess of investment in individual<br>Operating Partnerships            | 3,286,738              | 6,889,517                   |
| Amortization of excess basis, acquisition and<br>financing costs                  | -                      | (4,137)                     |
| Loss on assignment of interests in Operating Partnerships                         | <u>(8,336,234)</u>     | <u>(12,135,555)</u>         |
| Investment Companies share of operations                                          | <u>\$ (31,041,124)</u> | <u>\$ (30,166,955)</u>      |



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

**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, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016, the outstanding balance was \$1,000,000.

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

*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, 2017 and 2016, 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, 2017 and 2016, the outstanding balance was zero and \$1,000,000, respectively.

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

**11. Notes Payable - continued**

*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, 2017 and 2016, 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 zero and \$6,080,250, at December 31, 2017 and 2016, 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 2017 and 2016, several loans totaling \$6,080,250 and \$21,912,410, respectively, were fully satisfied through payment, assignment and assumption of loans receivable from operating partnerships and accrued/deferred interest of zero and \$1,997,772, respectively, was forgiven.

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, at December 31, 2017 and 2016, respectively.

During 2016, several loans totaling \$10,480,733 were fully satisfied through assignment and assumption of loans receivable from operating partnerships and accrued/deferred interest of \$568,431 was forgiven. During 2016, a subordinate note payable for \$785,750 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, 2017 and 2016

**11. Notes Payable - continued**

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

| <i>Year</i> | <i>Amount</i>       |
|-------------|---------------------|
| 2018        | \$ -                |
| 2019        | 39,229              |
| 2020        | 39,426              |
| 2021        | 539,624             |
| 2022        | 39,823              |
| Thereafter  | <u>6,799,819</u>    |
| Total       | <u>\$ 7,457,921</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, 2017 and 2016, unearned fees were \$1,037,957 and \$633,569, respectively.

**13. Cash and Credit Risk**

At December 31, 2017 and 2016, cash balances are held at financial institutions with federally 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.

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

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

**14. *Leases - continued***

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

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

**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 \$402,315 and \$414,847 for the years ended December 31, 2017 and 2016, respectively. These amounts are reflected in salaries and employee benefits in the accompanying consolidated statements of activities.

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

**16. *Guarantees Provided for Borrowing Facilities of Affiliates***

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

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

**17. Fixed Assets**

Property and equipment consists of the following:

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

**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 \$50,000 from the U.S. Bancorp Community Development Corporation for the development of a specific project. The use restrictions of these contributions were not fully satisfied as of year-end and therefore the unused portion has been classified as temporarily restricted net assets. Temporarily restricted net assets totaled \$50,000 and \$224,829 at December 31, 2017 and 2016, respectively.

**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, 2017 and 2016, 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, 2017 and 2016, the total outstanding committed capital contributions totaled \$XXXXXX and \$92,408,027, respectively.

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

**21. Correction of an Error**

During the year ended December 31, 2017, Massachusetts Housing Equity Fund XX LLC determined that there were errors in its audited financial statements in prior years. The error resulted in an understatement of net loss of \$226,451 for 2016 and \$408,731 for years prior to 2016. The restatement had no impact on current year net loss. Prior year financial statements have not been re-issued.

Balances have been restated as follows:

|                                               | <i>As Previously<br/>Reported 2016</i> | <i>Restatement</i> | <i>As Restated<br/>2016</i> |
|-----------------------------------------------|----------------------------------------|--------------------|-----------------------------|
| Equity interest in operating partnerships     | 226,856,018                            | (635,182)          | 226,220,836                 |
| Non-controlling interest at December 31, 2015 | 287,318,594                            | (408,731)          | 286,909,863                 |
| Loss from investment in subsidiaries          | (29,940,504)                           | (226,451)          | (30,166,955)                |

