BLUEHUB CAPITAL

AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

BLUEHUB CAPITAL, INC. AND AFFILIATES

Contents
December 31, 2022 and 2021

AAFCPAs great minds | great hearts

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Independent Auditor's Report

To the Board of Directors of
BlueHub Capital, Inc. and Affiliates:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of BlueHub Capital, Inc. and Affiliates (collectively, the Corporation) (see Note 1), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, changes in net assets and non-controlling interests, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BlueHub Capital, Inc. and Affiliates as of December 31, 2022 and 2021, and the changes in their net assets and non-controlling interests and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 55 through 58 as of and for the years ended December 31, 2022 and 2021, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

AAFCPAs, Inc.

Westborough, Massachusetts
April 6, 2023

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2022 and 2021

Assets	**2022**	**2021**
Current Assets:		
Cash and cash equivalents	$ 132,149,309	$ 111,010,875
Cash and cash equivalents - escrow funds	3,412,974	4,086,317
Cash and cash equivalents - loan loss reserves	4,564,539	4,618,496
Current portion of loans and interest receivable, net	38,805,594	46,963,417
Current portion of affiliate fees receivable	598,796	629,588
Grants and other accounts receivable	2,856,613	3,142,613
Other current assets	686,013	757,493
Total current assets	183,073,838	171,208,799
Restricted Deposits	33,309,071	33,184,454
Loans Receivable, net of current portion and allowance for loan losses	223,248,580	241,575,148
Affiliate Fees Receivable, net of current portion	1,442,973	2,256,022
Investments in Affiliates	592,405	381,750
Right-of-Use Lease Asset - Operating Lease	618,578	1,030,963
Property, Equipment and Interests in Real Property, net	4,947,338	6,778,002
Total assets	$ 447,232,783	$ 456,415,138
Liabilities, Net Assets and Non-Controlling Interests		
Current Liabilities:		
Current portion of bonds and loans payable	$ 8,504,337	$ 12,326,717
Interest and accounts payable	3,877,486	4,137,259
Escrow funds	3,412,974	4,086,317
Conditional advances	6,260,000	8,496,265
Current portion of operating lease obligation	422,700	422,700
Total current liabilities	22,477,497	29,469,258
Bonds and Loans Payable, net	227,326,220	239,737,041
Operating Lease Obligation, net of current portion	195,878	608,263
Deferred Revenue	2,085,572	2,782,388
Permanent Loan Capital - Subordinated Loans Payable	24,250,000	24,250,000
Total liabilities	276,335,167	296,846,950
Net Assets and Non-Controlling Interests:		
Without donor restrictions:		
General	127,454,381	114,668,941
Board designated for loan loss reserves	6,565,280	7,644,388
Total without donor restrictions	134,019,661	122,313,329
With donor restrictions:		
Revolving loan capital	30,940,074	27,003,859
Other purpose restrictions	3,704,343	3,419,513
Total with donor restrictions	34,644,417	30,423,372
Total net assets	168,664,078	152,736,701
Non-controlling interests	2,233,538	6,831,487
Total net assets and non-controlling interests	170,897,616	159,568,188
Total liabilities, net assets and non-controlling interests	$ 447,232,783	$ 456,415,138

* See accompanying supplemental Combining and Consolidating Statements of Financial Position on pages 55 and 56.

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

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Changes in Net Assets Without Donor Restrictions:		
Operating revenues:		
Financial and earned revenue:		
Interest on loans, net	$ 16,409,935	$ 19,372,998
Program revenue and fees	4,534,574	5,989,435
Net gains on shared appreciation agreements and sales of real estate	1,882,756	1,469,341
Net loan loss recoveries	822,220	1,554,293
Investment return	290,890	74,399
Less - interest expense	(8,132,905)	(8,594,738)
Net financial and earned revenue	15,807,470	19,865,728
Grants and contributions	96,398	82,475
Net assets released from purpose restrictions	80,170	7,018
Total operating revenues	15,984,038	19,955,221
Operating expenses:		
Personnel	8,395,281	8,666,966
Consultants and professional fees	4,072,961	3,995,230
Marketing	1,340,851	1,089,830
Office operations	1,072,291	822,597
Organizational support	783,388	571,485
Program expenses	389,728	584,230
Interest	57,606	96,807
Total operating expenses before depreciation and amortization	16,112,106	15,827,145
Depreciation and amortization	1,854,658	2,182,543
Total operating expenses	17,966,764	18,009,688
Changes in net assets without donor restrictions from operations	(1,982,726)	1,945,533
Other changes in net assets without donor restrictions:		
Grants for loan capital	4,441,265	1,826,265
Net assets released from restrictions for loan capital	2,750,000	561,151
PPP loan forgiveness	1,064,225	-
Share of income of affiliate	532,470	71,716
Gain on bond payable redemption	340,651	-
Realized gain on sale of property and equipment	-	95,771
Changes in net assets without donor restrictions	7,145,885	4,500,436
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	7,025,000	3,835,000
Interest income	26,215	6,522
Net assets released from purpose restrictions	(80,170)	(7,018)
Net assets released from restrictions for loan capital	(2,750,000)	(561,151)
Changes in net assets with donor restrictions	4,221,045	3,273,353
Changes in net assets	11,366,930	7,773,789
Changes in Net Assets Attributable to Non-Controlling Interests	242,357	112,761
Changes in net assets attributable to BlueHub Capital, Inc. and Affiliates	$ 11,609,287	$ 7,886,550

* See accompanying supplemental Combining and Consolidating Statements of Activities on pages 57 and 58.

Consolidated Statements of Changes in Net Assets and Non-Controlling Interests
For the Years Ended December 31, 2022 and 2021

	Without Donor Restrictions		With Donor Restrictions			
	General	Board Designated for Loan Loss Reserves	Revolving Loan Capital	Other Purpose Restrictions	Non-Controlling Interests	Total Net Assets and Non-Controlling Interests
Net Assets and Non-Controlling Interests, December 31, 2020	$ 107,698,783	$ 10,001,349	$ 23,162,337	$ 3,987,682	$ 6,944,248	$ 151,794,399
Changes in net assets	4,613,197	-	3,841,522	(568,169)	(112,761)	7,773,789
Transfers of net assets without donor restrictions	2,356,961	(2,356,961)	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2021	114,668,941	7,644,388	27,003,859	3,419,513	6,831,487	159,568,188
Changes in net assets	7,388,242	-	3,936,215	284,830	(242,357)	11,366,930
Distributions	(37,502)	-	-	-	-	(37,502)
Adjustments to reflect controlled transfer	4,355,592	-	-	-	(4,355,592)	-
Transfers of net assets without donor restrictions	1,079,108	(1,079,108)	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2022	$ 127,454,381	$ 6,565,280	$ 30,940,074	$ 3,704,343	$ 2,233,538	$ 170,897,616

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

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Changes in net assets	$ 11,366,930	$ 7,773,789
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,854,658	2,182,543
Interest - amortization	147,003	164,223
Net loan loss recoveries	(822,220)	(1,554,293)
Gain on bond payable redemption	(340,651)	-
Realized gains on sale of real estate and property and equipment	-	(95,771)
Share of income in affiliate	(532,470)	(71,716)
PPP loan forgiveness	(1,064,225)	-
Grants for loan capital, credit enhancement and investment uses	(9,625,000)	(3,835,000)
Changes in operating assets and liabilities:		
Interest receivable	1,021,854	(34,552)
Affiliate fees receivable	843,841	(82,508)
Grants and other accounts receivable	286,000	383,812
Other current assets	71,480	(434,394)
Interest and accounts payable	(259,773)	813,043
Conditional advances	(1,826,265)	1,826,265
Deferred revenue	(375,001)	(231,302)
Deferred loan fees	(167,746)	157,892
Net cash provided by operating activities	578,415	6,962,031
Cash Flows from Investing Activities:		
Issuance of loans receivable, net	(44,617,491)	(52,148,620)
Principal payments of loans receivable	71,069,994	84,657,206
Purchase of property and equipment	(23,994)	(176,358)
Proceeds from sale of property	-	1,391,547
Escrow funds	(673,343)	(664,826)
Net cash provided by investing activities	25,755,166	33,058,949
Cash Flows from Financing Activities:		
Proceeds from loans payable	4,120,693	7,135,338
Principal payments on subordinated loans payable	-	(500,000)
Principal payments on loans payable	(19,072,113)	(17,946,924)
Distributions to equity members	(37,502)	-
Grants for loan capital	5,715,000	-
Conditional advances	3,500,000	5,500,000
Cash paid for debt issuance costs	(23,908)	(15,000)
Net cash used in financing activities	(5,797,830)	(5,826,586)
Net Change in Cash, Cash Equivalents and Restricted Deposits	20,535,751	34,194,394
Cash, Cash Equivalents and Restricted Deposits:		
Beginning of year	152,900,142	118,705,748
End of year	$ 173,435,893	$ 152,900,142
Reconciliation of Cash, Cash Equivalents and Restricted Deposits Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	$ 132,149,309	$ 111,010,875
Cash and cash equivalents - escrow funds	3,412,974	4,086,317
Cash and cash equivalents - loan loss reserves	4,564,539	4,618,496
Restricted deposits	33,309,071	33,184,454
Total cash, cash equivalents and restricted deposits shown in the consolidated statements of cash flows	$ 173,435,893	$ 152,900,142
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 8,157,596	$ 8,739,586

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

1. OPERATIONS AND RELATED ENTITIES

OPERATIONS

BlueHub Capital, Inc. (the Holding Company), a Massachusetts nonprofit corporation, was organized in September 1994 to create and preserve healthy communities where low-income people live and work. The Holding Company manages and develops community development financial initiatives which directly or indirectly benefit low-income or disadvantaged people or communities.

The Holding Company operates cooperatively with four other affiliated Massachusetts nonprofit corporations:

- **BlueHub Loan Fund, Inc.** (the Loan Fund) was formed in 1984 to provide below-market rate capital to community-based organizations for the development of affordable housing.

- **BCLF Managed Assets Corporation d/b/a BlueHub Managed Assets** (Managed Assets) was formed in 1994 to manage, design, implement, and evaluate 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) was formed in 1994 to assist small community-based businesses and entrepreneurs to start, grow, and expand businesses which strengthen the low-income business community.

- **One Percent for America** (OPA) was formed in 2021 to build an inclusive future for America by driving down the cost of financing U.S. citizenship fees for millions of new Americans. Managed Assets initiated a $3 million investment in OPA.

The five affiliated nonprofit corporations are collectively referred to as the Corporation. 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.

Nonprofit Status

The five affiliated nonprofit corporations are individually exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Donors may deduct contributions made to the Corporation within the requirements of the IRC. Managed Assets is classified as a private non-operating foundation and is subject to an excise tax on net investment income, as defined under Section 4949(e) of the IRC. Managed Assets is also subject to IRC’s regulations governing required minimum expenditures for charitable purposes. The other three nonprofit corporations are classified as publicly supported organizations. The Corporation is also exempt from state income taxes.

Community Development Financial Institutions

The Loan Fund, the Venture Fund, and Aura Mortgage (see page 9) have been granted status as Community Development Financial Institutions (CDFIs) by the U.S. Department of the Treasury (the Treasury), qualifying each for certain awards and support from the Treasury. The Loan Fund received Capital Magnet Fund awards of $3,500,000 and $5,500,000 in 2022 and 2021, respectively. Aura Mortgage has a $100 million loan under the CDFI Bond Guarantee Program (see Note 7). The Loan Fund was awarded $5,440,000 in 2022 for a variety of different uses. The Loan Fund and Aura Mortgage each received individual grants of $1,826,265 during 2021.

1. OPERATIONS AND RELATED ENTITIES (Continued)

OPERATIONS (Continued)

Community Development Financial Institutions (Continued)

In connection with the assistance received from the Treasury, the Corporation 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.

RELATED ENTITIES

Consolidated Affiliates

The nonprofits comprising the Corporation and the following affiliates of the Corporation have been consolidated within the accompanying consolidated financial statements.

BCC REO, LLC

In 2011, the Loan Fund formed BCC REO LLC (BCC REO), a Massachusetts limited liability company, to hold real and personal property. The Loan Fund is the sole member of BCC REO, which has elected to be treated as a disregarded entity for tax purposes. BCC REO's activities, if any, are included with those of the Loan Fund in the accompanying consolidated financial statements. There was no activity in BCC REO during 2022 and 2021.

BCC NMTC Manager, LLC

During 2011, Managed Assets formed BCC NMTC Manager, LLC (NMTC Manager), a Massachusetts limited liability company, to manage certain aspects of its New Markets Tax Credit programs (see page 11). Managed Assets is the sole member of NMTC Manager, which has elected to be treated as a disregarded entity for tax purposes. The activities of NMTC Manager are included with those of Managed Assets in the accompanying consolidated financial statements.

