BLUEHUB LOAN FUND, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

BLUEHUB LOAN FUND, INC. AND AFFILIATE

Contents
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
BlueHub Loan Fund, Inc. and Affiliate:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BlueHub Loan Fund, Inc. (a Massachusetts corporation, not for profit) (the Loan Fund) and Affiliate which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BlueHub Loan Fund, Inc. and Affiliate as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 2 to the consolidated financial statements, during 2019, the Loan Fund and Affiliate changed the manner in which it presents restricted cash as a result of the adoption of Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*.

As disclosed in Note 2 to the consolidated financial statements, during 2019, the Loan Fund and Affiliate also adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

As explained in Note 1 to the consolidated financial statements, the Loan Fund and Affiliate are part of an affiliated group of companies and have entered into transactions with certain group members. As required under accounting principles generally accepted in the United States of America, the consolidated financial statements of the Loan Fund and Affiliate are also consolidated with those of the affiliated group.

Our opinion on the consolidated financial statements was not modified with respect to these matters.

AAFCPAs, Inc.

Boston, Massachusetts
April 3, 2020

BLUEHUB LOAN FUND, INC. AND AFFILIATE

Consolidated Statements of Financial Position
December 31, 2019 and 2018

Assets	**2019**	**2018**
Current Assets:		
Cash and cash equivalents	$ 31,609,606	$ 20,641,096
Marketable securities	-	461,773
Escrow funds and other	1,066,742	3,471,687
Current portion of loans and interest receivable, net of allowance for loan losses of $1,223,687 and $386,801 as of December 31, 2019 and 2018, respectively	48,782,800	35,800,098
Current portion of affiliate loans receivable	5,000,000	-
Total current assets	86,459,148	60,374,654
Restricted Cash	8,041,822	8,024,674
Loans Receivable, net of current portion and allowance for loan losses of $1,589,547 and $2,426,433 as of December 31, 2019 and 2018, respectively	156,939,920	133,768,061
Affiliate Loans Receivable, net of current portion	3,715,314	14,380,286
Total assets	$ 255,156,204	$ 216,547,675
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	$ 7,482,992	$ 6,735,751
Current portion of permanent loan capital - subordinated loans payable	81,606	4,517,162
Accounts payable	159,385	100,800
Accrued interest	310,095	352,245
Due to affiliate	292,772	261,278
Escrow funds and other	1,066,742	3,471,687
Conditional advances	3,095,000	3,313,000
Total current liabilities	12,488,592	18,751,923
Loans Payable, net of current portion	147,590,746	114,401,191
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	23,772,889	22,854,495
Total liabilities	183,852,227	156,007,609
Net Assets:		
Without donor restrictions:		
General	40,953,870	36,225,963
Board designated for permanent loan capital and special programs	1,132,500	1,132,500
Board designated for loan loss reserves	10,133,797	8,168,792
Total without donor restrictions	52,220,167	45,527,255
With donor restrictions:		
Revolving loan capital	19,063,810	14,012,811
Other financial assistance	20,000	1,000,000
Total with donor restrictions	19,083,810	15,012,811
Total net assets	71,303,977	60,540,066
Total liabilities and net assets	$ 255,156,204	$ 216,547,675

BLUEHUB LOAN FUND, INC. AND AFFILIATE

Consolidated Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Operating revenues:		
Financial and earned revenues:		
Interest on loans, net	$ 11,703,442	$ 9,057,030
Loan fees and other	897,558	1,037,330
Less - interest expense	(5,162,760)	(3,188,350)
Net financial and earned revenues	7,438,240	6,906,010
Operating expenses:		
Personnel	3,419,275	2,473,354
Office operations	375,537	338,558
Consultants	210,487	281,177
Professional fees	124,681	90,622
Marketing	120,600	124,139
Other	119,748	88,795
Total operating expenses	4,370,328	3,396,645
Changes in net assets without donor restrictions from operations	3,067,912	3,509,365
Other changes in net assets without donor restrictions:		
Grants for loan capital	2,625,000	1,507,505
Net assets released from restrictions for loan capital	1,000,000	-
Changes in net assets without donor restrictions	6,692,912	5,016,870
Net Assets With Donor Restrictions:		
Grants and contributions	5,038,000	3,692,000
Interest income	32,999	37,060
Net assets released from restrictions	(1,000,000)	-
Changes in net assets with donor restrictions	4,070,999	3,729,060
Changes in net assets	$ 10,763,911	$ 8,745,930

BLUEHUB LOAN FUND, INC. AND AFFILIATE

Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	Without Donor Restrictions	Without Donor Restrictions Board Designated		With Donor Restrictions		
	General	Permanent Loan Capital and Special Programs	Loan Loss Reserves	Revolving Loan Capital	Other Financial Assistance	Total
Net Assets, December 31, 2017	$ 33,924,605	$ 1,132,500	$ 5,453,280	$ 11,283,751	$ -	$ 51,794,136
Changes in net assets	5,016,870	-	-	2,729,060	1,000,000	8,745,930
Transfers of net assets without donor restrictions	(2,715,512)	-	2,715,512	-	-	-
Net Assets, December 31, 2018	36,225,963	1,132,500	8,168,792	14,012,811	1,000,000	60,540,066
Changes in net assets	6,692,912	-	-	5,050,999	(980,000)	10,763,911
Transfers of net assets without donor restrictions	(1,965,005)	-	1,965,005	-	-	-
Net Assets, December 31, 2019	$ 40,953,870	$ 1,132,500	$ 10,133,797	$ 19,063,810	$ 20,000	$ 71,303,977

The accompanying notes are an integral part of these consolidated statements.