**22. Subsequent Events**

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

## **Supplemental Schedules**

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**Massachusetts Housing Investment Corporation**  
**Wholly Owned Subsidiaries and Legally-Separate Controlled Entities**  
**Supplemental Consolidating Schedule of Financial Position**  
**December 31, 2017**

| <i>Assets:</i>                                                                   | <i>MHIC</i>          | <i>MHEF</i>       | <i>NSLF</i>       | <i>CMF</i>          | <i>HNEF LP</i>       | <i>MHIC LLC</i>      | <i>NMTC Funds</i>   | <i>LIHTC Funds</i>    | <i>Elimination</i>     | <i>Consolidated</i>   |
|----------------------------------------------------------------------------------|----------------------|-------------------|-------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|------------------------|-----------------------|
| Cash                                                                             | \$ 14,112,797        | \$ 491,219        | \$ 206,354        | \$ 1,756,397        | \$ 69,794            | \$ 23,509,646        | \$ 197,550          | \$ 21,269,587         | \$ -                   | \$ 61,613,344         |
| Investment in marketable securities                                              | 304,639              | -                 | -                 | -                   | -                    | -                    | -                   | -                     | -                      | 304,639               |
| Investment in capital stock                                                      | 22,000               | -                 | -                 | -                   | -                    | 95,000               | -                   | -                     | -                      | 117,000               |
| Project loans                                                                    | 4,404,764            | -                 | 58,215            | 306,129             | 2,040,000            | 13,746,149           | 1,872,345           | 1,614,477             | (183,677)              | 23,858,402            |
| Interest receivable                                                              | 28,178               | -                 | -                 | -                   | 119,091              | -                    | -                   | -                     | -                      | 147,269               |
| Due from affiliates                                                              | 659,699              | -                 | 551               | -                   | 34,285               | -                    | -                   | 24,384                | (718,919)              | -                     |
| Loans to affiliates                                                              | 61,226               | -                 | -                 | -                   | -                    | -                    | -                   | -                     | (61,226)               | -                     |
| Investment in subsidiaries                                                       | 8,734,180            | -                 | -                 | -                   | -                    | -                    | -                   | -                     | (8,734,180)            | -                     |
| Equity interest in operating partnerships                                        | 39,250               | -                 | -                 | -                   | 14,802,673           | -                    | 226,608             | 225,945,730           | -                      | 241,014,261           |
| Fees receivable - LIHTC Partnerships                                             | 1,972,336            | -                 | -                 | -                   | -                    | -                    | -                   | -                     | (950,762)              | 1,021,574             |
| Fees receivable - NMTC CDEs'                                                     | 146,572              | -                 | -                 | -                   | -                    | -                    | -                   | -                     | (8,450)                | 138,122               |
| Amounts receivable and other assets                                              | 934,658              | -                 | 2,954             | 2,891               | 5,586                | 118,071              | 1,337               | 1,176,242             | (1,176,904)            | 1,064,835             |
| Furniture, equipment and leasehold improvements, net of accumulated depreciation | 348,372              | -                 | -                 | -                   | -                    | -                    | -                   | -                     | -                      | 348,372               |
| Capitalized costs, net of accumulated amortization                               | -                    | -                 | -                 | -                   | 29,998               | -                    | 7,408               | -                     | -                      | 37,406                |
| <b>Total assets</b>                                                              | <b>\$ 31,768,671</b> | <b>\$ 491,219</b> | <b>\$ 268,074</b> | <b>\$ 2,065,417</b> | <b>\$ 17,101,427</b> | <b>\$ 37,468,866</b> | <b>\$ 2,305,248</b> | <b>\$ 250,030,420</b> | <b>\$ (11,834,118)</b> | <b>\$ 329,665,224</b> |