Solar Energy Programs

The Corporation operates its Solar Energy Programs through the following consolidated affiliates noted below:

BCC Solar Energy Advantage, Inc. and BCC SEA Fund Manager, LLC

The Corporation formed BCC Solar Energy Advantage, Inc. (SEA), a Massachusetts for-profit corporation, to facilitate the delivery of solar energy to affordable housing projects and others. The Holding Company owns 100% of SEA's common stock and all members of SEA's Board of Directors are employees of the Corporation. As of December 31, 2022 and 2021, SEA had completed construction of solar panels and maintained nine and ten sites in Massachusetts (see Note 6), respectively, and entered into long-term contracts with the owners to provide electricity to the sites.

In 2011, SEA also formed BCC SEA Fund Manager, LLC (SEA Fund Manager), a Massachusetts single member limited liability company, to administer aspects of its solar energy development programs. SEA Fund Manager has elected to be a disregarded entity of SEA for tax purposes.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

Kinzer Drive Solar, LLC

The Corporation formed Kinzer Drive Solar, LLC (Kinzer Drive), a Massachusetts single member limited liability company, whose sole member is SEA. Kinzer Drive has elected to be a disregarded entity of SEA for tax purposes. Kinzer Drive was created to hold a solar energy project located in Gardner, Massachusetts.

BCC SEA QALICB I, LLC

BCC SEA QALICB I, LLC (SEA QALICB), a Delaware limited liability company, whose sole member is SEA, was formed in January 2008 to facilitate the delivery of solar energy to affordable housing projects and other facilities. SEA QALICB maintains six solar energy projects in Massachusetts.

BCC SEA QALICB II, LLC

BCC SEA QALICB II, LLC (SEA QALICB II), a Delaware limited liability company, was formed in December 2012 to facilitate the delivery of solar energy to affordable housing projects and other facilities. SEA acquired 100% of SEA QALICB II's member interest as of December 31, 2020. SEA QALICB II maintains eight solar energy projects located in Massachusetts. SEA QALICB II sold one project in 2021 (see Note 6).

BCC NMTC CDE XXII, LLC

During 2015, the Corporation activated BCC NMTC CDE XXII, LLC (CDE XXII), a Massachusetts limited liability corporation, to provide investment capital through the NMTC program (see page 11) to businesses in low-income communities that are not served by conventional forms of financing or equity.

CDE XXII is related to the following entities (the CDE XXII entities):

BCC Solar III Investment Fund, LLC (the Investment Fund), a Massachusetts limited liability company, was formed in August 2015, for the purpose of making a Qualified Equity Investment (QEI) in CDE XXII. Until December 27, 2022, the USB Investment Fund's equity interests were owned by an outside investor.

On December 27, 2022, at the conclusion of the NMTC compliance period, the Investment Fund and SEA entered into a membership transfer agreement for SEA to acquire the Investment Fund's interest in CDE XXII for $1,000. Subsequently, CDE XXII transferred its interest in BCC Solar III, LLC to SEA and CDE XXII was dissolved as of December 31, 2022.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

BCC Solar III, LLC (Solar III), a Delaware limited liability company, was formed in November 2014, to facilitate the delivery of solar energy to affordable housing projects and other facilities. SEA is the Manager Member of Solar III with a 1% interest. CDE XXII made an equity investment QLICI to Solar III during 2015 to fund construction of four solar energy projects. Through the QLICI, CDE XXII acquired a 99% interest in Solar III. As a result of the transfers mentioned on page 8, SEA acquired 100% of Solar III's member interest as of December 31, 2022.

The Investment Fund was a disregarded entity of its investor prior to the membership transfer to SEA. CDE XXII and Solar III were partnerships for tax purposes, but CDE XXII was dissolved effective December 31, 2022, and Solar III became a disregarded entity of SEA. CDE XXII and Solar III filed final tax returns in 2022.

Foreclosure and Home Mortgage Services

The Corporation operates foreclosure and home mortgage services through its Stabilizing Urban Neighborhoods Initiative (BlueHub SUN). The goal of BlueHub SUN 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.

The foreclosure and home mortgage services of BlueHub SUN are carried out through the following consolidated affiliates:

Aura Mortgage Advisors, LLC

The Corporation formed Aura Mortgage Advisors, LLC (Aura), a Massachusetts limited liability company, with the Venture Fund as its sole member. Aura has elected to be a disregarded entity for tax purposes. Aura was formed for the purpose of acting as a mortgage broker for low-income people and communities. Aura is licensed as a mortgage broker and lender in Massachusetts by the Massachusetts Division of Banks (the Division). Aura's licenses as a mortgage broker and lender are subject to renewal annually and are scheduled for renewal by December 31, 2023. Aura is approved as a Title II Federal Housing Administration lender by the U.S. Department of Housing and Urban Development (HUD). Aura has registered to conduct business in several states outside of Massachusetts in order to expand the operation of BlueHub SUN.

Aura and Aura Direct Financing, LLC (see page 10) are collectively referred to as Aura Mortgage in the accompanying consolidated financial statements.

In order to maintain its licensed broker and lender status, Aura Mortgage is required to maintain a minimum net worth of $200,000 and must have two surety bonds filed with the state of Massachusetts; a broker bond for $75,000 and a lender bond in the amount of $100,000 to $500,000, based on the dollar amount of loans closed in the prior year. Aura Mortgage met these requirements as of December 31, 2022 and 2021.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Aura Mortgage Advisors, LLC (Continued)

In addition, Aura Mortgage is required to have a mortgage lender surety bond in states in which it operates. As of December 31, 2022, Aura Mortgage had the following surety bonds:

State	Bond Amount
Wisconsin	$ 300,000
Connecticut	$ 200,000
Maryland	$ 150,000
New Jersey	$ 150,000
Ohio	$ 150,000
Michigan	$ 125,000
Pennsylvania	$ 100,000
Delaware	$ 50,000
Illinois	$ 25,000

Aura Direct Financing, LLC

Aura Direct Financing, LLC (Aura Direct) was created as a single member limited liability company of Aura Mortgage to act as the “approved financing entity” incident to the CDFI Bond Guarantee Program (see Note 7), to hold certain mortgage loans and other related assets. Aura Direct has elected to be a disregarded entity of the Venture Fund for tax purposes.

NSP Residential, LLC

The Holding Company formed NSP Residential, LLC (NSP), a Massachusetts limited liability company, to combat community deterioration and to improve general conditions where low-income people live and work. The Holding Company is NSP’s sole member and NSP has elected to be a disregarded entity for tax purposes. NSP purchases and rehabilitates residential properties in foreclosure or at risk of foreclosure in low-income communities in connection with BlueHub SUN. NSP seeks to resell purchased properties to low-income individuals, often to the original homeowner. The properties are generally purchased by NSP in negotiated transactions from lenders holding the foreclosed properties or troubled loans. Once the purchases by NSP are complete, the homeowners apply for financing through Aura Mortgage or other sources, thereby allowing the residents (either previous owners or persons renting the residence) to remain in the homes and avoid eviction.

SUN Initiative Financing, LLC

The Corporation formed SUN Initiative Financing, LLC (SUN Financing) as a Massachusetts limited liability company to finance the operations of BlueHub SUN. SUN Financing provides financing for activities of BlueHub SUN within the geographic areas surrounding Revere, Boston, and other surrounding areas in Massachusetts. SUN Financing received a capital contribution from an outside investor for $3,500,000, which acts as first loss capital related to its portfolio of mortgage loans receivable. NSP is SUN Financing’s Managing Member. NSP and the outside investor each hold 50% of the membership units in SUN Financing. SUN Financing has raised additional capital in the form of loans payable from investors (see Note 7).

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

SUN Initiative Financing, LLC (Continued)

SUN Financing has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from operations are reported by the members on their respective income tax returns. In accordance with SUN Financing's operating agreement, net profits are allocated to each member until they have been allocated net profits in amounts equal to any prior net losses allocated, and then 50% to NSP and 50% to the outside investor member. Net losses are allocated to the members until their positive capital account balances are reduced to zero, and then 100% to the outside investor member. As of December 31, 2022 and 2021, 100% of the equity interests in SUN Financing are allocated to the outside investor and are included in non-controlling interests in the accompanying consolidated statements of financial position.

Affiliates Not Consolidated with the Corporation

BCLF Ventures II, LLC

The Corporation is also related to BCLF Ventures II, LLC (Ventures II, LLC). Ventures II, LLC is a Massachusetts limited liability company formed for the purpose of making investments in businesses that benefit low-income people and communities. The Corporation is related to Ventures II, LLC through common Board of Directors, management and the Venture Fund's financial interest in Ventures II, LLC. The Venture Fund is the Managing Member and a regular member of Ventures II, LLC. The Corporation accounts for its interest in Ventures II, LLC on the equity method (see Notes 2 and 3).

New Market Tax Credit Community Development Entities

The Holding Company has been granted status by the Treasury as a Community Development Entity (CDE). The Holding Company has received allocations of NMTC from the Treasury which have yielded approximately $543 million of QEIs that have been syndicated as of December 31, 2022.

The Holding Company has formed a total of forty-eight CDEs (collectively, the CDE LLCs), eleven of which were active as of December 31, 2022:

BCC NMTC CDE XXI, LLC (closed in 2022)
BCC NMTC CDE XXII, LLC (closed in 2022) (see page 8)
BCC NMTC CDE XXIII, LLC (closed in 2022)
BCC NMTC CDE XXIV, LLC
BCC NMTC CDE XXV, LLC
BCC NMTC CDE XXVI, LLC
BCC NMTC CDE XXVII, LLC
BCC NMTC CDE XXVIII, LLC
BCC NMTC CDE XXIX, LLC
BCC NMTC CDE XXX, LLC
BCC NMTC CDE XXXI, LLC
BCC NMTC CDE XXXII, LLC
BCC NMTC CDE XXXIII, LLC
BCC NMTC CDE XXXIV, LLC

Other CDE LLCs have been formed for future NMTC allocations, but have conducted no financial activity to date and are as follows:

BCC NMTC CDE XXXV, LLC - BCC NMTC CDE XLVI, LLC

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

New Market Tax Credit Community Development Entities (Continued)

The CDE LLCs were formed as Massachusetts limited liability companies which Managed Assets or the NMTC Manager control as managing members generally with .01% interests and unrelated investors are admitted as regular members generally with 99.99% interests. All active CDE LLCs (see page 11) are not required to be consolidated in the accompanying consolidated financial statements because of the financial interests and participating rights of the investor members.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Corporation 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).

Principles of Consolidation and Combination

The consolidated financial statements include the nonprofit affiliates comprising the Corporation and all wholly-owned and majority-owned for-profit limited liability companies and corporations (see Note 1). All significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

For 2021, the Corporation combined the financial statements of CDE XXII and its related entities (see Note 1), because of its rights to receive substantial economic benefits, including net cash flows, and because of its substantive managing control over activities of these entities which house a substantial portion of the Corporation's Solar Energy Programs. During 2022, CDE XXII was terminated and Solar III became owned by SEA.

The Corporation also combines the financial statements of SUN Financing, which is an integral part of the Corporation's Foreclosure and Home Mortgage Services program. NSP controls the activities of SUN Financing as its managing member, and other affiliates of the Corporation conduct substantial intercompany activities with SUN Financing in connection with BlueHub SUN (see Note 1).

Under the principles of consolidation applicable to business corporations, an entity is considered as maintaining control over an affiliated corporation if it owns more than 50% of the affiliate's outstanding stock. Since the Corporation owns a majority of the outstanding stock of SEA (see Note 1), it is considered to maintain a controlling financial interest, and therefore, the financial statements of SEA are included 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Corporation 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 Corporation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Corporation 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 Corporation. 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 purposes of the accompanying consolidated statements of cash flows, cash and cash equivalents consist of depository accounts and all highly liquid investments purchased with a maturity of three months or less, and includes cash held for loan loss reserves, loan escrow funds (see below), and certain restricted depository accounts held in connection with a bond payable agreement (see Note 7) and credit enhancement agreements (see Note 13).

Cash and cash equivalents are maintained in various banks in Massachusetts and are insured within limits of the Federal Deposit Insurance Corporation. 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 Corporation's balances, to minimize potential risk.

The Corporation held cash balances of $3,412,974 and $4,086,317 in escrow for outside parties as of December 31, 2022 and 2021, respectively. These amounts are escrowed for borrowers for various purposes, including deposits for purchases of properties, working capital reserves, replacement reserves, and construction fund escrows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Risk (Continued)

Cash and cash equivalents - loan loss reserves include a variety of funds set aside in connection with the Corporation's Foreclosure and Home Mortgage Services business. Aura Mortgage received contracted support from the Commonwealth of Massachusetts for use as loan loss reserves. SUN Financing has also used capital contributions from investors as loan loss reserves. These reserves are invested in cash and short-term certificates of deposit and are available to provide liquidity to BlueHub SUN in the event of mortgage loan losses (see Note 14).

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 4 and 5). 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 5) 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 bonds and loans payable are disclosed in Note 7. Interest rates on loans receivable are disclosed in Note 4. The Corporation 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.