BLUEHUB LOAN FUND, INC. AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Changes in net assets	$ 10,763,911	$ 8,745,930
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Grants for loan capital, credit enhancement and investment uses	(7,663,000)	(5,199,505)
Interest - amortization	31,175	21,004
Changes in operating assets and liabilities:		
Interest receivable	(297,459)	(795,563)
Accounts payable	58,585	(403,894)
Accrued interest	(42,150)	(47,748)
Due to affiliate	31,494	5,692
Deferred loan fees	(35,236)	148,366
Net cash provided by operating activities	2,847,320	2,474,282
Cash Flows from Investing Activities:		
Principal payments of affiliate loans receivable	5,664,972	2,379,898
Issuance of loans receivable	(72,137,864)	(76,374,493)
Principal payments of loans receivable	36,315,998	26,411,323
Redemption (purchase) of marketable securities	461,773	(451,444)
Escrow funds and other	(2,404,945)	2,268,097
Net cash used in investing activities	(32,100,066)	(45,766,619)
Cash Flows from Financing Activities:		
Grants for loan capital, credit enhancement and investment uses	7,663,000	5,199,505
Proceeds from loans payable	46,243,100	40,952,184
Principal payments on loans payable	(12,196,996)	(6,908,204)
Proceeds from subordinated loans payable	1,000,000	2,000,000
Principal payments of subordinated loans payable	(4,517,162)	(105,041)
Conditional advances	(218,000)	1,208,000
Cash paid for debt issuance costs	(140,483)	(35,540)
Net cash provided by financing activities	37,833,459	42,310,904
Net Change in Cash, Cash Equivalents and Restricted Cash	8,580,713	(981,433)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	32,137,457	33,118,890
End of year	$ 40,718,170	$ 32,137,457
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	$ 31,609,606	$ 20,641,096
Restricted cash	8,041,822	8,024,674
Escrow funds and other	1,066,742	3,471,687
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 40,718,170	$ 32,137,457
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 5,173,735	$ 3,215,094

1. OPERATIONS

BlueHub Loan Fund, Inc. (the Loan Fund), a Massachusetts nonprofit corporation, was organized in December 1984, to provide below market rate capital to community-based organizations for the development of affordable housing. During 2011, BCC REO LLC (BCC REO), a Massachusetts limited liability company, was formed to hold real and personal property. The Loan Fund is the sole member of BCC REO and its activities are included in these consolidated financial statements. BCC REO had no activity during 2019 and 2018.

In 1994, the Loan Fund's Board of Directors voted to expand its corporate purposes to include broader community development lending, which directly or indirectly benefits low-income or disadvantaged people or communities. The Loan Fund formed three affiliated Massachusetts nonprofit corporations:

- **BlueHub Capital, Inc.** (the Holding Company) creates and preserves healthy communities where low-income people live and work.
- **BCLF Managed Assets Corporation d/b/a BlueHub Managed Assets** (Managed Assets) manages, designs, implements, and evaluates programs on behalf of third parties that provide loan underwriting, management, servicing, and financial and managerial technical assistance services.
- **BCLF Ventures, Inc. d/b/a BlueHub Venture Fund** (the Venture Fund) assists small community-based businesses and entrepreneurs in starting, growing, and expanding businesses which strengthen the low-income business community.

The Loan Fund and the three affiliated nonprofit corporations operate cooperatively and are collectively referred to as the Corporation within these notes. To carry out its mission, the Corporation provides capital for sustainable community-based projects. These projects increase or preserve low-income housing or provide jobs or services for low-income or disadvantaged people or communities. The Corporation receives the money it invests in community-based projects from socially concerned investors, which include individuals, religious organizations, banks, and other financial intermediaries, foundations, and corporations. A significant portion of the Corporation's projects are in New England and the Mid-Atlantic states. Because the affiliated nonprofit corporations are controlled by a common Board of Directors and management, the affiliated nonprofits and other controlled affiliates report their collective financial results and financial position in separately issued consolidated financial statements.

The four affiliated nonprofits also maintain interests in other affiliates, including the following entities with which the Loan Fund conducts substantive business:

- **SUN Initiative Financing, LLC** (SUN Financing), a Massachusetts limited liability company, established to finance the operations of the Stabilizing Urban Neighborhoods Initiative (SUN Initiative). SUN Financing is controlled by the Holding Company by virtue of common management. The goal of SUN Initiative is to stop the displacement of families and the neighborhood destabilizing effects of home vacancies and abandonment by enabling homeowners with overleveraged properties to stay in their homes.
- **BCC Solar Energy Advantage, Inc.** (SEA), a Massachusetts for-profit corporation, owned and controlled by the Holding Company, facilitates the delivery of solar energy to affordable housing projects and others.
- **BCC Solar USB Investment Fund, LLC** (the USB Investment Fund), a Missouri limited liability company, was formed in October 2013 for the purpose of making a qualified equity investment in BCC NMTC CDE XVI, LLC (CDE XVI). This entity is owned by a third-party investor, but is controlled by an affiliate of Holding Company as a non-member manager. This entity is part of a leveraged new markets tax credit structure to finance certain solar energy projects.

1. **OPERATIONS** (Continued)

The Loan Fund entered into loan agreements with some of these affiliates (see Note 3). The Loan Fund also owes the Holding Company $292,772 and $261,278 as of December 31, 2019 and 2018, respectively, for costs that are shared amongst the affiliate. These amounts are reflected as due to affiliate in the accompanying consolidated statements of financial position.

Nonprofit Status

The Loan Fund is exempt from Federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Code. The Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Loan Fund within the requirements of the Code. BCC REO has elected to be treated as a disregarded entity of the Loan Fund for tax purposes.

Community Development Financial Institution

The Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. The Loan Fund has received a permanent loan capital - subordinated loans payable from the Treasury (see Note 6) which was repaid in 2019. During 2019 and 2018, the Loan Fund received Capital Magnet Fund awards (see Note 2) of $4,800,000 and $3,900,000, respectively. The Loan Fund also received $1,500,000 and $2,507,505 of Healthy Foods Financing Initiative awards in 2019 and 2018, respectively.

In connection with the assistance received from the Treasury, the Loan Fund is generally required to adhere to specific performance goals and requirements as outlined in each agreement with the Treasury and affordability requirements of the Capital Magnet funds. Failure to adhere to these requirements may result in discontinued Federal assistance from the Treasury, repayment of Federal assistance received, and ineligibility to receive future funding.