| <i>Liabilities and Net Assets:</i>                                               |                      |                   |                   |                     |                      |                      |                     |                       |                        |                       |
| <i>Liabilities:</i>                                                              |                      |                   |                   |                     |                      |                      |                     |                       |                        |                       |
| Notes payable                                                                    | \$ 5,600,000         | \$ -              | \$ -              | \$ 183,677          | \$ -                 | \$ 500,000           | \$ 1,357,921        | \$ -                  | \$ (183,677)           | \$ 7,457,921          |
| Capital redemption payable                                                       | -                    | -                 | -                 | -                   | -                    | 62,500               | -                   | 1,051,554             | -                      | 1,114,054             |
| Due to affiliates                                                                | 34,285               | -                 | 3,055             | 67,901              | 578,757              | -                    | 8,450               | 898,977               | (1,591,425)            | -                     |
| Unearned fees                                                                    | 2,214,861            | -                 | -                 | -                   | -                    | -                    | -                   | -                     | (1,176,904)            | 1,037,957             |
| Deferred grant revenue                                                           | 1,563,774            | -                 | -                 | -                   | -                    | -                    | -                   | -                     | -                      | 1,563,774             |
| Accrued expenses and other liabilities                                           | 2,143,530            | -                 | -                 | 7,166               | -                    | 111,877              | 566                 | 314,038               | (147,932)              | 2,429,245             |
| <b>Total liabilities</b>                                                         | <b>11,556,450</b>    | <b>-</b>          | <b>3,055</b>      | <b>258,744</b>      | <b>578,757</b>       | <b>674,377</b>       | <b>1,366,937</b>    | <b>2,264,569</b>      | <b>(3,099,938)</b>     | <b>13,602,951</b>     |
| <i>Net assets:</i>                                                               |                      |                   |                   |                     |                      |                      |                     |                       |                        |                       |
| Non-controlling interest                                                         | -                    | -                 | -                 | -                   | 10,351,401           | 36,794,489           | 938,311             | 247,765,851           | -                      | 295,850,052           |
| Unrestricted:                                                                    |                      |                   |                   |                     |                      |                      |                     |                       |                        |                       |
| Undesignated                                                                     | 19,662,221           | 491,219           | 265,019           | 1,806,673           | 6,171,269            | -                    | -                   | -                     | (8,734,180)            | 19,662,221            |
| Designated                                                                       | 500,000              | -                 | -                 | -                   | -                    | -                    | -                   | -                     | -                      | 500,000               |
| Temporarily restricted                                                           | 50,000               | -                 | -                 | -                   | -                    | -                    | -                   | -                     | -                      | 50,000                |
| <b>Total net assets</b>                                                          | <b>20,212,221</b>    | <b>491,219</b>    | <b>265,019</b>    | <b>1,806,673</b>    | <b>16,522,670</b>    | <b>36,794,489</b>    | <b>938,311</b>      | <b>247,765,851</b>    | <b>(8,734,180)</b>     | <b>316,062,273</b>    |
| <b>Total liabilities and net assets</b>                                          | <b>\$ 31,768,671</b> | <b>\$ 491,219</b> | <b>\$ 268,074</b> | <b>\$ 2,065,417</b> | <b>\$ 17,101,427</b> | <b>\$ 37,468,866</b> | <b>\$ 2,305,248</b> | <b>\$ 250,030,420</b> | <b>\$ (11,834,118)</b> | <b>\$ 329,665,224</b> |