Credit Enhancement

Using the proceeds of a grant from the U.S. Department of Education, the Loan Fund enters into credit enhancement agreements with charter schools and third-party lenders to act as the guarantor of loans between the charter schools and the lenders (see Note 13). Under the terms of the agreements, the Loan Fund deposits amounts, as defined in the agreements, 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 of the loans 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 are 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 and can be estimated. There were no losses incurred during 2022 or 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates

The Corporation maintains an equity investment in Ventures II, LLC where the Corporation is deemed to exercise significant influence over Ventures II, LLC (see Notes 1 and 3). The Corporation accounts for this investment using the equity method. Under the equity method, the investment is initially recorded at cost and then increased or decreased by the share of income or loss of the investee. Distributions of cash reduce the carrying value of the investment. For investments carried on the equity method, the Corporation records its share of income of affiliates as other changes in net assets without donor restrictions in the accompanying consolidated statements of activities.

All other closely held affiliate investments are recorded using the cost method and are generally eliminated in consolidation (see Note 3). Under the cost method, an investment is carried at its original cost and cash distributions of profits reduce the investment balance.

The Corporation periodically assesses the carrying balance of all investments in affiliates for possible impairment. There were no impairments as of December 31, 2022 and 2021.

Property, Equipment and Interests in Real Property

Management records all significant expenditures for property and equipment (see Note 6), with useful lives in excess of one-year, at cost, if purchased, or at the fair market value on the date received, if donated. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred.

Depreciation is recorded using the straight-line method over the following useful lives:

Computer and office equipment	3 - 5 years
Leasehold improvements	Life of lease
Solar energy equipment	10 - 12 years
Rental properties	25 years (after being held one year)

With respect to solar energy equipment, as developed and operated under Solar Energy Programs (see Note 1), management has adopted a policy of reducing the cost of such equipment by the amount of grants and rebates received in connection with the development of the equipment (see Note 6). This reporting policy reduces the carrying cost of solar energy equipment to the net cost expected to be recovered through the operation and future disposition of the equipment.

Real estate owned consists of real property acquired in satisfaction of lending transactions of the Loan Fund or BlueHub SUN. Real estate owned is held for sale and is recorded at the lesser of the fair value at the time of acquisition less estimated costs of sale or the net recorded investment in the loan (see Note 6). Real estate owned is not depreciated but is periodically evaluated for possible impairment.

Also included in property and equipment are purchased rental properties and properties held for sale within BlueHub SUN (see Note 1), which are recorded at the lower of cost or fair value. Properties held for sale are generally rented to low-income homeowners under rent-to-buy arrangements (see Note 6). Due to the uncertainty of when these properties will sell, these properties have been classified as long-term assets in the accompanying consolidated statements of financial position.

The Corporation accounts for the carrying value of long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. As of December 31, 2022 and 2021, the Corporation has not recognized any significant reduction in the carrying value of its property and equipment when considering these requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the closing of notes and bonds payable (see Note 7). These fees are amortized into interest expense over the term of the related financing. Amortization is calculated using the straight-line method which approximates the effective interest method. The unamortized debt issuance costs are reported as a reduction of the notes and bond payable. Unamortized costs related to financing that is terminated before original maturity are written-off as non-operating expense.

Leases

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets - operating leases and operating lease obligation in the Corporation's consolidated statements of financial position.

The operating lease obligation liabilities are discounted to the present value of the future payments remaining (see Note 10). The lease payments are discounted at a rate equal to the Corporation's estimated incremental borrowing rate on the lease commencement date. Lease payments include fixed lease payments. The operating lease right-of-use (ROU) asset is measured using the lease liability, plus any initial direct costs and reduced by any lessor incentive. The ROU asset is amortized over the lease period on the straight-line basis. Interest calculated on the operating lease obligation and amortization of the ROU asset is recorded as a lease expense and included in office operations. These amounts equal the aggregate total of the lease payments over the lease term.

Net Assets and Non-Controlling Interests

Net assets without donor restrictions include those net resources of the Corporation that bear no external restrictions. These include the Corporation's general net assets and net assets designated by the Board of Directors for loan loss reserves. 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 5).

The Board of Directors may also authorize the transfer of net assets without donor restrictions among the affiliates for working capital needs or to support new initiatives.

Net assets with donor restrictions are net financial resources restricted by donors as to the purpose or timing of expenditure. Net assets with donor restrictions are purpose restricted as follows as of December 31:

	2022	2021
Revolving Loan Capital:		
CDFI Capital Magnet	$ 21,998,130	$ 18,074,348
ED Credit Enhancement	8,058,623	8,046,190
Permanent loan capital	883,321	883,321
Subtotal revolving loan capital	30,940,074	27,003,859

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interests (Continued)

	2022	2021
Other Purpose Restrictions:		
CDFI Fund awards	2,825,000	2,750,000
Energy Advantage Program (EAP)	420,506	476,531
Other grants	275,000	-
Renewable and Energy Efficiency Program	183,837	192,982
Subtotal other purpose restrictions	3,704,343	3,419,513
Total net assets with donor restrictions	$ 34,644,417	$ 30,423,372

Revolving loan capital represents awards from the Department of Education for credit enhancement (see Note 13), CDFI Capital Magnet awards and other CDFI Fund grants, 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. 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 May 2027.

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, and subordinated loans payable (see Note 8). 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 are not considered to be perpetual in nature.

CDFI Fund awards as of December 31, 2022 and 2021, relate to proceeds from the Healthy Food Financing Initiative. Other grants as of December 31, 2022, relate to miscellaneous awards received by private donors and foundations to support impoverished and low-income rural and urban communities.

EAP net assets with donor restrictions consist of the unspent proceeds from a grant in the original amount of $5,000,000, which is restricted for a partnership between the Corporation and other agencies to design and implement a financing program to support the installation of on-site renewable energy systems for low-income housing across Massachusetts.

Renewable and Energy Efficiency Program net assets with donor restrictions are restricted for expanding affordable renewable energy efficient products and services to low-income communities.

Non-Controlling Interests represent the net capital interests of outside investors participating in the ownership of certain consolidated affiliates of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interests (Continued)

Non-controlling interests are comprised of the following activity:

	SUN Financing	BCC Solar III Investment Fund, LLC	Total
Non-controlling interests, at December 31, 2020	$ 2,546,859	$ 4,397,389	$ 6,944,248
Changes in net assets	93,870	(206,631)	(112,761)
Non-controlling interests, at December 31, 2021	2,640,729	4,190,758	6,831,487
Changes in net assets	(407,191)	164,834	(242,357)
Controlled transfer (see Note 1)	-	(4,355,592)	(4,355,592)
Non-controlling interests, at December 31, 2022	$ 2,233,538	$ -	$ 2,233,538

Consolidated Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses in the accompanying consolidated statements of activities. Peripheral and incidental transactions are reported as other changes in net assets without donor restrictions.

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 is restricted for use in qualified activities and is accordingly reported as net assets with donor restrictions.

The Corporation follows the guidance from ASC Topic 606, *Revenue from Contracts with Customers,* for applicable types of revenue which include NMTC sub-allocation fees, electric utility charges, and sales of renewable energy certificates.

Revenue recognition is determined through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the performance obligations are satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program revenue and fees for the years ended December 31, 2022 and 2021, include:

	2022	2021
Solar Renewable Energy Certificates (SRECs) (see page 20)	$ 1,338,400	$ 1,990,605
Loan fees (see page 21)	1,256,755	1,024,323
NMTC sub-allocation fees (see Note 9)	1,032,462	2,066,966
Power purchase and host agreements (see page 20)	944,008	965,717
Other	40,834	28,223
Total	4,612,459	6,075,834
Less - intercompany eliminations related to NMTC program	(77,885)	(86,399)
	$ 4,534,574	$ 5,989,435

Solar Operations

SEA, SEA QALICB, SEA QALICB II, and Solar III have power purchase and host agreements (PPA) with the host of each of the solar panel projects. Each agreement obligates the hosts to buy the net metering credits produced by the respective solar panel projects. SEA, SEA QALICB, SEA QALICB II, and Solar III bill the hosts monthly at rates per net metering credit as specified in the agreements. On various anniversary dates, SEA, SEA QALICB, SEA QALICB II, and Solar III have the options to sell the solar panel projects system to the hosts for certain amounts. If SEA, SEA QALICB, SEA QALICB II, and Solar III do not exercise the option, the hosts have the option to buy the systems at fair market value and the hosts also have the option to purchase the solar panel project systems at fair market value at the agreements expiration dates. SEA, SEA QALICB, SEA QALICB II, and Solar III have determined that their power purchase agreements are operating leases. SEA, SEA QALICB, SEA QALICB II, and Solar III will recognize the revenue monthly as energy is delivered. Compensation is variable based on the kilowatt hour of energy. Although the contracts are over multi-year periods, revenue is determined monthly by the output energy delivered.

The solar developments also earn Solar Renewable Energy Credits (SRECs) and Renewable Energy Certificates (RECs) under the Commonwealth of Massachusetts' Renewable Portfolio Standard program for the production of energy through the solar energy projects. SEA entered into transaction agreements with two utility companies to sell specified amounts of SRECs and RECs at specified rates to these companies for specified time periods. If SEA does not provide the specified quantity of RECs as described in the agreements, SEA would be obligated to reimburse the utility company for any additional costs paid to obtain substitute RECs over the agreed-upon price. SEA acts as an agent for the RECs earned by the QALICBs and generally transfers the RECs and SRECs to the contracting utility upon receipt.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Solar Operations (Continued)

Solar Energy Program revenues are as follows for 2022 and 2021, and are included in program revenue and fees in the accompanying consolidated statements of activities:

	2022	2021
PPA Revenue:		
SEA PPA	$ 228,401	$ 218,254
SEA QALICB PPA	97,414	91,093
SEA QALICB II PPA	110,319	242,588
Solar III PPA	507,874	413,782
Sub-total PPA revenue	944,008	965,717
REC/SREC Revenue:		
SEA REC	57,138	43,892
SEA SREC	17,411	133,849
SEA QALICB SREC	33,762	282,728
SEA QALICB II SREC	206,481	625,566
Solar III SREC	1,023,608	904,570
Total REC/SREC revenue	1,338,400	1,990,605
Total	$ 2,282,408	$ 2,956,322

The Loan Fund generally amortizes loan origination fees for loans with terms greater than one year in length over the term of the 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 4). Net loan origination fees of BlueHub SUN are not significant and are not amortized.

Grants and contributions may be conditional or unconditional in accordance with 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*. 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 Corporation fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable or conditional advances.

Grants and contributions are recorded as revenue when unconditionally received or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Loan Fund and Aura Mortgage record the amount of proceeds of certain Federal award programs, which it has not committed to qualifying projects, as conditional advances that are mandated by the grant agreements. During 2022 and 2021, the Loan Fund received certain Federal grants totaling $3,500,000 and $5,500,000, respectively, which meet this criteria. Due to timing of the awards, $6,260,000 and $6,670,000 of the funds were not yet committed to qualifying projects as of December 31, 2022 and 2021, respectively, and are reported as conditional advances in the accompanying consolidated statements of financial position. During 2021, Aura Mortgage had a conditional advance of $1,826,265 relating to a CDFI award not deployed as of December 31, 2021. This amount is included in conditional advances in the accompanying consolidated statement of financial position as of December 31, 2021. As of December 31, 2022, Aura Mortgage met the requirements, and the full amount was recognized as grants and contributions revenue in accompanying consolidated statement of activities. The conditional advances as of December 31, 2022, are expected to be deployed or committed for qualifying projects in future periods.

All other revenue is recorded when earned.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's expectation of the percentage attributable to each function. 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, office operations, consultants, marketing, professional fees, and insurance and other, which are allocated based on an estimate of time and level of effort spent on the Corporation's program and supporting functions.

The Corporation's expenses for the year ended December 31, 2022, by their natural and functional classifications, are as follows:

	Program	General and Administration	Fund-raising	Total
Personnel	$ 6,808,428	$ 1,586,853	$ -	$ 8,395,281
Consultants and professional fees	3,498,970	573,991	-	4,072,961
Depreciation and amortization	1,853,056	1,602	-	1,854,658
Marketing	996,184	69,338	275,329	1,340,851
Office operations	221,137	851,154	-	1,072,291
Organizational support	538,325	245,063	-	783,388
Program expenses	389,728	-	-	389,728
Interest	57,606	-	-	57,606
Subtotal operating	14,363,434	3,328,001	275,329	17,966,764
Interest for lending operations	8,132,905	-	-	8,132,905
Total	$ 22,496,339	$ 3,328,001	$ 275,329	$ 26,099,669

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

The Corporation's expenses for the year ended December 31, 2021, by their natural and functional classifications, are as follows:

	Program	General and Administration	Fund-raising	Total
Personnel	$ 7,311,746	$ 1,355,220	$ -	$ 8,666,966
Consultants and professional fees	3,379,589	615,641	-	3,995,230
Depreciation and amortization	2,180,565	1,978	-	2,182,543
Marketing	507,449	306,385	275,996	1,089,830
Office operations	91,772	730,825	-	822,597
Organizational support	372,790	198,695	-	571,485
Program expenses	584,230	-	-	584,230
Interest	96,807	-	-	96,807
Subtotal operating	14,524,948	3,208,744	275,996	18,009,688
Interest for lending operations	8,594,738	-	-	8,594,738
Total	$ 23,119,686	$ 3,208,744	$ 275,996	$ 25,604,426

Income Taxes

For the consolidated corporate entities, income tax expense is based on pre-tax financial accounting income. The corporate entities account for income taxes according to the asset and liability method in accordance with ASC Topic, *Income Taxes*. The differences between the consolidated financial statement amounts and the tax bases of assets and liabilities are determined annually. Deferred tax assets and liabilities are computed for those differences that will result in taxable or deductible amounts in future periods using currently enacted tax laws and rates that apply to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that will more-likely-than-not be realized (see Note 12). Income tax expense is the tax payable or refundable for the current period plus or minus the change during the period in deferred income tax assets and liabilities.