2. **SIGNIFICANT ACCOUNTING POLICIES**

The Loan Fund prepares its consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

The Loan Fund adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies during 2019. The core principal of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on the Loan Fund's consolidated financial statements as the Loan Fund's primary source of revenue is loan interest and related income, which is not subject to this accounting standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

During 2019, the Loan Fund adopted FASB's Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Loan Fund adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, the 2018 consolidated financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

In 2019, the Loan Fund adopted FASB's ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

The adoption of ASU 2016-18 resulted in the following changes to the Loan Fund's cash flow classification for the year ended December 31, 2018:

Consolidated Statement of Cash Flows	2018 As Previously Reported	Effect of Adoption	2018 As Adjusted
Operating activities	$ 2,474,282	$ -	$ 2,474,282
Investing activities	(48,056,102)	2,289,483	(45,766,619)
Financing activities	42,310,904	-	42,310,904
Net change in cash, cash equivalents and restricted cash	$ (3,270,916)	$ 2,289,483	$ (981,433)

Principles of Consolidation

The consolidated financial statements include the accounts of the Loan Fund and BCC REO (see Note 1). All intercompany transactions, if any, have been eliminated in the accompanying consolidated financial statements.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The Loan Fund follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Loan Fund would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Loan Fund uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Loan Fund. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents and Concentration of Risk

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of deposits and other highly liquid investments purchased with a maturity of three months or less, and certain restricted depository accounts held in connection with the credit enhancement agreements (see Note 7).

Cash and cash equivalents are maintained in Massachusetts banks and are insured within limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with the Loan Fund's balances, to minimize potential risk.

Marketable Securities

Marketable securities are comprised of an investment in a money market mutual fund. Marketable securities are reported at fair value using Level 1 inputs (see above).

Escrow Funds and Other

The Loan Fund held cash balances of $1,066,742 and $1,344,925 in escrow for outside parties as of December 31, 2019 and 2018, respectively. These amounts are escrowed for the Loan Fund's borrowers for various purposes, including working capital reserves, replacement reserves, and construction fund escrows.

The Loan Fund also held a cash balance of $2,126,762 as of December 31, 2018, related to a donation of tax credits received from a project's sponsor, which the Loan Fund sold to an investor. The Loan Fund made a loan to the project's owner from the proceeds in 2019 under its special tax-credit lending program (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Escrow Funds and Other (Continued)

Escrow funds and fund held for others were as follows at December 31:

	2019	2018
Escrow funds	$ 1,066,742	$ 1,344,925
Fund held for others	-	2,126,762
	$ 1,066,742	$ 3,471,687

Restricted Cash and Credit Enhancement

Using the proceeds of a grant received in 2017 from the U.S. Department of Education (see page 11), the Loan Fund enters into credit enhancement agreements with charter schools and third-party lenders to act as the guarantor of loans to charter schools (see Note 7). Under the terms of the agreements, the Loan Fund deposits amounts into credit enhancement reserves held by the Loan Fund for the benefit of the lenders as collateral for the charter schools' loans. The agreements are in effect until the earlier of the maturity or early pay-off of the loans. If the charter schools default on the loans, the lenders are entitled to the collateral to the extent of the default, not to exceed the designated credit enhancement reserve. All remaining collateral deposits and accrued income will be deposited back to the grant reserve funds at the expiration of the agreements and are then available for subsequent use in new credit enhancement transactions on a revolving basis. For accounting purposes, the Loan Fund accrues for losses against the credit enhancement reserves when losses are deemed probable. There were no losses incurred during 2019 or 2018.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of unamortized deferred loan origination fees and an allowance for loan losses (see Notes 3 and 4). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses (see Note 4) is established through a provision for loan losses, which is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

U.S. GAAP requires nonprofit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Note 5. Interest rates on loans receivable are disclosed in Note 3. The Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional Advances

The Loan Fund records the amount of proceeds of certain Federal award programs, which it has not committed to qualifying projects, as conditional advances as mandated by the grant agreements (see page 13). During 2019 and 2018, the Loan Fund received Federal grants totaling $4,800,000 and $3,900,000, respectively. Due to timing of the awards, $3,095,000 and $3,313,000 of the funds were not yet committed to qualifying projects as of December 31, 2019 and 2018, respectively, and are reported as conditional advances in the consolidated statements of financial position. During 2019, the Loan Fund committed $3,313,000 that was remaining as of December 31, 2018, to qualifying projects, which is included in grants and contributions in the 2019 consolidated statement of activities. The conditional advances as of December 31, 2019, are expected to be deployed or committed for qualifying projects in future periods.

Net Assets

Net Assets Without Donor Restrictions include those net resources of the Loan Fund that bear no external restrictions. These include the Loan Fund's general net assets and net assets designated by the Board of Directors for permanent loan capital (see below), special programs and loan loss reserves. The Loan Fund's Board of Directors' designated $1,000,000 of net assets without donor restrictions, the proceeds of two grant awards from the Treasury (see Note 1), as permanent loan capital. The Loan Fund's Board of Directors also designated $132,500 of net assets without donor restrictions to Board designated net assets for special programs.

Board designated net assets for loan loss reserves consist of amounts deemed available in the event of loan losses to provide a source of liquidity to meet financing and other obligations related to lending activities (see Note 4).

The Board of Directors of the Corporation may also authorize transfers of the general net assets without donor restrictions among the related affiliates, including the Loan Fund (see Note 1). There were no such transfers during 2019 and 2018.

Net Assets With Donor Restrictions are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Net assets with donor restrictions are restricted for the following as of December 31:

	2019	2018
Revolving Loan Capital:		
ED Credit Enhancement	$ 8,039,470	$ 8,024,674
CDFI Capital Magnet	10,141,019	5,104,816
Permanent loan capital	883,321	883,321
Subtotal revolving loan capital	19,063,810	14,012,811
Other Financial Assistance	20,000	1,000,000
	$ 19,083,810	$ 15,012,811

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Revolving loan capital represents awards from the Department of Education for credit enhancement (see Note 7), CDFI Capital Magnet awards (see Note 1), and other permanent loan capital from donors (see below). The ED credit enhancement grant is used to provide credit enhancement in the form of securable collateral in connection with the financing of charter school facilities (see page 10 and Note 7). The Capital Magnet awards are used to make loans to qualified projects. Each of these grants requires that the proceeds be revolved for recurring use during the term of the respective agreements. Accordingly, the expended grant proceeds plus applicable donor-designated accumulations remain in net assets with donor restrictions until depleted by losses or until the agreements expire. The ED credit enhancement grant expires in September 2040 and the Capital Magnet awards expire on various dates through March 2024.