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

|                                                       | <i>MHIC</i>          | <i>MHEF</i>       | <i>NSLF</i>       | <i>CMF</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                                  | \$ 26,436            | \$ -              | \$ -              | \$ 1,322            | \$ 167               | \$ 47,199            | \$ 258                | \$ 56,837              | \$ -                  | \$ 132,219             |
| Interest on project loans                             | 349,248              | -                 | 7,490             | 12,026              | 119,091              | 1,241,816            | 56,165                | -                      | (244,394)             | 1,541,442              |
| Unrealized loss on investments                        | (10,938)             | -                 | -                 | -                   | -                    | -                    | -                     | -                      | -                     | (10,938)               |
| Loan program revenue                                  | 716,143              | -                 | -                 | -                   | -                    | -                    | -                     | -                      | (529,082)             | 187,061                |
| NMTC program revenue                                  | 3,773,374            | -                 | -                 | -                   | -                    | -                    | -                     | -                      | (39,149)              | 3,734,225              |
| LIHTC program revenue                                 | 4,524,305            | -                 | -                 | -                   | -                    | -                    | -                     | -                      | (3,253,431)           | 1,270,874              |
| Other program revenue                                 | 558,633              | -                 | -                 | -                   | -                    | -                    | -                     | -                      | (212,277)             | 346,356                |
| Grant revenue                                         | 1,486,226            | -                 | -                 | -                   | -                    | -                    | -                     | -                      | -                     | 1,486,226              |
| Total operating revenue and support                   | <u>11,423,427</u>    | <u>-</u>          | <u>7,490</u>      | <u>13,348</u>       | <u>119,258</u>       | <u>1,289,015</u>     | <u>56,423</u>         | <u>56,837</u>          | <u>(4,278,333)</u>    | <u>8,687,465</u>       |
| <i>Operating Expenses</i>                             |                      |                   |                   |                     |                      |                      |                       |                        |                       |                        |
| Salaries and employee benefits                        | 6,522,247            | -                 | -                 | -                   | -                    | -                    | -                     | -                      | -                     | 6,522,247              |
| Occupancy, equipment and furniture                    | 371,065              | -                 | -                 | -                   | -                    | -                    | -                     | -                      | -                     | 371,065                |
| Professional services                                 | 959,528              | -                 | -                 | -                   | 229,970              | 569,362              | 23,660                | 1,228,975              | (1,997,900)           | 1,013,595              |
| Depreciation and amortization                         | 29,098               | -                 | -                 | -                   | 5,454                | -                    | 8,081                 | -                      | -                     | 42,633                 |
| Grant expenses                                        | 2,075,860            | -                 | -                 | -                   | -                    | -                    | -                     | -                      | -                     | 2,075,860              |
| Interest expense                                      | -                    | -                 | -                 | -                   | 96,271               | 14,775               | 23,270                | 148,123                | (244,394)             | 38,045                 |
| Other expenses                                        | 792,468              | -                 | 1,723             | 6,675               | -                    | -                    | 45,815                | 563,796                | (172,878)             | 1,237,599              |
| Total operating expenses                              | <u>10,750,266</u>    | <u>-</u>          | <u>1,723</u>      | <u>6,675</u>        | <u>331,695</u>       | <u>584,137</u>       | <u>100,826</u>        | <u>1,940,894</u>       | <u>(2,415,172)</u>    | <u>11,301,044</u>      |
| <i>Non - Operating Revenue/(Expenses)</i>             |                      |                   |                   |                     |                      |                      |                       |                        |                       |                        |
| Loss on redemption/write off of portfolio investments | -                    | -                 | -                 | -                   | -                    | -                    | (2,273,088)           | -                      | -                     | (2,273,088)            |
| Loss from investment in subsidiaries                  | (327,181)            | -                 | -                 | -                   | (127,184)            | -                    | 1,085                 | (32,105,186)           | 1,517,342             | (31,041,124)           |
| Syndication costs                                     | -                    | -                 | -                 | -                   | -                    | -                    | -                     | (673,000)              | 673,000               | -                      |
| Total non-operating revenue/(expenses)                | <u>(327,181)</u>     | <u>-</u>          | <u>-</u>          | <u>-</u>            | <u>(127,184)</u>     | <u>-</u>             | <u>(2,272,003)</u>    | <u>(32,778,186)</u>    | <u>2,190,342</u>      | <u>(33,314,212)</u>    |
| Change in net assets                                  | <u>\$ 345,980</u>    | <u>\$ -</u>       | <u>\$ 5,767</u>   | <u>\$ 6,673</u>     | <u>\$ (339,621)</u>  | <u>\$ 704,878</u>    | <u>\$ (2,316,406)</u> | <u>\$ (34,662,243)</u> | <u>\$ 327,181</u>     | <u>\$ (35,927,791)</u> |
| Net assets at beginning of year, as restated          | \$ 19,866,241        | \$ 491,219        | \$ 549,252        | \$ -                | \$ 5,997,020         | \$ 32,201,904        | \$ 3,255,542          | \$ 240,527,974         | \$ (7,037,491)        | \$ 295,851,661         |
| Capital contributions                                 | -                    | -                 | -                 | 1,800,000           | 10,865,271           | 5,000,000            | -                     | 46,147,149             | (2,313,870)           | 61,498,550             |
| Distributions                                         | -                    | -                 | (290,000)         | -                   | -                    | (1,112,293)          | (825)                 | (4,247,029)            | 290,000               | (5,360,147)            |
| Change in net assets                                  | <u>345,980</u>       | <u>-</u>          | <u>5,767</u>      | <u>6,673</u>        | <u>(339,621)</u>     | <u>704,878</u>       | <u>(2,316,406)</u>    | <u>(34,662,243)</u>    | <u>327,181</u>        | <u>(35,927,791)</u>    |
| Net assets at end of year                             | <u>\$ 20,212,221</u> | <u>\$ 491,219</u> | <u>\$ 265,019</u> | <u>\$ 1,806,673</u> | <u>\$ 16,522,670</u> | <u>\$ 36,794,489</u> | <u>\$ 938,311</u>     | <u>\$ 247,765,851</u>  | <u>\$ (8,734,180)</u> | <u>\$ 316,062,273</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, 2017