The Corporation and its operating affiliates account for uncertainty in income taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the accompanying consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Corporation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the accompanying consolidated financial statements at December 31, 2022 and 2021. The Corporation does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve-months.

Subsequent Events

Subsequent events have been evaluated through April 6, 2023, which is the date the consolidated financial statements were issued. There were no events that met the criteria for recognition or disclosure in the consolidated financial statements.

3. INVESTMENTS IN AFFILIATES

Cost Method Investments Eliminated in Consolidation

The Venture Fund's investments in Aura Mortgage (see Note 1) are carried on the cost method of accounting (see Note 2) as follows and have been eliminated from the accompanying consolidated financial statements at December 31:

	2022	2021
Aura Mortgage	$ 11,670,000	$ 11,670,000

The Holding Company's investments in NSP and SEA (see Note 1) are also carried on the cost method of accounting (see Note 2) as follows and have been eliminated from the accompanying consolidated financial statements at December 31:

	2022	2021
NSP	$ 3,400,000	$ 3,400,000
SEA	800,000	800,000
	$ 4,200,000	$ 4,200,000

Cost Method Investments in Unconsolidated CDE LLCs

The consolidated financial statements only include the financial statements of CDE XXII (see Notes 1 and 2). Managed Assets and NMTC Manager maintain a small membership interest in other CDE LLCs and account for them using the cost method of accounting.

As of December 31, 2022 and 2021, Managed Assets had the following amounts invested in the unconsolidated CDE LLCs:

	2022	2021
BCC NMTC CDE XXI, LLC	$ -	$ 1,384
BCC NMTC CDE XXIII, LLC	-	431
BCC NMTC CDE XXIV, LLC	550	550
BCC NMTC CDE XXV, LLC	500	500
BCC NMTC CDE XXVI, LLC	1,000	1,000
BCC NMTC CDE XXVII, LLC	1,000	1,000
BCC NMTC CDE XXVIII, LLC	800	800
BCC NMTC CDE XXIX, LLC	250	250
BCC NMTC CDE XXXII, LLC	300	300
BCC NMTC CDE XXXI, LLC	800	800
BCC NMTC CDE XXXII, LLC	300	300
BCC NMTC CDE XXXIII, LLC	1,300	1,300
BCC NMTC CDE XXXIV, LLC	700	700
	$ 7,500	$ 9,315

3. INVESTMENTS IN AFFILIATES (Continued)

Equity Method Investment in BCLF Ventures II, LLC

The Venture Fund accounts for its investment in Ventures II, LLC using the equity method of accounting (see Note 1). The Venture Fund increases or decreases its investment by its respective share of Ventures II, LLC's net income or loss and decreases its investment by distributions received.

The Venture Fund's net investment in Venture II, LLC as of December 31, 2022 and 2021, was as follows:

	2022	2021
Net investment, beginning of year	$ 372,435	$ 380,719
Distributions	(320,000)	(80,000)
Share of income	532,470	71,716
Net investment, end of year	$ 584,905	$ 372,435

Summarized financial information for Ventures II, LLC is as follows as of and for the years ended December 31:

	2022	2021
Assets	$ 2,486,204	$ 3,676,253
Liability and Equity	$ 2,486,204	$ 3,676,253
Revenues	$ 2,074,294	$ 771,121
Expenses	46,769	53,994
Net income	$ 2,027,525	$ 717,127

4. LOANS AND INTEREST RECEIVABLE

Loan Fund

Portfolio Lending

The Loan Fund offers a variety of loan products of both short- and long-term maturity, including 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.

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

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (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 0% to 8.5% and mature at various dates through 2042. The weighted-average rate of interest on loans was 5.71% and 5.82% as of December 31, 2022 and 2021, respectively. 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 $39,427,868 and $50,820,470 as of December 31, 2022 and 2021, 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 of the Loan Fund is presented net of interest of $2,629,022 and $2,487,658 collected on behalf of and paid to loan participants in 2022 and 2021, respectively.

The Loan Fund's loans receivable are as follows at December 31:

	2022		2021	
Type	Number of Loans	Net Loan Amount	Number of Loans	Net Loan Amount
Permanent	61	$ 74,601,476	67	$ 70,027,584
Construction	29	46,677,567	44	59,067,739
Site acquisition	36	46,553,116	30	49,911,011
Organizational	20	8,668,654	8	10,265,790
Predevelopment	4	7,593,550	15	10,096,207
	150	184,094,363	164	199,368,331
Interest receivable on above loans		2,402,319		3,424,173
		$ 186,496,682		$ 202,792,504

The majority of the Loan Fund's loans receivable is secured by real estate holdings in the New England and the Mid-Atlantic states 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 $3,525,748 and $4,422,664 of the Loan Fund's restricted deposits dedicated to credit enhancement activities (see Note 13) as of December 31, 2022 and 2021, respectively.

The Loan Fund had committed $79,999,913 and $82,839,854 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2022 and 2021, respectively. Among the tools available to manage liquidity are collections of existing loans receivable, lines of credit with financial institutions (see Note 7), as well as the potential to initiate loan sales and loan participation agreements with lending partners.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

Portfolio Lending (Continued)

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

	2022	2021
60 - 89 days	$ -	$ 1,500
Greater than 90 days	433,492	505,992
Total past due	433,492	507,492
Principal balance of 90-day delinquent loans	1,891,245	2,185,230
Current	181,769,626	196,675,609
	$ 184,094,363	$ 199,368,331

Special Tax-Credit Lending

As of December 31, 2022 and 2021, the Loan Fund has entered into 159 and 144 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 December 2073. 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 program revenue and fees in the accompanying consolidated statements of activities and totaled $289,165 and $283,896 for 2022 and 2021, respectively.

Total outstanding principal balances are $668,963,104 and $610,592,137 as of December 31, 2022 and 2021, respectively. These loans have specific restrictions, and due to their long-term deferred nature and likelihood of collectability, the notes are fully reserved at December 31, 2022 and 2021. 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 years ended December 31, 2022 and 2021. As of December 31, 2022 and 2021, there was outstanding interest receivable on these loans of $390,733 and $398,511, respectively, which has been fully reserved in the accompanying consolidated financial statements.

Foreclosure and Home Mortgage Services

Through the operations of BlueHub SUN, NSP purchases and rehabilitates residential properties in foreclosure or at risk of foreclosure in low-income communities in Massachusetts. NSP seeks to resell these properties to low-income individuals. The properties are generally purchased by NSP in negotiated transactions from lenders holding the foreclosed properties or troubled loans. Once the purchases by NSP are complete, the homeowners apply for financing through Aura Mortgage or other sources, thereby allowing the residents (either previous owners or persons renting the residence) to remain in the homes and avoid eviction. Once originated, mortgages receivable issued by Aura Mortgage may be held by Aura Mortgage or transferred to Aura Direct or SUN Financing based upon the source of capital for the mortgages receivable.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

To satisfy collateralization requirements associated with the bond payable (see Note 7), loans receivable and the related loan loss allowance are sometimes transferred between Aura Mortgage and SUN Financing and SUN Financing II. Since the closing of the bond payable (see Note 7), Aura Mortgage has retained substantially all newly issued mortgage loans receivable. Aura Mortgage, in collaboration with an outside management company (see Note 10), continues to service all loans initiated under the program.

Mortgage Loans Receivable

Loans receivable consist of mortgage loans receivable from low-income individuals in the states of Massachusetts, New Jersey, Maryland, Illinois, Rhode Island, Connecticut, Michigan, Ohio, Delaware, and Pennsylvania. Adverse real estate markets in these states could affect the value of BlueHub SUN's loans receivable. These loans are generally secured by a first priority mortgage on the property and mature at various dates through 2052. The allowance for loan losses reduces the reported loan values.

Loans receivable of BlueHub SUN consisted of the following at December 31:

	2022		
	Number of Loans	**Interest Rates**	**Monthly Payments**
Aura Mortgage	429	5.625% - 8.500%	\$180 - \$4,281
SUN Financing	106	5.750% - 8.500%	\$298 - \$3,582

	2021		
	Number of Loans	**Interest Rates**	**Monthly Payments**
Aura Mortgage	477	5.625% - 8.500%	\$180 - \$4,281
SUN Financing	105	5.750% - 8.500%	\$298 - \$3,583

The weighted-average interest rates for Aura Mortgage as of December 31, 2022 and 2021, were 6.38% and 6.36%, respectively. The weighted-average interest rates for SUN Financing as of December 2022 and 2021, were 6.57% and 6.50%, respectively.

The following is an aging analysis of BlueHub SUN's loans receivable at December 31:

	2022	**2021**
60 - 89 days	\$ 3,790,925	\$ 2,982,980
Greater than 90 days	14,205,336	12,183,761
Total past due	17,996,261	15,166,741
Current	71,584,982	85,604,882
Total loans receivable	\$ 89,581,243	\$ 100,771,623

4. LOANS AND INTEREST RECEIVABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

Mortgage Loans Receivable (Continued)

In response to the economic conditions posed by the COVID-19 pandemic, BlueHub SUN offered forbearance accommodations to borrowers who were current on their mortgages at the time forbearance was offered. As of December 31, 2022 and 2021, there were $943,778 and $4,508,094, respectively, of loans under forbearance accommodations which were current at the time forbearance was offered. These loans are included in the current portion of loans receivable in the table on the previous page.

For the properties purchased by NSP and then resold to individuals through a mortgage loan, NSP holds shared appreciation agreements with each borrower that entitle NSP to a specified share of the proceeds less the original contract sales price on any potential future sale of these properties as outlined in these agreements. Realized gains from shared appreciation agreements are earned when borrowers sell their properties. The gain realized is the difference between sale price and net book value of interests in real property at time of NSP's original sale of the property to the borrower. Income received by NSP associated with shared appreciation agreements is recognized upon full repayment of loans receivable within BlueHub SUN. For the years ended December 31, 2022 and 2021, NSP recognized gains related to shared appreciation notes totaling $1,882,756 and $1,469,341, respectively, resulting from the sale of properties, which are included in net gains on shared appreciation agreements and sales of real estate in the accompanying consolidated statements of activities.

Maturities

Maturities of the loans and interest receivable as of December 31, 2022, are as follows:

			Foreclosure and Home Mortgage Services		
Year	**Loan Fund**	**One Percent of America**	**Aura Mortgage**	**SUN Financing**	**Total**
2023	$ 39,345,036	$ -	$ 1,302,003	$ 305,474	$ 40,952,513
2024	24,512,126	228,513	1,382,706	325,290	26,448,635
2025	18,179,815	-	1,470,557	346,398	19,996,770
2026	17,011,411	-	1,563,998	368,883	18,944,292
2027	28,782,334	-	1,663,383	392,836	30,838,553
Thereafter	58,665,960	-	59,506,699	20,953,016	139,125,675
	186,496,682	228,513	66,889,346	22,691,897	276,306,438
Adjustment for deferred loan fees (see Note 2)	(571,754)	-	-	-	(571,754)
Less - allowance for loan losses (see Note 5)	(3,523,233)	(17,710)	(6,559,672)	(3,579,895)	(13,680,510)
Net loans and interest receivable	182,401,695	210,803	60,329,674	19,112,002	262,054,174
Less - current portion	37,198,117	-	1,302,003	305,474	38,805,594
Net long-term portion	$ 145,203,578	$ 210,803	$ 59,027,671	$ 18,806,528	$ 223,248,580

4. LOANS AND INTEREST RECEIVABLE (Continued)

Maturities (Continued)

Loans receivable are as follows as of December 31, 2021:

		Foreclosure and Home Mortgage Services		
	Loan Fund	Aura Mortgage	SUN Financing	Total
Gross loans receivable	$ 202,792,504	$ 79,066,882	$ 21,704,741	$ 303,564,127
Adjustment for deferred loan fees (see Note 2)	(739,501)	-	-	(739,501)
Less - allowance for loan losses (see Note 5)	(3,523,233)	(7,336,560)	(3,426,268)	(14,286,061)
Net loans and interest receivable	198,529,770	71,730,322	18,278,473	288,538,565
Less - current portion	(45,268,688)	(1,400,542)	(294,187)	(46,963,417)
Net long-term portion	$ 153,261,082	$ 70,329,780	$ 17,984,286	$ 241,575,148

Affiliate Loans

From time-to-time, the Corporation and its affiliates may enter into intercompany borrowing arrangements to support general operations or specific business initiatives. Those borrowing arrangements not described elsewhere in these footnotes are described here. All intercompany borrowings with affiliates are eliminated in the consolidation.