Permanent loan capital is the term the Loan Fund uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meet debt covenants and provide for potential loan losses. The Loan Fund has three categories of permanent loan capital: net assets with donor restrictions, designated by the Board of Directors (see above), and subordinated loans payable (see Note 6). No outside donor has imposed an obligation on the Loan Fund to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses. Accordingly, donor-restricted permanent loan capital awards have been classified as net assets with donor restrictions in the accompanying consolidated statements of financial position.

Other financial assistance as of December 31, 2018, represents unexpended awards from the Treasury (see Note 1) for the Healthy Foods Financing Initiative, which aims to provide low-income neighborhoods with access to affordable and healthy foods. Other financial assistance as of December 31, 2019, represents a restricted contribution for Building Pathways, which provides a gateway for low-income area residents, particularly in underserved communities, to access family-sustaining careers in the construction industry.

Consolidated Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities. Non-operating revenue (expenses) include loan capital transactions.

Revenue Recognition

Financial and earned revenues are generally recognized as revenue without donor restrictions as earned on an accrual basis. Interest income related to certain restricted revolving capital grants (see above) is restricted for use in qualified activities and is accordingly reported as net assets with donor restrictions.

The Loan Fund amortizes loan origination fees over the terms of long-term loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying consolidated statements of financial position (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and contributions may be conditional or unconditional. A grant or contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional grants and contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Loan Fund fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as conditional advances (see page 11).

Grants and contributions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are transferred to net assets without donor restrictions as costs related to purpose restrictions are incurred or time restrictions have lapsed.

All other revenue is recorded when earned.

Expense Allocation

The affiliated companies comprising the Corporation (see Note 1) share various common expenses, including management salaries, benefits, and facility expenses. The accompanying consolidated financial statements include the share of these expenses allocable to the Loan Fund.

Expenses related directly to the Loan Fund's lending program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to different functions. The consolidated financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and office operations, which are allocated based on an estimate of time and level of effort spent on the Loan Fund's program and supporting administrative and fundraising functions.

The Loan Fund's operating expenses for the years ended December 31, 2019 and 2018, by their natural and functional classifications, are as follows:

	2019			
	Program	General and Administration	Fund-raising	Total
Personnel	$ 2,944,557	$ 420,718	$ 54,000	$ 3,419,275
Office operations	51,708	323,829	-	375,537
Consultants	90,936	119,551	-	210,487
Professional fees	65,569	59,112	-	124,681
Marketing	-	-	120,600	120,600
Other	82,270	37,478	-	119,748
Subtotal operating	3,235,040	960,688	174,600	4,370,328
Interest expense	5,162,760	-	-	5,162,760
Total	$ 8,397,800	$ 960,688	$ 174,600	$ 9,533,088

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

	2018			
	Program	General and Administration	Fund-raising	Total
Personnel	$ 2,132,801	$ 298,214	$ 42,339	$ 2,473,354
Office operations	49,799	288,759	-	338,558
Consultants	187,916	93,261	-	281,177
Professional fees	59,997	30,625	-	90,622
Marketing	-	-	124,139	124,139
Other	59,180	29,615	-	88,795
Subtotal operating	2,489,693	740,474	166,478	3,396,645
Interest expense	3,188,350	-	-	3,188,350
Total	$ 5,678,043	$ 740,474	$ 166,478	$ 6,584,995

Income Taxes

The Loan Fund accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Loan Fund has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2019 and 2018. The Loan Fund's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 3, 2020, which is the date the consolidated financial statements were available to be issued. The events disclosed in Notes 10 and 11 met the criteria for recognition or disclosure in the consolidated financial statements.

3. LOANS AND INTEREST RECEIVABLE

Portfolio Lending

The Loan Fund offers a variety of loan products of both short and long-term maturity. The Loan Fund offers term loans, as well as revolving and non-revolving lines of credit, for the following purposes:

Construction: for construction or rehabilitation of residential (single-family and multi-family) and commercial properties.

Organizational: for organizational capacity building, recapitalization and/or providing operating capital.

Permanent: for long-term financing for newly constructed or rehabilitated or existing multi-family housing, community facilities or commercial real estate.

Predevelopment: for financing the upfront cost of real estate development projects prior to construction, such as for permitting, design and due diligence.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

Site acquisition: for acquisition of property for development, whether for commercial or housing developments.

Loans receivable bear interest at rates ranging from zero to eight percent (0% - 8%) and mature at various dates through 2042. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities. Loans receivable are generally made in connection with affordable housing and community development projects and are primarily collateralized by first or second mortgages on the property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender, or other forms of collateral.

Loans receivable of the Loan Fund are presented net of third-party loan participations of $29,883,640 and $24,240,176 as of December 31, 2019 and 2018, respectively. All loan participations qualify as loan sales in accordance with ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Interest on loans is presented net of interest of $1,519,372 and $1,137,950 collected on behalf of and paid to loan participants in 2019 and 2018, respectively.

The Loan Fund's loans and interest receivable were as follows at December 31:

	2019		2018	
Type	**Number of Loans**	**Net Loan Amount**	**Number of Loans**	**Net Loan Amount**
Construction	59	$ 100,655,316	50	$ 89,550,337
Organizational	10	4,863,026	10	4,923,945
Permanent	57	55,559,533	60	56,136,563
Predevelopment	7	4,525,393	2	704,146
Site acquisition	28	41,138,957	23	19,605,368
	161	206,742,225	145	170,920,359
Interest receivable on loans		2,395,948		2,098,489
		$ 209,138,173		$ 173,018,848

The majority of the Loan Fund's loans receivable is secured by real estate holdings in the New England and the Mid-Atlantic states (see page 17) and could be affected by adverse real estate markets and other economic factors in the region. Certain loans receivable from charter schools are also secured by $5,504,225 and $3,418,769 of the Loan Fund's restricted cash dedicated to credit enhancement activities (see Note 7) as of December 31, 2019 and 2018, respectively.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

Future minimum payments of principal (and accrued interest at December 31, 2019) for years ending after December 31, 2019, are as follows:

2020 (including $2,395,948 of accrued interest)	$ 50,006,487
2021	34,441,333
2022	19,936,848
2023	12,842,044
2024	15,186,512
Thereafter	76,724,949
	209,138,173
Adjustment for deferred loan fees (see Note 2)	(602,219)
Less - allowance for loan losses (see Note 4)	(2,813,234)
Net loans and interest receivable	205,721,720
Less - current portion	(48,782,800)
Net long-term portion	$ 156,939,920

Loans and interest receivable are as follows as of December 31, 2018:

Gross loans and interest receivable	$ 173,018,848
Adjustment for deferred loan fees (see Note 2)	(637,455)
Less - allowance for loan losses (see Note 4)	(2,813,234)
Net loans and interest receivable	169,568,159
Less - current portion (including $2,098,489 of accrued interest)	(35,800,098)
Net long-term portion	$ 133,768,061

The following is an aging analysis of the Loan Fund's past due portion of loan principal at December 31:

	2019	2018
60 - 89 days	$ 2,500	$ 2,500
Greater than 90 days	36,000	22,500
Total past due	38,500	25,000
Current	206,703,725	170,895,359
	$ 206,742,225	$ 170,920,359

Commitments to Lend

The Loan Fund had committed $56,149,353 and $63,962,218 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2019 and 2018, respectively. Among the tools available to manage liquidity (see Note 8) are lines of credit with financial institutions (see Note 5), proceeds of a public debt offering (see Note 10), as well as the potential to initiate loan sales and loan participation agreements with lending partners.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Concentrations

The Loan Fund's loans receivable are subject to the economic conditions present in both the industry and the geographic region in which the funds have been deployed. Any economic disruptions experienced by the underlying borrower could potentially have an adverse effect on the Loan Fund's financial operations.

Below is a breakout of the Loan Fund's portfolio by asset class as of December 31:

Asset Class	2019	2018
Housing	$ 76,957,349	$ 54,787,745
Education	61,404,653	54,471,053
Commercial/Manufacturing	30,009,834	26,144,223
Healthcare	20,101,067	21,256,422
Other	9,948,148	8,157,684
Healthy Food	8,321,174	6,103,232
Total	$ 206,742,225	$ 170,920,359

Below is a breakout of the Loan Fund's portfolio by geographical location as of December 31:

Location	2019	2018
Massachusetts	$ 39,684,040	$ 52,948,312
Connecticut	32,486,402	19,845,134
New York	29,598,466	20,886,241
New Jersey	19,279,353	18,291,420
California	18,678,097	2,314,371
Tennessee	16,079,276	6,763,288
Rhode Island	14,368,404	23,869,847
Other	10,089,718	6,636,959
Pennsylvania	8,590,795	10,562,624
Delaware	6,959,452	6,229,449
Illinois	6,705,278	-
Maryland	2,291,464	2,572,714
District of Columbia	1,931,480	-
Total	$ 206,742,225	$ 170,920,359

Loan Portfolio Quality and Leverage

Below is analysis of the Loan Fund's portfolio quality and leverage as of December 31:

	2019	2018
90-day Delinquency Rate	0.1%	0.4%
Principal Balance of 90-day Delinquent Loans	$ 303,985	$ 740,653
Credit Impaired Assets (TDR) (see Note 4)	1.28%	1.62%
Credit Impaired Principal Balance	$2,647,621	$2,770,635
Annual Loan Write-offs/Loans Outstanding	0.00%	0.00%
Cumulative Net Loss Ratio	0.29%	0.32%
Loan Loss Reserves/Loans Outstanding (including Affiliate Loans)	6.01%	5.93%

3. LOANS AND INTEREST RECEIVABLE (Continued)

Guarantee Agreement

The Loan Fund also has a non-expiring loan guarantee agreement with the United States Department of Agriculture. The guarantee is intended to strengthen the Loan Fund's ability to finance loans to businesses in rural areas and thus stimulate economic growth in these areas. As of December 31, 2019 and 2018, there was an original guarantee of $4,600,000 for one loan receivable under this agreement. This loan is set to mature on September 1, 2042. As of December 31, 2019, the principal balance of this loan was $4,101,393, of which $3,896,307 was participated out to a third party. As of December 31, 2018, the principal balance of this loan was $4,170,388, of which $3,961,852 has been participated out to a third party.

Special Tax-Credit Lending

As of December 31, 2019 and 2018, the Loan Fund has entered into 113 and 105 arrangements, respectively, to act as the nonprofit intermediary to improve the economic value of Massachusetts historic and state low-income tax credits of qualifying projects in Massachusetts. The Loan Fund received a donation of tax credits from each project's sponsor and made loans to the respective project entity from the proceeds of the Loan Fund's resale of the credits to outside investors. The loans have interest rates ranging from 0% to 4.25%, which the Loan Fund will receive on the maturity dates through July 2072. As part of each arrangement, the Loan Fund receives fees up to .05% of the total loan, not to be less than $15,000. These fees are included in loan fees and other in the accompanying consolidated statements of activities and totaled $90,221 and $246,664 for 2019 and 2018, respectively.

Total outstanding principal balances are $488,573,218 and $464,701,149 as of December 31, 2019 and 2018, respectively. These loans have specific restrictions surrounding their use, and due to their long-term deferred nature and likelihood of collectability, the notes are substantially reserved at December 31, 2019 and 2018. The provision associated with these allowances is netted with the value of the tax credit donations in the accompanying consolidated financial statements. Interest earned on these loans was fully reserved for the year ended December 31, 2019. Interest earned on these loans totaled $156,126 for the year ended December 31, 2018. As of December 31, 2019 and 2018, there was outstanding interest receivable on these loans of $482,806 and $419,353, respectively, which has been substantially reserved in the accompanying consolidated financial statements.

Affiliate Loans Receivable

SUN Financing

The Loan Fund entered into a Note Purchase Agreement and an initial unsecured note under this agreement with SUN Financing (see Note 1). Under this note, the Loan Fund made advances to SUN Financing in the aggregate principal amount of $10,000,000. Funds advanced are used to acquire and refinance homes at risk of foreclosure. This intercompany loan bears interest at 4.3% per annum and interest is due quarterly. Interest paid to the Loan Fund was $269,167 and $430,903 for 2019 and 2018, respectively. As of December 31, 2019 and 2018, principal outstanding under this agreement totaled $5,000,000 and $10,000,000, respectively. All remaining unpaid principal and interest are due on the maturity date of December 31, 2020.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans Receivable (Continued)

SEA

The Loan Fund loaned $3,000,000 of the proceeds of permanent loan capital - subordinated loans payable to SEA (see Note 6) to finance a portion of certain assets of SEA. The entire principal is outstanding at December 31, 2019 and 2018. This intercompany loan bears interest at 3%, payable quarterly, is unsecured, and matures in September 2029. Interest on these borrowings totaled $90,000 in 2019 and 2018.