| <i>Investor</i>      | <i>Operating Partnership</i>           | <i>Ownership %</i> | <i>Investment</i> | <i>Amount<br/>Funded</i> | <i>Outstanding<br/>Commitment</i> |
|----------------------|----------------------------------------|--------------------|-------------------|--------------------------|-----------------------------------|
| <i>NMTC Fund IV</i>  | Eustis Street MT, LLC                  | 99.99%             | \$ 265,238        | \$ 265,238               | \$ -                              |
| <i>MHEF 2001 LLC</i> | St. Botolph Assisted Living LP         | 99.99%             | 4,271,462         | 4,271,462                | -                                 |
| <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> | 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> | 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               | -                                 |
| <i>MHEF XIII LLC</i> | Irving Square Redeveloper, LLC         | 99.98%             | 2,474,512         | 2,474,512                | -                                 |
| <i>MHEF XIV LLC</i>  | Canal Bluffs Rental LP                 | 99.99%             | 4,812,020         | 4,812,020                | -                                 |
| <i>MHEF XIV LLC</i>  | Church Street School LP                | 8.35%              | 400,000           | 400,000                  | -                                 |
| <i>MHEF XIV LLC</i>  | New Lithgow Residential, LLC           | 99.99%             | 1,369,040         | 1,369,040                | -                                 |
| <i>MHEF XIV LLC</i>  | Sanford Apartments LP                  | 99.98%             | 3,861,996         | 3,861,996                | -                                 |
| <i>MHEF XIV LLC</i>  | Schoolhouse Brookledge Cummins LP      | 99.98%             | 6,248,844         | 6,248,844                | -                                 |
| <i>MHEF XIV LLC</i>  | West Barnstable Communities LP         | 99.99%             | 5,795,420         | 5,795,420                | -                                 |
| <i>MHEF XVI LLC</i>  | School House Kenilworth Williams LP    | 99.98%             | 6,459,989         | 6,459,989                | -                                 |
| <i>MHEF XVI LLC</i>  | Lebaron Phase II Rental, LLC           | 59.99%             | 4,491,191         | 4,491,191                | -                                 |
| <i>MHEF XVII LLC</i> | ACDC Fort Street, LLC                  | 99.99%             | 5,727,460         | 5,727,460                | -                                 |

**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, 2017

| <i>Investor</i> | <i>Operating Partnership</i>         | <i>Ownership %</i> | <i>Investment</i> | <i>Amount<br/>Funded</i> | <i>Outstanding<br/>Commitment</i> |
|-----------------|--------------------------------------|--------------------|-------------------|--------------------------|-----------------------------------|
| 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%             | 2,445,541         | 2,445,541                | -                                 |
| 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         | 1,390,394                | 10,180                            |
| MHEF XXI LLC    | Commonwealth Glenville, LLC          | 76.99%             | 9,506,804         | 8,743,022                | 763,782                           |
| MHEF XXI LLC    | Caritas Project Place Cortes, LLC    | 99.99%             | 3,531,352         | 3,531,352                | -                                 |
| MHEF XXI LLC    | KenQuad LP                           | 99.99%             | 4,252,852         | 4,252,852                | -                                 |
| MHEF XXI LLC    | CranCarp LP                          | 99.99%             | 3,028,645         | 3,018,645                | 10,000                            |
| 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%             | 3,115,128         | 3,115,128                | -                                 |
| MHEF XXI LLC    | Welcome Home Housing, LLC            | 99.99%             | 2,502,951         | 2,502,951                | -                                 |
| MHEF XXII LLC   | Briston Arms Preservation Assoc LP   | 99.99%             | 12,346,511        | 11,771,818               | 574,693                           |
| MHEF XXII LLC   | Port Landing Tenant, LLC             | 99.99%             | 3,795,069         | 3,795,069                | -                                 |
| MHEF XXII LLC   | MM Picker, LLC                       | 99.99%             | 13,957,577        | 6,978,788                | 6,978,789                         |
| 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         | 3,671,633                | 1,977,033                         |
| MHEF XXII LLC   | Nuestras Casas LP                    | 99.99%             | 2,435,212         | 974,085                  | 1,461,127                         |
| MHEF XXII LLC   | Live Pleasant LP                     | 99.99%             | 8,459,154         | 4,229,578                | 4,229,576                         |
| MHEF XXII LLC   | Lyman School LP                      | 99.99%             | 3,589,858         | 1,435,943                | 2,153,915                         |
| MHEF XXII LLC   | Lenox Schoolhouse LLC                | 99.99%             | 5,047,744         | 3,028,647                | 2,019,097                         |
| MHEF XXII LLC   | Coppersmith Village LP               | 75.99%             | 5,779,979         | -                        | 5,779,979                         |
| MHEF XXII LLC   | BC Quincy Tower LLC                  | 25.00%             | 4,774,182         | 1,575,480                | 3,198,702                         |
| MHEF XXIII LLC  | AKFH Renovations LLC                 |                    | 6,748,003         | 404,880                  | 6,343,123                         |
| MHEF XXIII LLC  | Walker Park                          |                    | 5,818,892         | -                        | 5,818,892                         |