The Loan Fund has entered into the following lending arrangements with certain consolidating affiliates:

SUN Financing

The Loan Fund entered into a Note Purchase Agreement and an initial unsecured note under this agreement with SUN Financing. 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 3.5% per annum and interest is due quarterly through maturity of December 31, 2025, when all remaining principal is due. Interest paid to the Loan Fund was $177,431 and $177,535 for 2022 and 2021, respectively. As of December 31, 2022 and 2021, principal outstanding under this agreement totaled $5,000,000.

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. As of December 31, 2022 and 2021, there was $1,500,000 and $3,000,000 outstanding, respectively. This intercompany loan bears interest at 3%, payable quarterly, is unsecured, and matures in September 2029. Interest on these borrowings totaled $45,000 and $90,000 in 2022 and 2021, respectively, and has been eliminated in the accompanying consolidated statements of activities.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans (Continued)

SEA (Continued)

Affiliate loans consist of the following at December 31:

	2022	2021
Intercompany borrowings:		
Loan Fund receivable from SUN Financing	$ 5,000,000	$ 5,000,000
Loan Fund receivable from SEA	1,500,000	3,000,000
Sub-total affiliate loans receivable	6,500,000	8,000,000
Affiliate loan receivables eliminated in consolidation	(6,500,000)	(8,000,000)
Total net affiliate loans receivable	$ -	$ -

Interest on these borrowings totaled $222,431 and $267,535 in 2022 and 2021, respectively, which has also been eliminated from the accompanying consolidated financial statements.

5. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES

Loan Fund

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 otherwise 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:

	2022	2021
Allowance for loan losses (see Notes 2 and 4)	$ 3,523,233	$ 3,523,233
Board designated net assets for general loan loss reserves (see Note 2)	6,565,280	7,644,388
	$ 10,088,513	$ 11,167,621

An allowance for loan losses is an estimate of expected loan losses expressed as a reduction of the carrying value of loans receivable. The loan loss allowance is based on expected losses as determined under the Loan Fund's risk rating system. 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 and loan loss reserves equals at least 5% of total loans receivable of the Loan Fund.

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

Loan Fund (Continued)

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

2022	Construction	Organi-zational	Permanent	Pre-development	Site Acquisition	Total
Allowance for loan losses, December 31, 2021	$ 1,441,423	$ 76,409	$ 1,532,405	$ 414,970	$ 58,026	$ 3,523,233
Provision	-	-	225,000	-	-	225,000
Recoveries	-	(6,493)	(218,507)	-	-	(225,000)
Allowance for loan losses, December 31, 2022	$ 1,441,423	$ 69,916	$ 1,538,898	$ 414,970	$ 58,026	$ 3,523,233
Ending balance: Individually evaluated for impairment	$ 1,418,433	$ 67,162	$ 688,568	$ -	$ -	$ 2,174,163
Troubled Debt Restructuring	$ 1,418,433	$ 67,162	$ 688,568	$ -	$ -	$ 2,174,163

2021	Construction	Organi-zational	Permanent	Pre-development	Site Acquisition	Total
Allowance for loan losses, December 31, 2020	$ 1,142,027	$ 14,577	$ 1,798,083	$ 414,970	$ 153,576	$ 3,523,233
Provision	472,812	61,832	-	-	-	534,644
Recoveries	(173,416)	-	(265,678)	-	(95,550)	(534,644)
Allowance for loan losses, December 31, 2021	$ 1,441,423	$ 76,409	$ 1,532,405	$ 414,970	$ 58,026	$ 3,523,233
Ending balance: Individually evaluated for impairment	$ 1,418,433	$ 72,462	$ 782,068	$ -	$ -	$ 2,272,963
Troubled Debt Restructuring	$ 1,418,433	$ 72,462	$ 782,068	$ -	$ -	$ 2,272,963

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

Loan Fund (Continued)

The Loan Fund uses a 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:

		2022		2021	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Pass	1 - 4	$ 175,048,003	$ -	$ 189,350,323	$ -
Special Mention	5 - 6	6,466,547	680,235	7,344,695	770,700
Substandard	7 - 8	2,579,813	2,107,001	2,673,313	2,200,502
General Reserve		-	735,997	-	552,031
		$ 184,094,363	$ 3,523,233	$ 199,368,331	$ 3,523,233

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.

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; and
- Whether the Loan Fund expects the borrower to perform under the revised terms of the restructuring.

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

Loan Fund (Continued)

Short-term modifications made in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs. This includes short-term modifications such as payment deferrals, extensions of repayment terms or other delays in payment that are insignificant. Borrowers considered current are those that are less than thirty-days past due on their contractual payments at the time a modification program is implemented.

As of December 31, 2022 and 2021, loans that were impaired and classified as TDRs for the Loan Fund were as follows:

	2022		
Troubled Debt Restructuring	**Number of Loans Restructured**	**Amount of Restructured Loans**	**Related Allowance for Loan Loss**
Construction financings - multiple extensions resulting from financial difficulty	2	$ 1,891,245	$ 1,418,433
Permanent financings - multiple extensions resulting from financial difficulty	2	688,568	688,568
Organizational financings - multiple extensions resulting from financial difficulty	1	335,806	67,162
	5	$ 2,915,619	$ 2,174,163

	2021		
Troubled Debt Restructuring	**Number of Loans Restructured**	**Amount of Restructured Loans**	**Related Allowance for Loan Loss**
Construction financings - multiple extensions resulting from financial difficulty	2	$ 1,891,245	$ 1,418,433
Permanent financings - multiple extensions resulting from financial difficulty	2	782,068	782,068
Organizational financings - multiple extensions resulting from financial difficulty	2	362,309	72,462
	6	$ 3,035,622	$ 2,272,963

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

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

Foreclosure and Home Mortgage Services

BlueHub SUN uses a 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 BlueHub SUN's loans receivable balances and related allowance by risk rating at December 31:

		2022		2021	
Category	**Risk Rating**	**Loan Balance**	**Loan Loss Allowance**	**Loan Balance**	**Loan Loss Allowance**
Pass	1 - 2	$ 54,994,229	$ 1,932,677	$ 64,456,222	$ 2,086,237
Special Mention	3 - 6	15,646,975	1,879,119	18,674,290	2,385,912
Substandard	7 - 8	18,940,039	4,715,340	17,641,111	4,406,095
General reserve		-	1,612,431	-	1,884,584
		$ 89,581,243	$ 10,139,567	$ 100,771,623	$ 10,762,828

The loan loss allowance consists of the following:

	2022	2021
Beginning of year	$ 10,762,828	$ 12,326,002
Loan loss allowance established with mortgage origination (see Note 2)	261,209	106,858
Loan loss recoveries - valuation	-	(375,000)
Payment made for program return of funds	(62,250)	(115,739)
Recovery from loans repaid - cash	(822,220)	(1,179,293)
End of year	$ 10,139,567	$ 10,762,828

BlueHub SUN had no write-offs of loan principal during 2022 and 2021.

Impaired loans as of December 31, 2022 and 2021, are set forth in the tables below:

	2022		
	Number of Impaired Loans	**Amount of Impaired Loans**	**Related Allowance for Loan Loss**
SUN Financing	4	$ 767,812	$ 167,035

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

Foreclosure and Home Mortgage Services (Continued)

	2021		
	Number of Impaired Loans	Amount of Impaired Loans	Related Allowance for Loan Loss
SUN Financing	6	$ 1,358,756	$ 290,945

There were no TDRs during 2022 or 2021.

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY

Holding Company

Property and equipment of the Holding Company are as follows as of December 31:

	2022	2021
Computer equipment	$ 295,072	$ 295,072
Office equipment	98,142	92,017
Leasehold improvements	1,138,555	1,138,555
	1,531,769	1,525,644
Less - accumulated depreciation	1,243,102	1,089,515
	$ 288,667	$ 436,129

Depreciation expense of the Holding Company for 2022 and 2021 was $153,587 and $147,393, respectively.

Solar Energy Programs

The Corporation operates various ground and roof-mounted photovoltaic panel installations that are owned by the affiliates that operate its Solar Energy Programs (see Note 1). All projects are located in Massachusetts.

In connection with certain of these installations, SEA and SEA QALICB received financial support in the form of grant proceeds of the Holding Company's EAP grant (see Note 2), Massachusetts Renewable Energy Trust (MRET) rebates, Massachusetts Clean Energy Center (MCEC) grants, and Federal Payments for Specified Energy Property in Lieu of Tax Credits under Section 1603 of the American Recovery and Reinvestment Act of 2009 (Section 1603 payments), all of which have reduced the cost of the solar energy equipment for depreciation purposes (see Note 2). There are specific recapture provisions associated with the MRET rebates and Section 1603 payments. SEA and SEA QALICB were in compliance with these provisions as of December 31, 2022 and 2021.

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY (Continued)

Solar Energy Programs (Continued)

The net carrying value of the solar panel projects are as follows at December 31:

2022	SEA	SEA QALICB	SEA QALICB II	Solar III	Total
Solar energy panels and installation	$ 7,773,986	$ 5,094,062	$ 3,586,236	$ 9,718,922	$ 26,173,206
Less - MRET rebates, MCEC grants and Section 1603 payments	(4,122,849)	(215,889)	-	-	(4,338,738)
Less - EAP grants received from the Holding Company	(999,940)	-	-	-	(999,940)
Depreciable cost basis	2,651,197	4,878,173	3,586,236	9,718,922	20,834,528
Less - accumulated depreciation	(2,404,859)	(4,514,302)	(2,603,053)	(6,548,854)	(16,071,068)
Net book value of projects	$ 246,338	$ 363,871	$ 983,183	$ 3,170,068	4,763,460
Less - elimination of developer fee profit earned by SEA					(200,123)
Net book value of projects after elimination					$ 4,563,337

2021	SEA	SEA QALICB	SEA QALICB II	Solar III	Total
Solar energy panels and installation	$ 7,756,114	$ 5,094,062	$ 3,586,236	$ 9,718,922	$ 26,155,334
Less - MRET rebates, MCEC grants and Section 1603 payments	(4,122,849)	(215,889)	-	-	(4,338,738)
Less - EAP grants received from the Holding Company	(999,940)	-	-	-	(999,940)
Depreciable cost basis	2,633,325	4,878,173	3,586,236	9,718,922	20,816,656
Less - accumulated depreciation	(2,302,309)	(4,107,784)	(2,304,324)	(5,577,223)	(14,291,640)
Net book value of projects	$ 331,016	$ 770,389	$ 1,281,912	$ 4,141,699	6,525,016
Less - elimination of developer fee profit earned by SEA					(261,633)
Net book value of projects after elimination					$ 6,263,383

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY (Continued)

Solar Energy Programs (Continued)

For the years ended December 31, 2022 and 2021, depreciation expense, net of eliminations, related to SEA, SEA QALICB, SEA QALICB II, and Solar III totaled $1,779,428 and $2,111,951, respectively.

The Holding Company and SEA developed the solar projects on behalf of the affiliates which own them. The portion of the developer fee that is considered intercompany profit has been eliminated from the accompanying consolidated financial statements.

There was no sale of solar panel projects for the year ended December 31, 2022. The realized gain on sale of solar panel projects is as follows for the year ended December 31, 2021:

	SEA	SEA QALICB II	Total
Solar energy panel net depreciable cost	$ 560,005	$ 3,356,244	$ 3,916,249
Solar energy panel accumulated depreciation	(560,005)	(2,060,468)	(2,620,473)
Proceeds	19,783	1,371,764	1,391,547
Realized gain on sale of property and equipment	$ 19,783	$ 75,988	$ 95,771

Foreclosure and Home Mortgage Services

NSP

In connection with activities of BlueHub SUN, foreclosed and other residential properties in low-income communities are purchased by NSP, rehabilitated and held for resale with the intent that they be resold to the original owner. SUN Financing generally acquires the beneficial interests in these properties.

SUN Financing's Interests in Real Property and Real Estate Owned

Properties Held for Sale

Interests in real property held for sale substantially consist of real property owned by NSP in which SUN Financing has purchased an interest of the real property's income. At the time of sale, NSP transfers the value of the property to SUN Financing. NSP manages the rental and held for sale properties and transfers the net rental income to the affiliate holding the interest. There was no rental income during 2022 or 2021. Due to the uncertainty of when these properties will sell, these properties have been classified as long-term assets in the accompanying consolidated statements of financial position.