Investment Fund/SEA

The Loan Fund entered into a leverage loan agreement with BCC 481 NMTC Investment Fund, LLC (the Investment Fund) in the amount of $1,472,876, which was used in the finance of solar panel installations within a new markets tax credit financing structure. Interest on this note accrues at 6%. On October 31st of each year, all accrued interest and unpaid principal, to the extent of cash flow as outlined in the agreement, are due. All remaining unpaid principal and interest are due on the maturity date of March 23, 2021. During 2019 and 2018, payments of principal were $204,550 and $209,854, respectively. During 2018, SEA assumed the outstanding balance of the loan payable. As of December 31, 2019 and 2018, the outstanding balance of the loan was $164,939 and $369,489, respectively. Total interest was $15,817 and $32,924 for 2019 and 2018, respectively. There was no unpaid interest as of December 31, 2019 and 2018.

USB Investment Fund

During 2013, the Loan Fund entered into a leverage loan with the USB Investment Fund (see Note 1) in the amount of $5,224,207, which was used in the financing of solar panel installations within a new markets tax credit financing structure. Interest on this note accrues at 6% per annum, compounded annually. Beginning on December 31, 2013, and thereafter at each succeeding year, all accrued interest and unpaid principal, to the extent of net cash flow as outlined in the agreement, are due and payable. All remaining principal and interest are due on the maturity date of November 6, 2023. This loan may be prepaid without penalty. During 2019 and 2018, USB Investment Fund made payments of principal of $460,422 and $520,044, respectively. Total interest incurred was $48,578 and $79,267 for 2019 and 2018, respectively. There was no unpaid interest as of December 31, 2019 and 2018. As of December 31, 2019 and 2018, the principal outstanding under this agreement was $550,375 and $1,010,797, respectively.

Stated maturities of all affiliate loans receivable, not including net cash flow payments payable from SEA or USB Investment Fund, as of December 31, 2019, are as follows:

Year	SEA	USB Investment Fund	SUN Financing	Total
2020	$ -	$ -	$ 5,000,000	$ 5,000,000
2021	164,939	-	-	164,939
2022	-	-	-	-
2023	-	550,375	-	550,375
2024	-	-	-	-
Thereafter	3,000,000	-	-	3,000,000
Total	$ 3,164,939	$ 550,375	$ 5,000,000	$ 8,715,314

No allowance for loan losses has been recorded on any of the affiliate loan balances.

4. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES

Loan loss reserves is the term used by the Loan Fund and certain significant investors to refer to the balance of loan loss allowances plus net assets without donor restrictions which have been designated by the Board of Directors as a hedge against potential loan losses. Covenants with certain significant investors require the Loan Fund to maintain loan loss reserves equal to at least 5% of loans receivable of the Loan Fund.

The Loan Fund's loan loss reserves consist of the following as of December 31:

	2019	2018
Allowance for loan losses (see below and Note 2)	$ 2,813,234	$ 2,813,234
Board designated net assets for general loan loss reserves (see Note 2)	10,133,797	8,168,792
	$ 12,947,031	$ 10,982,026

An allowance for loan losses is an estimate of expected loan losses expressed as a reduction of the carrying value of loans receivable (see Note 3). The loan loss allowance is based on expected losses as determined under the Loan Fund's risk rating system (see page 21). In addition, the Loan Fund's Board of Directors designates net assets without donor restrictions for loan loss reserves so that the sum of the loan loss allowance and Board designated general loan loss reserves equals at least 5% of total loans receivable of the Loan Fund.

The allowance for loan losses consists of the following at December 31:

2019	Construction	Organi-zational	Permanent	Pre-development	Site Acquisition	Total
Allowance for loan losses, December 31, 2018	$ 229,799	$ 2,755	$ 1,898,134	$ 414,970	$ 267,576	$ 2,813,234
Provision	190,327	5,633	104,704	-	(114,000)	186,664
Recoveries	-	-	(186,664)	-	-	(186,664)
Allowance for loan losses, December 31, 2019	$ 420,126	$ 8,388	$ 1,816,174	$ 414,970	$ 153,576	$ 2,813,234
Ending balance:						
Individually evaluated for impairment	$ -	$ -	$ 1,721,094	$ -	$ -	$ 1,721,094
Troubled Debt Restructuring	$ -	$ -	$ 1,721,094	$ -	$ -	$ 1,721,094

4. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES (Continued)

2018	Construction	Organi-zational	Permanent	Pre-development	Site Acquisition	Total
Allowance for loan losses, December 31, 2017	$ 22,988	$ 2,755	$ 2,218,945	$ 414,970	$ 153,576	$ 2,813,234
Provision	206,811	-	-	-	114,000	320,811
Recoveries	-	-	(320,811)	-	-	(320,811)
Allowance for loan losses, December 31, 2018	$ 229,799	$ 2,755	$ 1,898,134	$ 414,970	$ 267,576	$ 2,813,234
Ending balance: Individually evaluated for impairment	$ -	$ -	$ 1,782,601	$ -	$ -	$ 1,782,601
Troubled Debt Restructuring	$ -	$ -	$ 1,782,601	$ -	$ -	$ 1,782,601

The Loan Fund uses an eight number-based credit rating system, with "1" representing the highest quality/lowest risk credits and "8" representing the lowest quality/highest credit risk credits. The following table presents the Loan Fund's loans receivable balances and related allowance by risk rating at December 31:

		2019		2018	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Pass	1 - 4	$ 197,057,021	$ -	$ 161,075,362	$ -
Special Mention	5 - 6	8,897,136	1,726,356	9,050,429	1,794,777
Substandard	7 - 8	788,068	788,068	794,568	794,568
General Reserve		-	298,810	-	223,889
		$ 206,742,225	$ 2,813,234	$ 170,920,359	$ 2,813,234

Impaired Loans and Troubled Debt Restructurings

The Loan Fund identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the ASC Topic*, Impairment (Recoverability) of a Loan*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the Loan Fund reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen and any impairment is determined, based on criteria established for impaired loans.