**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, 2017

| <i>Investor</i>       | <i>Operating Partnership</i>              | <i>Ownership %</i> | <i>Investment</i>     | <i>Amount<br/>Funded</i> | <i>Outstanding<br/>Commitment</i> |
|-----------------------|-------------------------------------------|--------------------|-----------------------|--------------------------|-----------------------------------|
| <i>MHEF XXIII LLC</i> | BH EHT 2 LLC                              |                    | 6,270,253             | 627,025                  | 5,643,228                         |
| <i>MHEF XXIII LLC</i> | St. James Commons Apartments LP           |                    | 8,362,795             | 836,279                  | 7,526,516                         |
| <i>MHEF XXIII LLC</i> | Virginia Blanchard Memorial Housing Assoc |                    | 6,212,979             | 931,947                  | 5,281,032                         |
| <i>MHEF XXIII LLC</i> | BC Quincy Tower LLC                       |                    | 14,316,818            | 4,724,550                | 9,592,268                         |
| <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             | 5,000,000                | -                                 |
| <i>HNEF</i>           | Melnea Residences LLP                     | 68.00%             | 3,850,000             | 3,850,000                | -                                 |
| <i>HNEF</i>           | Barnat Beverly LLC                        | 90.00%             | 4,937,634             | 4,937,634                | -                                 |
| <i>Total</i>          |                                           |                    | <u>\$ 483,648,612</u> | <u>\$ 406,100,245</u>    | <u>\$ 77,548,367</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, 2016

| <i>Investor</i>      | <i>Operating Partnership</i>           | <i>Ownership %</i> | <i>Investment</i> | <i>Amount<br/>Funded</i> | <i>Outstanding<br/>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                | -                                 |
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| <i>MHEF X LLC</i>    | Plantation Apartments LP               | 99.99%             | 1,973,256         | 1,973,256                | -                                 |
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| <i>MHEF XI LLC</i>   | Brunswick Holborn Two LP               | 99.99%             | 5,890,812         | 5,890,812                | -                                 |
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**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<br/>Funded</i> | <i>Outstanding<br/>Commitment</i> |
|-----------------|----------------------------------------|--------------------|-------------------|--------------------------|-----------------------------------|
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| MHEF XIII LLC   | Fairweather Preservation Associates LP | 99.99%             | 10,105,015        | 10,105,015               | -                                 |
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| MHEF XIV LLC    | Canal Bluffs Rental LP                 | 99.99%             | 4,812,020         | 4,812,020                | -                                 |
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| 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                         |

**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<br/>Funded</i> | <i>Outstanding<br/>Commitment</i> |
|----------------------|------------------------------------|--------------------|-----------------------|--------------------------|-----------------------------------|
| <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             | 75.99%             | 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**  
Supplemental Schedules of Financial Position – MHIC Only  
December 31, 2017 and 2016