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY (Continued)

SUN Financing's Interests in Real Property and Real Estate Owned (Continued)

Properties Held for Sale (Continued)

A reconciliation of properties held for sale by BlueHub SUN is as follows as of December 31:

	2022	2021
Balance, at beginning of year	$ -	$ -
Purchase of interests in real properties	2,501,978	464,384
Cost basis of interests in real property converted to interests in loans receivable (see Note 4)	(2,501,978)	(464,384)
Balance at end of year	$ -	$ -

Real Estate Owned

Aura Mortgage and SUN Financing have foreclosed on various residential real estate properties which each had financed and in which each had an interest in the loan receivable. Aura Mortgage and SUN Financing acquired ownership of the residential real estate properties and canceled the respective mortgage loans. There were no new SUN Financing properties acquired through foreclosure in 2022 or 2021. There is one property remaining under SUN Financing as of December 31, 2022 and 2021. The remaining property had an agreement where the current delinquent tenant was to vacate the property by mid-2021 but has yet to vacate, where upon SUN Financing currently intends to remodel and sell the remaining property. There were no properties under Aura Mortgage as of December 31, 2022 and 2021. Real estate owned under SUN Financing was $152,358 as of December 31, 2022 and 2021.

Total property and equipment, interests in real property and real estate owned, net are comprised of the following at December 31:

	2022	2021
Holding Company property and equipment	$ 288,667	$ 436,129
SEA - Solar energy equipment	4,563,337	6,263,383
Foreclosure and Home Mortgage Services:		
SUN Financing - foreclosed property	152,358	152,358
	5,004,362	6,851,870
Less - eliminations	(57,024)	(73,868)
	$ 4,947,338	$ 6,778,002

Eliminations represent the undepreciated net profit of capitalized developer fees earned by the Holding Company related to solar installations.

7. BONDS AND LOANS PAYABLE

Loan Fund

Bonds Payable

During 2020, the Loan Fund completed its first public debt offering, $75 million in unsecured Sustainability Bonds (the Bonds). Proceeds from the Bonds are exclusively applied to finance or re-finance a combination of both green and social projects. The proceeds of the Bonds were used primarily to refinance certain existing fixed and floating debt obligations of the Loan Fund.

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

	2022	2021
The Loan Fund issued a public debt offering of Sustainability Bonds comprised of ten-year term taxable bonds for $56,250,000 in January 2020. The issued bonds have a maturity date of January 1, 2030, and an interest rate of 3.099% per annum, payable semiannually. Accrued interest as of December 31, 2022 and 2021, was $871,594. The bonds are rated A- by S&P Global Ratings.	$ 56,250,000	$ 56,250,000
The Loan Fund issued a public debt offering of Sustainability Bonds comprised of seven-year taxable serial bonds for $18,750,000 in January 2020. The issued bonds have a maturity date of January 1, 2027, and an interest rate of 2.89% per annum, payable semiannually. Accrued interest as of December 31, 2022 and 2021, was $270,938. The bonds are rated A- by S&P Global Ratings.	18,750,000	18,750,000
Total bonds payable	75,000,000	75,000,000
Less - unamortized debt issuance costs	(569,476)	(663,882)
	$ 74,430,524	$ 74,336,118

Debt issuance costs totaling $887,692 as of December 31, 2022 and 2021, are recorded at cost and are amortized over the lives of the Bonds. 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 $94,406 and $99,889 for the years ended December 31, 2022 and 2021, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2022 and 2021, was $318,216 and $223,810, respectively.

The Loan Fund must comply with various reporting covenants under the Bonds agreements of which the Loan Fund was in compliance as of December 31, 2022 and 2021.

7. BONDS AND LOANS PAYABLE (Continued)

Loan Fund (Continued)

Loans Payable

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

	2022	2021
The Loan Fund has a $20,000,000 unsecured revolving line of credit with a financial institution, which expires on December 31, 2025. The interest rate on this line of credit is 2% and interest is due in quarterly payments.	$ 20,000,000	$ 20,000,000
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on December 31, 2025. The interest rate on this line of credit is 2% 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 October 31, 2026. The interest rate on this line of credit is 2.4% 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. The loan bears a fixed interest rate of 3.63% on the outstanding balance.	8,500,000	10,000,000
Total lines of credit	48,500,000	50,000,000
Other loans payable (see below)	29,364,206	28,369,638
	77,864,206	78,369,638
Less - unamortized debt issuance costs	(53,365)	(56,319)
Less - current portion	(6,734,162)	(8,459,196)
	$ 71,076,679	$ 69,854,123

The Loan Fund had a total of $60,000,000 of additional available credit on lines of credit with financial institutions as of December 31, 2022. 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, 2022 and 2021, the Loan Fund was in compliance with these covenants.

Other loans payable of the Loan Fund represent loans by approximately 340 lenders (investors) in principal amounts ranging from $1,000 to $3,000,000. Other loans payable bear interest at rates ranging from 0% to 3%, payable at various dates through 2040. In the ordinary course of operations, the Loan Fund may negotiate extensions of maturity with many investors. The current maturities as of December 31, 2022, include approximately $473,000 of loan principal which have 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, 2022, also include approximately $1,107,000 considered due on demand.

7. BONDS AND LOANS PAYABLE (Continued)

Loan Fund (Continued)

Loans Payable (Continued)

Debt issuance costs totaling $300,744 and $276,836 as of December 31, 2022 and 2021, 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 $26,862 and $38,599 for the years ended December 31, 2022 and 2021, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2022 and 2021, was $247,379 and $220,517, respectively.

Solar Energy Programs

Solar III

Solar III entered into a direct loan (the direct loan) agreement with a bank in the amount of $4,802,252. Outstanding amounts bore interest at 5.11% per annum. Solar III was required to make principal and interest payments to fully amortize the loan in ten years. Beginning on December 31, 2016, Solar III was also required to make an additional annual principal payment equal to 95% of surplus cash flow as defined in the loan agreement. This loan was fully repaid in 2022 with the unwind of CDE XXII (see Note 1). The loan balance was $854,635 as of December 31, 2021.

Foreclosure and Home Mortgage Services

SUN Financing

Loans payable under the Note Purchase Agreement issued by SUN Financing bear interest at rates ranging from 1.00% to 3.50%, payable quarterly in arrears, and are set to mature in December 2025. All loans payable may be prepaid without penalty.

The Note Purchase Agreements require SUN Financing to maintain certain covenants as specified in the agreements. As of December 31, 2022 and 2021, SUN Financing was in compliance with these covenants.

The total amount advanced under these note payable agreements, excluding the balance owed to the Loan Fund, was $22,425,889 and $22,401,211 as of December 31, 2022 and 2021, respectively.

Interest expense under the loans payable, excluding the Loan Fund's interest, was $791,108 and $807,852 as of December 31, 2022 and 2021, respectively.

Aura Mortgage

Bond Payable

Aura Mortgage has a bond loan agreement with a nonprofit bond qualified issuer organization and bank as Trustee for a maximum amount of $100,000,000. Aura Mortgage had drawn $83,000,000 as of December 31, 2022 and 2021. All draws must be substantiated by proper loan collateral and the last draw must occur by September 18, 2022. Under the promissory note issued incident to the bond loan agreement, interest accrues at a fixed rate on a given tranche, dependent upon the timing of the draw of the related payments.

7. BONDS AND LOANS PAYABLE (Continued)

Aura Mortgage (Continued)

Bond Payable (Continued)

The draws on the bond payable were subject to a weighted-average interest rate of 2.91% as of December 31, 2022 and 2021. Quarterly principal and interest payments plus applicable administrative and Trustee fees began on March 15, 2018. The quarterly principal and interest payments were $899,927 and $947,971 as of December 31, 2022 and 2021, respectively. All remaining unpaid principal and accrued interest are due and payable in March 2047. The loan may be prepaid in whole or in part in increments of $100,000 subject to a call premium.

The principal balance at December 31, 2022 and 2021, was $61,787,370 and $75,548,673, respectively. The bond payable is shown net of unamortized debt issuance costs of $624,067 and $649,802 as of December 31, 2022 and 2021, respectively. Amortization was $25,735 for each of the years ended December 31, 2022 and 2021, and is included in interest expenses in the accompanying consolidated statements of activities. Amortization is expected to be $25,735 until fully amortized. Interest expense and loan servicing fees for the years ended December 31, 2022 and 2021, on the bond payable totaled $2,406,770 and $2,609,734, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Aura Mortgage prepaid a portion of the outstanding principal balance of the bond during 2022, which Aura Mortgage received a discount to the balances paid resulting in a gain on the bond payable redemption of $340,651, which is included in non-operating revenue in the accompanying 2022 consolidated statement of activities. The bond is guaranteed under the CDFI Bond Guarantee Program and a third-party limited guarantee of $3,000,000 (see page 43).

Aura Mortgage is also required to comply with certain financial and non-financial covenants associated with the bond payable. Among these is a requirement for Aura Mortgage to independently meet net asset covenants in which Aura Mortgage must in at least two out of three consecutive fiscal years have a positive change in net assets without donor restrictions. Second, Aura Mortgage must also meet a defined net assets without donor restrictions ratio where net assets without donor restrictions divided by total assets is greater than or equal to 18% for any two consecutive fiscal quarters within each year. Additionally, there are collateral requirements to comply with in accordance with the bond payable (see page 43). Aura Mortgage was in compliance with these covenants as of December 31, 2022 and 2021.

In connection with the net asset covenants, the Venture Fund and Aura Mortgage entered into an agreement where the Venture Fund will contribute up to $6,000,000 of capital contributions to Aura Mortgage (see Note 3), if Aura Mortgage is unable to independently meet the net assets without donor restrictions ratio covenants. The Venture Fund has contributed $3,000,000 for this purpose. There were no contributions made in 2022 or 2021.

As part of the bond loan agreement, Aura Mortgage is obligated to pay the bank as a Trustee on a quarterly basis. The fees include agency administrative fees, Trustee fees, and qualified issuer fees. Aura Mortgage is also obligated to the qualified issuer and lender of the bond payable for one-time fees and other on-going quarterly fees, including bond facilitation fees, program administrator and servicing fees, and loan collateral fees. The Trustee has also been assigned without recourse, rights, title and interest in the collateral of the pledged loans receivable.

7. BONDS AND LOANS PAYABLE (Continued)

Aura Mortgage (Continued)

Bond Payable (Continued)

Proceeds advanced to Aura under the bond loan agreement are subsequently loaned to Aura Direct which uses the proceeds to make qualifying mortgage loans receivable of BlueHub SUN. The bond payable is collateralized by a note evidencing this affiliate borrowing in an amount equal to 101% of the bond proceeds advanced, the balance of which has been eliminated from the accompanying consolidated financial statements. The bond payable is also collateralized by any unspent proceeds of its borrowing from Aura, the pool of loans receivable held by Aura Direct, as well as certain restricted deposit balances (see Note 14). The collateralization on the loan agreement between Aura and Aura Direct is to be not less than 125%, calculated as outstanding principal on the loans with Aura Direct, plus the restricted cash account (see Note 14), divided by the outstanding obligation on the Aura Direct loan payable to Aura. During 2021, Aura Mortgage received a temporary compliance waiver where the collateral requirement cannot fall below 110% and was effective through March 31, 2022. Effective April 1, 2022, Aura Mortgage received an extension on the temporary compliance waiver extending it through March 30, 2023.

Guarantees

Aura Mortgage has entered into an agreement with a national foundation whereupon the foundation has guaranteed up to $3,000,000 in conjunction with the bond payable. In the event that the loans collateralized are insufficient to meet debt service obligations of the bond payable, the foundation will advance up to $3,000,000 to Aura Mortgage. Advances under the guarantee would take the form of a subordinated loan payable to the foundation due and payable in full in November 2047. The unpaid principal balance would bear interest at an annual rate of 3%. Interest-only payments would be required on a quarterly basis until the note's maturity. There were no advances made as of December 31, 2022 and 2021.

The bond payable is also guaranteed by the U.S. Treasury under the terms of the CDFI Bond Guarantee Program. In the event that insufficient cash flow exceeds the limited $3 million foundation guarantee, the balances of the CDFI bond risk share pool (see Note 14), and the required overcollateralization cash balances, the Treasury will provide funds to offset any remaining principal, interest or call premium then in default. Advances by the Treasury under the guarantee take the form of a balance payable to the Treasury under a reimbursement note.

Holding Company

Paycheck Protection Program

In 2020, the Corporation applied for and was awarded a forgivable loan of $1,259,604 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that will be forgiven, provided that the Corporation submits the application for forgiveness within ten months after the completion of the covered period. The balance of the loan that was not forgiven, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank.

7. BONDS AND LOANS PAYABLE (Continued)

Holding Company (Continued)

Paycheck Protection Program (Continued)

In 2021, the Corporation applied for, but was initially denied, forgiveness by the SBA. The denial was appealed and, in 2022, the loan, less payments made prior to approval, was approved for forgiveness by SBA. During 2022, $1,064,225 is reflected as PPP loan forgiveness in the accompanying 2022 consolidated statement of activities. The Holding Company paid down the remaining loan balance of $195,379 during 2022.

Maturities

The schedule of maturities (below) includes only regularly scheduled principal payments for principal outstanding at December 31, 2022, and does not include payments related to commitments to pay available or excess cash which may be determined from time-to-time under certain agreements.