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below market interest rates, extending the maturity of a loan, or a combination of both. The Loan Fund considers all loans modified in a TDR to be impaired.

4. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES (Continued)

Impaired Loans and Troubled Debt Restructurings (Continued)

At the time a loan is modified in a TDR, the Loan Fund considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest
- Whether the customer is current on their interest payments
- Whether the Loan Fund expects the borrower to perform under the revised terms of the restructuring

As of December 31, 2019 and 2018, loans that were impaired and classified as TDRs were as follows:

	2019		
Troubled Debt Restructuring	Number of Loans Restructured	Amount of Restructured Loans	Related Allowance for Loan Loss
Permanent Financings - Multiple extensions resulting from financial difficulty	3	$ 2,647,621	$ 1,721,094

	2018		
Troubled Debt Restructuring	Number of Loans Restructured	Amount of Restructured Loans	Related Allowance for Loan Loss
Permanent Financings - Multiple extensions resulting from financial difficulty	3	$ 2,770,635	$ 1,782,601

The above loans are all on “non-accrual” basis.

5. LOANS PAYABLE

The balance of loans payable of the Loan Fund was as follows as of December 31:

	2019	2018
The Loan Fund has two $10,000,000 unsecured non-revolving lines of credit with a financial institution, which expire on December 21, 2021 and September 28, 2025, respectively. The interest rate on the first line of credit is based on the applicable Federal Home Loan Bank of Boston (FHLBB) rate at the time of the borrowings. The interest rate on the second line of credit is based on the FHLBB rate at the time of the borrowing plus 1%. The interest rates are locked-in on the specific date of each draw.	$ 20,000,000	$ 20,000,000
The Loan Fund has a $20,000,000 unsecured revolving line of credit with a financial institution, which expires on October 31, 2026. The loan was amended to increase the available line of credit to $20,000,000 from $15,000,000 in December 2019. The interest rate on this line of credit is 2.5% and interest is due in quarterly payments.	20,000,000	15,000,000

5. LOANS PAYABLE (Continued)

	2019	2018
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which as amended in 2019, expires August 1, 2026. The interest rate on this line of credit is fixed at 3.49%.	15,000,000	15,000,000
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on November 30, 2022. The interest rate on this line of credit is 1.34% and interest is due in quarterly payments.	10,000,000	10,000,000
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 22, 2026. The interest rate on this line of credit is 3.25% and interest is due quarterly on the first day of each quarter.	10,000,000	10,000,000
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit agreement with a financial institution, which expires on May 30, 2024. Draws bear interest at a fixed 3.63% interest rate of the outstanding balance.	10,000,000	-
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit agreement with a financial institution, which expires on September 1, 2026. The first $5,000,000 drawn bears interest at a fixed 4.5% interest rate and the second $5,000,000 bears an interest rate of 4%.	10,000,000	-
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on March 13, 2021. The interest rate on this line of credit is based on a thirty-day London Interbank Offered Rate (LIBOR) (1.75% and 2.4582% as of December 31, 2019 and 2018, respectively), plus 2.05%.	10,000,000	5,000,000
The Loan Fund has a $5,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 11, 2025. The interest rate on this line of credit is based on the FHLBB rate at the time of the borrowing, plus 1.25%.	5,000,000	5,000,000
The Loan Fund has a $5,000,000 unsecured revolving line of credit with a financial institution, which expires on August 29, 2022. The interest rate on this line of credit is based on a thirty-day LIBOR (1.75% as of December 31, 2019), plus 1.5%.	5,000,000	-
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which originally expired on May 31, 2018. During 2018, this line of credit was amended and extended until August 27, 2021. The interest rate on this line of credit is based on a thirty-day LIBOR (1.7543% and 2.4582% as of December 31, 2019 and 2018, respectively), plus 2.5%.	2,500,000	5,000,000

5. LOANS PAYABLE (Continued)

	2019	2018
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on December 31, 2021. The interest rate on this line of credit is fixed at 3.56% for draws before December 31, 2019. For draws after December 31, 2019, the interest rate is based on the FHLBB rate at the time of the borrowing plus 1.25%.	2,500,000	-
Total lines of credit	120,000,000	85,000,000
Other loans payable (see below)	35,232,475	36,186,370
	155,232,475	121,186,370
Less - unamortized debt issuance costs	(158,737)	(49,428)
Less - current portion	(7,482,992)	(6,735,751)
	$ 147,590,746	$ 114,401,191

Other loans payable of the Loan Fund represent loans by approximately 370 lenders ("investors") in principal amounts ranging from $1,000 to $8,300,000. Loans payable bear interest at rates ranging from 0% to 4.7%, payable at various dates through 2028.

In the ordinary course of operations, the Loan Fund may negotiate extensions of maturity with many investors. The current maturities as of December 31, 2019, include approximately $429,000 of loan principal which has matured, but has not been paid or formally extended. Management is in the process of negotiating extensions of these loans. Current maturities as of December 31, 2019, also include approximately $1,405,398 considered due on demand.

The Loan Fund had a total of $15,000,000 of available credit on lines of credit with financial institutions as of December 31, 2019. The above loans payable and lines of credit require the Loan Fund to maintain certain financial ratios and other covenants as specified in the agreements. As of December 31, 2019 and 2018, the Loan Fund was in compliance with these covenants.

Debt issuance costs totaling $310,262 and $169,779 as of December 31, 2019 and 2018, respectively, are recorded at cost and are amortized over the lives of their respective loans payable. The Loan Fund uses the straight-line method of amortizing imputed interest associated with these costs, as the effective interest method does not materially impact the consolidated financial statements. Imputed interest totaled $31,174 and $21,004 for the years ended December 31, 2019 and 2018, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2019 and 2018, was $151,526 and $120,351, respectively.