|                                                                                  | 2017                 | 2016                 |
|----------------------------------------------------------------------------------|----------------------|----------------------|
| <i>Assets:</i>                                                                   |                      |                      |
| Cash                                                                             | \$ 14,112,797        | \$ 4,788,364         |
| Investment in marketable securities                                              | 304,639              | 418,576              |
| Investment in capital stock                                                      | 22,000               | 10,500               |
| Project loans                                                                    | 4,404,764            | 7,544,348            |
| Interest receivable                                                              | 28,178               | 184,264              |
| Due from affiliates                                                              | 659,699              | 316,320              |
| Loans to affiliates                                                              | 61,226               | 731,272              |
| Investment in subsidiaries                                                       | 8,734,180            | 7,037,491            |
| Equity interest in operating partnerships                                        | 39,250               | 46,889               |
| Fees receivable - LIHTC Partnerships                                             | 1,972,336            | 2,643,591            |
| Fees receivable - NMTC CDEs'                                                     | 146,572              | 324,951              |
| Amounts receivable and other assets                                              | 934,658              | 876,049              |
| Furniture, equipment and leasehold improvements, net of accumulated depreciation | 348,372              | 30,799               |
| Total assets                                                                     | <u>\$ 31,768,671</u> | <u>\$ 24,953,414</u> |
| <i>Liabilities and Net Assets:</i>                                               |                      |                      |
| <i>Liabilities:</i>                                                              |                      |                      |
| Notes payable                                                                    | \$ 5,600,000         | \$ 2,000,000         |
| Due to affiliates                                                                | 34,285               | 27,983               |
| Unearned fees                                                                    | 2,214,861            | 1,419,275            |
| Deferred grant revenue                                                           | 1,563,774            | -                    |
| Accrued expenses and other liabilities                                           | 2,143,530            | 1,639,915            |
| Total liabilities                                                                | <u>11,556,450</u>    | <u>5,087,173</u>     |
| <i>Net assets:</i>                                                               |                      |                      |
| Unrestricted:                                                                    |                      |                      |
| Undesignated                                                                     | 19,662,221           | 19,141,412           |
| Designated                                                                       | 500,000              | 500,000              |
| Temporarily restricted                                                           | 50,000               | 224,829              |
| Total net assets                                                                 | <u>20,212,221</u>    | <u>19,866,241</u>    |
| Total liabilities and net assets                                                 | <u>\$ 31,768,671</u> | <u>\$ 24,953,414</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, 2017 and 2016

|                                           | <i>2017</i>                 | <i>2016</i>                 |
|-------------------------------------------|-----------------------------|-----------------------------|
| <i>Operating Revenue and Support</i>      |                             |                             |
| Interest on deposits                      | \$ 26,436                   | \$ 31,200                   |
| Interest on project loans                 | 349,248                     | 311,458                     |
| Unrealized loss on investments            | (10,938)                    | (5,385)                     |
| Loan program revenue                      | 716,143                     | 784,367                     |
| NMTC program revenue                      | 3,773,374                   | 2,968,979                   |
| LIHTC program revenue                     | 4,524,305                   | 3,444,061                   |
| Other program revenue                     | 558,633                     | 305,206                     |
| Grant revenue                             | <u>1,486,226</u>            | <u>877,464</u>              |
| Total operating revenue and support       | <u>11,423,427</u>           | <u>8,717,350</u>            |
| <i>Operating Expenses</i>                 |                             |                             |
| Salaries and employee benefits            | 6,522,247                   | 6,036,280                   |
| Occupancy, equipment and furniture        | 371,065                     | 297,390                     |
| Professional services                     | 959,528                     | 799,411                     |
| Depreciation and amortization             | 29,098                      | 20,553                      |
| Grant expenses                            | 2,075,860                   | 63,843                      |
| Other expenses                            | <u>792,468</u>              | <u>434,330</u>              |
| Total operating expenses                  | <u>10,750,266</u>           | <u>7,651,807</u>            |
| <i>Non - Operating Revenue/(Expenses)</i> |                             |                             |
| Loss from investment in subsidiaries      | <u>(327,181)</u>            | <u>(90,811)</u>             |
| Total non-operating revenue/(expenses)    | <u>(327,181)</u>            | <u>(90,811)</u>             |
| Change in net assets                      | <u><u>\$ 345,980</u></u>    | <u><u>\$ 974,732</u></u>    |
| Net assets at beginning of year           | \$ 19,866,241               | \$ 18,891,509               |
| Change in net assets                      | <u>345,980</u>              | <u>974,732</u>              |
| Net assets at end of year                 | <u><u>\$ 20,212,221</u></u> | <u><u>\$ 19,866,241</u></u> |