Maturities of all loans and bond payable, as adjusted for commitments to refinance current maturities, as of December 31, 2022 and 2021, are as follows:

2022	Loan Fund	Foreclosure and Homes Mortgage Services	Total
2023	$ 6,734,162	$ 1,770,175	$ 8,504,337
2024	13,107,510	1,821,737	14,929,247
2025	3,924,314	24,303,880	28,228,194
2026	14,607,900	1,934,245	16,542,145
2027	54,840,000	1,992,622	56,832,622
Thereafter	59,650,320	52,390,600	112,040,920
Total loans	152,864,206	84,213,259	237,077,465
Less - current portion	(6,734,162)	(1,770,175)	(8,504,337)
Less - unamortized debt issuance costs	(622,841)	(624,067)	(1,246,908)
Loans payable, net of current portion	$ 145,507,203	$ 81,819,017	$ 227,326,220

2021	Loan Fund	Holding Company	Solar Energy Programs	Foreclosure and Homes Mortgage Services	Total
Total loans	$ 153,369,638	$ 1,259,604	$ 854,635	$ 97,949,884	$ 253,433,761
Less - current portion	(8,459,196)	(1,259,604)	(541,557)	(2,066,360)	(12,326,717)
Less - unamortized debt issuance costs	(720,201)	-	-	(649,802)	(1,370,003)
Loans payable, net of current portion	$ 144,190,241	$ -	$ 313,078	$ 95,233,722	$ 239,737,041

8. PERMANENT LOAN CAPITAL – SUBORDINATED LOANS PAYABLE

Permanent loan capital - subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (45 individual loans as of December 31, 2022 and 2021) from financial and other institutions, bearing simple interest at rates ranging from 1.9% to 4%. These loans have substantially similar terms, including annual interest-only payments until final maturity, occurring between 2030 and 2040. 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. These loans are subordinate and junior to all other obligations of the Loan Fund.

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.

The permanent loan capital - subordinated loans payable was $24,250,000 as of December 31, 2022 and 2021.

9. NEW MARKETS TAX CREDITS PROGRAM

The New Markets Tax Credits Program was formed to provide investment capital raised through the Federal NMTC Program to businesses in low-income communities that are not served by conventional forms of financing or equity. The Corporation implements the program by competitively applying for allocations of NMTC and seeking investor capital for qualifying projects nationally. The majority of its NMTC allocations have been used to make low-interest loans through the CDE LLCs (see Note 1). The loan proceeds were provided for various projects including:

- for the purpose of acquiring land, developing, owning, operating, and selling income producing timberlands;
- to construct a sweet potato processing plant and make other certain improvements for the production and sale of sweet potato food products;
- to build and renovate charter schools; and
- to facilitate the delivery of solar energy to affordable housing projects and other facilities.

Managed Assets entered into agreements with the CDE LLCs' Investor Members, who provided approximately $543 million of cumulative QEIs as of December 31, 2022, to make QLICIs of the active CDE LLCs. By making QLICIs, the CDE LLCs enable the Investor Members to claim approximately $212 million of NMTC over credit periods of seven years.

For Managed Assets' participation in establishing the CDE LLCs and underwriting the QLICIs made, Managed Assets earns upfront and sub-allocation fees, which are included in program revenue and fees (see Note 2) in the accompanying consolidated statements of activities. There were no upfront fees received in 2022. Managed Assets received $650,000 and $350,000 in upfront fees in 2021 related to BCC NMTC CDE XXXIII, LLC and BCC NMTC CDE XXXIV, LLC, respectively. During 2022, BCC NMTC CDE XXIII, LLC reached the end of its compliance period and, accordingly, Managed Assets received the backend fee of $215,523.

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

Sub-allocation fees may also include delayed portions earned by Managed Assets as compensation for annual services related to servicing and management of the CDE entities. Though the delayed sub-allocation fees are recognized over the seven-year expected lives of the CDE LLCs, the entire fee is recorded as a receivable at the inception of the agreement because these fees are generally guaranteed to be paid by the respective CDE LLCs or their investors. The delayed portions not yet collected are included in affiliate fees receivable and deferred revenue in the accompanying consolidated statements of financial position.

Delayed fees receivable are as follows at December 31:

	2022	2021	Quarterly Installments Payable Through
BCC NMTC CDE XXII, LLC *	$ -	$ 100,000	December 2020
BCC NMTC CDE XXIII, LLC	-	246,315	December 2020
BCC NMTC CDE XXIV, LLC	660,000	660,000	Entire fee due in March 2024
BCC NMTC CDE XXV, LLC	65,392	116,392	June 2024
BCC NMTC CDE XXVI, LLC	174,444	274,444	September 2024
BCC NMTC CDE XXVII, LLC	145,125	260,457	June 2024
BCC NMTC CDE XXVIII, LLC	153,111	233,111	August 2024
BCC NMTC CDE XXIX, LLC	40,764	65,764	August 2024
BCC NMTC CDE XXX, LLC	70,000	100,000	June 2025
BCC NMTC CDE XXXI, LLC	157,778	237,778	December 2024
BCC NMTC CDE XXXII, LLC	67,500	97,500	March 2024
BCC NMTC CDE XXXIII, LLC	328,405	384,599	December 2028
BCC NMTC CDE XXXIV, LLC	179,250	209,250	December 2028
Total	2,041,769	2,985,610	
Less - eliminations (*)	-	(100,000)	
Less - current portion	(598,796)	(629,588)	
	$ 1,442,973	$ 2,256,022	

The current portion of affiliate fees receivable represents the amount expected to be paid by the CDE/LLCs during the following year based on expected available cash.

NMTC sub-allocation fees are recognized when the payment is made on the performance obligation to Managed Assets. For 2022 and 2021, Managed Assets reported $1,032,462 and $2,066,966 (Managed Assets: $1,566,966 and Holding Company: $500,000), respectively, of these fees as revenue, which are included in program revenue and fees in the accompanying consolidated statements of activities. The portion of the delayed fees which Managed Assets allocates to future services is included in deferred revenue in the accompanying consolidated statements of financial position.

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

Deferred revenue is as follows at December 31:

	2022	2021
BCC NMTC CDE XXI, LLC	$ -	$ 54,541
BCC NMTC CDE XXII, LLC *	-	78,573
BCC NMTC CDE XXIII, LLC	-	61,321
BCC NMTC CDE XXIV, LLC	660,000	660,000
BCC NMTC CDE XXV, LLC	70,833	120,833
BCC NMTC CDE XXVI, LLC	166,667	266,907
BCC NMTC CDE XXVII, LLC	216,667	316,667
BCC NMTC CDE XXVIII, LLC	126,667	206,667
BCC NMTC CDE XXIX, LLC	39,583	64,583
BCC NMTC CDE XXX, LLC	70,000	100,000
BCC NMTC CDE XXXI, LLC	160,000	240,000
BCC NMTC CDE XXXII, LLC	67,500	97,500
BCC NMTC CDE XXXIII, LLC	328,405	384,119
BCC NMTC CDE XXXIV, LLC	179,250	209,250
Total NMTC delayed fees	2,085,572	2,860,961
Less - eliminations *	-	(78,573)
Total deferred revenue	$ 2,085,572	$ 2,782,388

Terms of the agreements with the Investor Members require Managed Assets to maintain certain covenants to avoid recapture of NMTC and possible reimbursement of a portion of upfront fees it has received. At December 31, 2022 and 2021, Managed Assets was in compliance with all such covenants and management expects to maintain compliance throughout the seven-year NMTC credit period of each of the QEI.

10. LEASES AND OTHER COMMITMENTS

Operating Lease – Lessee

The Corporation has a lease agreement to rent office space and parking in Roxbury, Massachusetts through June 2024, with an option to extend for an additional five-year period. Monthly base rent under this lease is $35,225. The Corporation is also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreement.

The right-of-use asset (see Note 2) and accumulated amortization at December 31, 2022, is as follows:

ROU asset - office lease	$ 1,855,733
Less - accumulated amortization	1,237,155
Total ROU asset - office lease	$ 618,578

Total lease expense was $412,385 for 2022 and 2021 and is included in office operations in the accompanying consolidated statements of activities.

10. LEASES AND OTHER COMMITMENTS (Continued)

Operating Lease – Lessee (Continued)

Future minimum payments under the office lease are as follows for the years ending December 31:

2023	$ 422,700
2024	220,164
Total future minimum payments	642,864
Less - discount to present value	(24,286)
Less - current portion	(422,700)
Lease obligation, net	$ 195,878

The Corporation used the risk-free discount rate of 1% to calculate the present value of the lease liabilities.

Servicing Agreement

Aura Mortgage has a loan servicing agreement with a company to service and maintain a portion of the loan portfolio of the Foreclosure and Home Mortgage Services. The agreement automatically renews annually for terms of one year unless Aura Mortgage or the company elect to terminate the agreement. Under the terms of the agreement, the company receives a monthly service fee for each loan, a fee for setting up new loans, and fees related to monthly reports related to the portfolio. The total compensation to the company under this agreement was $105,725 and $233,380 for the years ended December 31, 2022 and 2021, respectively, and is included in program expenses in the accompanying consolidated statements of activities.

11. RETIREMENT PLANS

The Holding Company has adopted an IRC Section 401(k) plan managed by an investment manager, which includes a Roth option. Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. The Corporation provides a 100% match for all employee contributions up to 6% of their total wages, not exceeding $205,000 annually. All employees age 21 and over are eligible to participate in the plan. Pension expense for 2022 and 2021 was $278,802 and $307,733, respectively, and is included in personnel in the accompanying consolidated statements of activities.

The Corporation established a 457(b) salary deferral plan for certain employees. All contributions and related earnings are immediately vested. The Corporation contributed $82,000 and $39,000 to this plan during 2022 and 2021, respectively, which is included in personnel in the accompanying consolidated statements of activities. Employees did not make any contributions during 2022 or 2021. The balance in the deferred compensation plan was $479,451 and $428,452 at December 31, 2022 and 2021, respectively, and is reported as both an asset and liability in the accompanying consolidated statements of financial position.

11. RETIREMENT PLANS (Continued)

The Corporation also established a 457(f) salary deferral plan for key executives. Contributions vest over a two-year period. The Corporation declared contributions of $325,000 and $400,000 to this plan during 2022 and 2021, respectively. Contributions are accrued as personnel expense on a straight-line basis over the two-year vesting periods and amount to $293,750 and $416,666, which are included in personnel in the accompanying consolidated statements of activities for 2022 and 2021, respectively.

The Corporation funds the contributions, and participants are able to direct the investments which remain assets of the Corporation until fully vested. Accordingly, the liability to the participants also includes investment earnings expected to be paid to the participants. The Corporation funded $325,000 and $400,000 of the 2022 and 2021 contributions, respectively. The balance of investments in the deferred compensation plan was $1,174,049 and $941,582 at December 31, 2022 and 2021, respectively, and are shown as restricted deposits in the accompanying consolidated statements of financial position. The accrued liability to participants was $626,217 and $250,000 at December 31, 2022 and 2021, respectively.

Deferred compensation investments of the 457(b) and 457(f) plans consist of mutual funds which are valued using Level 1 inputs within the fair value hierarchy (see Notes 2 and 14).

12. INCOME TAXES

Significant balances with differences in accounting and tax basis consist primarily of net operating loss carryforwards of SEA. At December 31, 2022 and 2021, SEA had the following net operating loss (NOL) carryforwards available to offset future taxable income:

	2022	2021
SEA:		
Federal NOL	$ 4,369,238	$ 5,722,700
State NOL	$ 2,307,124	$ 4,158,700

Federal and state NOLs incurred before 2018 may be carried forward for twenty years following the year of loss. These carryforwards expire at various times through 2037. NOLs incurred after 2017 do not expire. Utilization of NOL carryforwards may be subject to a substantial annual limitation due to ownership change limitations that could occur in the future as provided by Section 382 of the IRC. Due to the uncertainty of recognizing these carryforwards in future periods, the deferred tax assets associated with them have been fully reserved as of December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the components of SEA's net deferred tax asset are as follows:

	2022	2021
Net operating loss carryforwards	$ 1,158,000	$ 1,302,000
Less - valuation allowance	1,158,000	1,302,000
	$ -	$ -

13. CREDIT ENHANCEMENT

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. The Loan Fund actively monitors this program and no losses are deemed probable for 2022 and 2021.

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.

Credit enhancement funds were deployed as follows as of December 31:

	2022	2021
Cash collateral (nine and fourteen arrangements as of December 31, 2022 and 2021, respectively)	$ 4,768,501	$ 6,835,601
Grant reserve funds	3,290,122	1,213,048
	$ 8,058,623	$ 8,048,649

Approximately $3.5 million and $4.4 million of the cash collateral escrow secures loans receivable of the Loan Fund as of December 31, 2022 and 2021, respectively (see Note 4).

Interest income reinvested to the grant reserve totaled $9,974 and $6,522 for the years ended December 31, 2022 and 2021, respectively.

Maturity dates of the active arrangements as of December 31, 2022 and 2021, range from February 1, 2022 through February 28, 2037, as follows:

2023	$ 685,750
2024	$ 509,411
2025	$ 301,718
2026	$ 1,272,927
2027	$ -
Thereafter	$ 1,998,695

During 2022, the Corporation received a commitment to receive another $12 million in funding to enter into credit enhancement agreements with charter schools and third-party lenders which have yet to be closed as of December 31, 2022.