Principal maturities on loans payable and imputed interest of debt issuance costs over the next five years as of December 31, 2019, are as follows:

Year	Principal Maturities	Imputed Interest of Debt Issuance Costs
2020	$ 7,482,992	$ 45,391
2021	$ 33,613,094	$ 35,065
2022	$ 19,295,450	$ 23,727
2023	$ 21,505,107	$ 22,237
2024	$ 30,038,939	$ 8,158
Thereafter	$ 43,296,893	$ 24,159

6. PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE

Permanent loan capital - subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (47 individual loans as of December 31, 2019 and 2018) from financial and other institutions, bearing simple interest at rates between 2% and 4%. These loans have substantially similar terms including annual interest-only payments until final maturity, occurring between 2020 and 2030. These loans are subordinate and junior to all other obligations of the Loan Fund. Only two notes with original principal of $500,000 each are currently amortizing. An additional note with principal of $2,000,000 requires interest-only payments until February 2028, at which time the note requires additional quarterly principal payments of $250,000 until the balance is repaid.

Each loan was issued with an initial maturity of nine to twenty years. The initial maturity dates automatically extend by one year at the end of each of the first five years of the loans' terms. The final maturity dates may then be extended at their anniversary dates, indefinitely, based upon specified criteria in the loan terms and agreements of the Loan Fund and the lenders.

Permanent loan capital - subordinated loans payable also included a $4,410,000 Equity Equivalent Security (EQ2 Security) with the Treasury (see Note 1), which the Loan Fund entered into in 2011. Outstanding amounts under this agreement bore interest at 2% through the maturity date in September 2019. The Loan Fund was required to make quarterly interest payments until maturity. The Loan Fund fully paid off the EQ2 Security with the Treasury in 2019.

Principal maturities as of December 31, 2019 are as follows:

2020	$ 81,606
2021	22,889
2022	-
2023	-
2024	-
Thereafter	23,750,000
Total loans	23,854,495
Less - current portion	(81,606)
	$ 23,772,889

Permanent loan capital - subordinated loans payable are as follows as of December 31, 2018:

Total loans	$ 27,371,657
Less - current portion	(4,517,162)
Net long-term portion	$ 22,854,495

7. CREDIT ENHANCEMENTS

The Loan Fund administers proceeds of an $8 million conditional grant from the Department of Education (ED) (see Note 2) in collaboration with the Nonprofit Finance Fund to use the grant proceeds plus interest earned to provide credit enhancement for charter schools. Under the agreement, the Loan Fund facilitates additional security to lenders and investors by using the ED grant funds for the fulfillment of debt service reserve requirements on behalf of the charter school bond holders and lenders, as well as provide loan guarantees and collateral funds. The Loan Fund was considered to have met the conditions upon substantial deployment of the funds, but un-deployed funds must be returned to and are refundable to ED in the case of default. The ED agreement expires in September 2040.

Pursuant to the credit enhancement agreements, bank accounts are established as depositories for collateral reserves pledged on behalf of the charter school borrowers. Under the terms of agreements, the Loan Fund cannot withdraw, transfer, pledge, or otherwise use any funds, securities or other financial assets in these accounts without permission of the secured lenders until termination of the underlying credit enhancement agreements.

Restricted cash of the credit enhancement program consisted of the following as of December 31:

	2019	2018
Cash collateral (thirteen and eleven active arrangements as of December 31, 2019 and 2018, respectively)	$ 7,914,981	$ 6,777,795
Grant reserve funds	126,841	1,246,879
	$ 8,041,822	$ 8,024,674

Approximately $5.5 million and $3.4 million of the cash collateral escrowed secures loans receivable of the Loan Fund as of December 31, 2019 and 2018, respectively (see Note 3).

Interest income reinvested to the grant reserve totaled $14,796 and $21,386 for the years ended December 31, 2019 and 2018, respectively, and is included in net assets with donor restrictions interest income in the accompanying consolidated statements of activities.

Maturity dates of the active arrangements as of December 31, 2019, range from February 1, 2022 through February 28, 2037, as follows:

2020	$ -
2021	$ -
2022	$ 857,000
2023	$ 768,000
2024	$ 1,706,000
Thereafter	$ 4,583,981

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Loan Fund's financial assets available within one year from the consolidated statements of financial position date as of December 31, 2019 and 2018, for general operating expenses are as follows:

	2019	2018
Cash and cash equivalents	$ 31,609,606	$ 20,641,096
Marketable securities	-	461,773
Current portion of loans and interest receivable, net	48,782,800	35,800,098
Current portion of affiliate loans receivable	5,000,000	-
Total financial assets	85,392,406	56,902,967
Board designated reserves (see Note 2)	(11,266,297)	(9,301,292)
Net assets with donor restrictions and conditional advances	(3,115,000)	(4,313,000)
Total financial assets available to meet cash needs for general expenditures within one year	$ 71,011,109	$ 43,288,675

The Loan Fund's financial resources are generally dedicated to its lending operations. The operations are supported substantially with borrowed capital (see Note 5) in proportion with equity resources that reduce the overall cost of funds. The Loan Fund has access to capital to meet loan commitments and demand in the form of repayments of existing loans receivable and available lines of credit and a recently executed public debt offering (see Note 10). To supplement liquidity for mission-related financing, the Loan Fund also utilizes participation strategies and other co-lending agreements with mission-related partners.

The Loan Fund has consistently generated sufficient interest and fees earned on its lending activities to offset operating costs and loan losses. As part of the Loan Fund's liquidity management, the Loan Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

9. RECLASSIFICATION

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation.

10. SUBSEQUENT EVENT – PUBLIC DEBT OFFERING

Subsequent to year-end, the Loan Fund completed its first public debt offering, $75 million in Sustainability Bonds (the Bonds) composed of $56.25 million in ten-year bonds and $18.75 in seven-year bonds. The Bonds are rated A- by S&P Global Ratings. The proceeds of the Bonds are being used primarily to refinance certain existing fixed and floating debt obligations of the Loan Fund (see Note 5).

11. CONTINGENCY – CORONAVIRUS OUTBREAK

In March 2020, the COVID-19 coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. The economic conditions created by the pandemic may impact the Loan Fund's borrowers and their ability to repay the loans receivable of the Loan Fund. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Loan Fund, its operations, pipeline of loan closings and financing commitments for projects currently in development, and future financial statements. The accompanying consolidated financial statements, including loan loss allowances (see Note 4), have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of the Loan Fund is monitoring these events and their borrowers closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Loan Fund is unable to accurately predict how the coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.