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES

Restricted Deposits

Restricted deposits are comprised of the following as of December 31:

	2022	2021
BlueHub SUN:		
Restricted deposit account	$ 21,165,056	$ 20,973,118
CDFI bond risk share pool account	2,490,000	2,490,000
Pledged loan payment account	421,343	257,027
Required overcollateralization account	-	45,626
Subtotal BlueHub SUN	24,076,399	23,765,771
Loan Fund:		
Credit enhancement reserves (see Note 13)	8,058,623	8,048,649
Holding Company:		
Restricted deposits for deferred compensation investments (see Note 11)	1,174,049	1,370,034
	$ 33,309,071	$ 33,184,454

BlueHub SUN

Aura Mortgage is required to maintain several accounts as part of the bond loan agreement (see Note 7).

CDFI Bond Risk Share Pool

This account is held by Aura Mortgage and maintained by the Trustee for the purpose of protecting against a payment default on the bond loan before the Treasury Guarantee (see Note 7) is exercised. The deposits into the account must be equal to 3% of the total amount advanced on the bond and must be funded by Aura Mortgage from sources other than the proceeds of the bond. Deposits into this account must be funded at each advance under the terms of the bond loan agreement. Amounts in the risk share pool will not be returned to Aura Mortgage until maturity of the bond. This account was adequately funded as of December 31, 2022 and 2021.

Pledged Loan Payments

Aura Mortgage is obligated to maintain an account with the Trustee for the purpose of depositing incoming loan payments from loans held by Aura Direct. Withdrawals from this account are used to pay debt service on the bond payable and fees owed to the Trustee (see Note 7). Any excess amounts after the above required payments are transferred into the Required Overcollateralization Cash Account (ROCA) (see page 52).

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES (Continued)

Restricted Deposits (Continued)

BlueHub SUN (Continued)

Required Overcollateralization Cash

Aura Mortgage is required to maintain an account, the ROCA, with the Trustee for additional bond loan collateral in the event there is insufficient collateral as calculated by the Trustee. The ROCA is funded with excess pledged loan payments (see page 51). Any excess amount of cash above and beyond the calculated amount is deposited into the restricted deposit account (see below). Funds are only to be withdrawn from the ROCA with respect to all or any portion of accelerated amounts due and payable as a result of any event of default in accordance with the bond loan agreement or of the promissory note. There is a required balance in this account and the account is sufficiently funded as of December 31, 2022 and 2021.

Restricted Deposit Account

Aura Mortgage is required to maintain an account with the Trustee that holds cash collateral from the pool of loans held by Aura Direct. Any excess amount above and beyond the ROCA can be distributed to Aura Mortgage's operating cash account upon written request of Aura Mortgage. Aura Mortgage is required to hold at least 3% of the total outstanding draws on the bond payable in this account.

Holding Company

Restricted Deposits for Deferred Compensation Investments

Holding Company is the plan sponsor for the Corporation's 457(b) and 457(f) deferred compensation plans (see Note 11) in which the Holding Company maintains the investment assets of the participating employees and key executives.

Loan Loss Reserves

Below is a reconciliation of cash and cash equivalents - loan loss reserves held in connection with BlueHub SUN for 2022 and 2021:

	Aura Mortgage	SUN Financing	Total
Balance at December 31, 2020	$ 1,097,010	$ 3,638,417	$ 4,735,427
Payment made for program return of funds (see Note 5)	(115,739)	-	(115,739)
Interest earned on loan loss reserves	8,989	19,990	28,979
Withdrawals of accumulated interest	-	(30,171)	(30,171)
Balance at December 31, 2021	990,260	3,628,236	4,618,496
Payment made for program return of funds (see Note 5)	(37,250)	(25,000)	(62,250)
Interest earned on loan loss reserves	2,149	6,144	8,293
Balance at December 31, 2022	$ 955,159	$ 3,609,380	$ 4,564,539

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES (Continued)

Loan Loss Reserves (Continued)

BlueHub SUN maintains certain cash held for loan loss reserves (see Note 1). These reserves become available as a source to repay financing obligations in the event of non-payment of loans receivable associated with these cash reserves. BlueHub SUN re-deploys the cash to other loans within its portfolio upon repayment of loans receivable associated with the reserves. When loans receivable are transferred among the affiliates, any loan loss reserves associated with such loans are generally also transferred.

Cash and cash equivalents - loan loss reserves consist primarily of cash received by Aura Mortgage related to contracts awarded from the Commonwealth of Massachusetts in connection with certain loans receivable. At times, a portion of the cash received from these contracts may be transferred to other BlueHub SUN entities that hold the interest in loans that benefit from the loan loss reserve support.

In addition to the contract funds noted above, cash and cash equivalents - loan loss reserves also includes the proceeds and net earnings of the initial capital contribution of $3,500,000 received by SUN Financing from its investor member (see Note 1).

15. CONTINGENCIES AND COMMITMENTS

Lawsuit

On February 14, 2020, a lawsuit was filed and later amended, by ten mortgage holders against Aura Mortgage and its affiliates, the Holding Company and NSP (collectively, the Defendants). All individual borrowers on these ten mortgages are Massachusetts residents and the case was filed under Massachusetts consumer protection laws, with the plaintiffs seeking to certify a class. The claims made against the Defendants are focused on consumer protection theories of misrepresentation, unfair lending practices, and asserting the mortgages in question are products that are classified as “predatory” due to interest rates, fees and the additional shared appreciation second mortgage (see Note 4). The Defendants have responded denying such claims and the case is currently in the later stages of the discovery phase. The Defendants are defending against the suit vigorously and do not currently expect any losses. The process to certify a class has not begun and the Corporation does not have an estimate of loss nor do they expect that a loss is probable. The Corporation does not believe this action is likely to have a material adverse effect upon its operations, assets or properties.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's financial assets available within one year for general operating purposes are as follows from December 31:

	2022	2021
Cash and cash equivalents	$ 132,149,309	$ 111,010,875
Current portion of loans and interest receivable	38,805,594	46,963,417
Current portion of affiliate fees receivable	598,796	629,828
Grants and other accounts receivable	2,856,613	3,142,613
Total financial assets	174,410,312	161,746,733
Board designated reserves (see Note 2)	(6,565,280)	(7,644,388)
Conditional advances	(6,260,000)	(8,496,265)
Net assets with donor restrictions	(34,644,417)	(30,423,372)
	(47,469,697)	(46,564,025)
Financial assets available to meet cash needs for general expenditures within one year	$ 126,940,615	$ 115,182,708

The Corporation deploys capital resources into multiple business initiatives for the benefit of low and moderate-income people and their communities. Business initiatives are intended to operate self-sustainably but may require seed capital from philanthropic sources or the Corporation's general reserves to develop sufficient scale to operate sustainably.

A substantial portion of the Corporation's financial resources are dedicated to the lending operations of the Loan Fund and BlueHub SUN. Both operations are supported substantially with borrowed capital (see Note 7) in proportion with equity resources that reduce the overall cost of funds. The Loan Fund and BlueHub SUN have access to capital to meet loan commitments and demand in the form of repayments of existing loans receivable, available lines of credit and available bond proceeds in the case of BlueHub SUN. BlueHub SUN can access restricted deposits through written request (see Note 14). To supplement liquidity for mission-related financing, the Corporation also utilizes participation strategies and other co-lending agreements with mission-related partners.

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

17. RECLASSIFICATIONS

Certain amounts in the December 31, 2021 consolidated financial statements have been reclassified to conform with the December 31, 2022 presentation.

BLUEHUB CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2022

	BlueHub Capital, Inc. and Affiliates								
Assets	**Loan Fund**	**Managed Assets**	**Venture Fund**	**Holding Company**	**One Percent for America**	**Solar Energy Programs**	**Foreclosure and Home Mortgage Services**	**Eliminations**	**Total**
Current Assets:									
Cash and cash equivalents	$ 92,228,469	$ 18,742,384	$ 1,578,628	$ 504,093	$ 153,594	$ 1,122,134	$ 17,820,007	$ -	$ 132,149,309
Cash and cash equivalents - escrow funds	729,182	-	-	2,683,792	-	-	-	-	3,412,974
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	4,564,539	-	4,564,539
Current portion of loans and interest receivable, net	37,198,117	-	-	-	-	-	1,607,477	-	38,805,594
Current portion of affiliate fees receivable	-	598,796	-	-	-	-	-	-	598,796
Grants and other accounts receivable	-	263,520	-	2,000	-	859,904	1,731,189	-	2,856,613
Other current assets	71,299	-	-	209,972	26,466	275,773	102,503	-	686,013
Due from affiliates	-	-	-	1,477,902	-	-	-	(1,477,902)	-
Total current assets	130,227,067	19,604,700	1,578,628	4,877,759	180,060	2,257,811	25,825,715	(1,477,902)	183,073,838
Restricted Deposits	8,058,623	-	-	1,174,049	-	-	24,076,399	-	33,309,071
Loans Receivable, net	145,203,578	-	-	-	210,803	-	77,834,199	-	223,248,580
Affiliate Fees Receivable, net of current portion	6,500,000	1,442,973	-	-	-	-	-	(6,500,000)	1,442,973
Investments in Affiliates	-	7,500	12,254,905	4,200,000	-	-	-	(15,870,000)	592,405
Right-of-Use Lease Asset - Operating Lease	-	-	-	618,578	-	-	-	-	618,578
Property, Equipment and Interests in Real Property, net	-	-	-	288,667	-	4,563,337	152,358	(57,024)	4,947,338
Total assets	$ 289,989,268	$ 21,055,173	$ 13,833,533	$ 11,159,053	$ 390,863	$ 6,821,148	$ 127,888,671	$ (23,904,926)	$ 447,232,783
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of bonds and loans payable	$ 6,734,162	$ -	$ -	$ -	$ -	$ -	$ 1,770,175	$ -	$ 8,504,337
Interest and accounts payable	1,997,334	95,436	-	1,493,634	5,595	17,061	268,426	-	3,877,486
Escrow funds	729,182	-	-	2,683,792	-	-	-	-	3,412,974
Conditional advances	6,260,000	-	-	-	-	-	-	-	6,260,000
Due to affiliates	185,904	34,732	2,714	-	1,121,179	5,173	128,200	(1,477,902)	-
Current portion of operating lease obligation	-	-	-	422,700	-	-	-	-	422,700
Total current liabilities	15,906,582	130,168	2,714	4,600,126	1,126,774	22,234	2,166,801	(1,477,902)	22,477,497
Bonds and Loans Payable, net	145,507,203	-	-	-	-	-	81,819,017	-	227,326,220
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	1,500,000	5,000,000	(6,500,000)	-
Operating Lease Obligation, net	-	-	-	195,878	-	-	-	-	195,878
Deferred Revenue	-	2,085,572	-	-	-	-	-	-	2,085,572
Permanent Loan Capital - Subordinated Loans Payable	24,250,000	-	-	-	-	-	-	-	24,250,000
Total liabilities	185,663,785	2,215,740	2,714	4,796,004	1,126,774	1,522,234	88,985,818	(7,977,902)	276,335,167
Net Assets and Non-Controlling Interests:									
Without donor restrictions:									
General	63,720,129	18,839,433	13,830,819	5,942,543	(735,911)	5,115,077	21,599,315	(857,024)	127,454,381
Board designated for loan loss reserves	6,565,280	-	-	-	-	-	-	-	6,565,280
Total without donor restrictions	70,285,409	18,839,433	13,830,819	5,942,543	(735,911)	5,115,077	21,599,315	(857,024)	134,019,661
With donor restrictions:									
Revolving loan capital	30,940,074	-	-	-	-	-	-	-	30,940,074
Other purpose restrictions	3,100,000	-	-	420,506	-	183,837	-	-	3,704,343
Total with donor restrictions	34,040,074	-	-	420,506	-	183,837	-	-	34,644,417
Total net assets	104,325,483	18,839,433	13,830,819	6,363,049	(735,911)	5,298,914	21,599,315	(857,024)	168,664,078
Stockholder's equity and members' investment:									
Members' investment - NSP Residential, LLC	-	-	-	-	-	-	3,400,000	(3,400,000)	-
Members' investment - Aura Mortgage Advisors, LLC	-	-	-	-	-	-	11,670,000	(11,670,000)	-
Total stockholder's equity and members' investment	-	-	-	-	-	-	15,070,000	(15,070,000)	-
Non-controlling interests:									
SUN Initiative Financing, LLC	-	-	-	-	-	-	2,233,538	-	2,233,538
Total net assets and non-controlling interests	104,325,483	18,839,433	13,830,819	6,363,049	(735,911)	5,298,914	38,902,853	(15,927,024)	170,897,616
Total liabilities, net assets and non-controlling interests	$ 289,989,268	$ 21,055,173	$ 13,833,533	$ 11,159,053	$ 390,863	$ 6,821,148	$ 127,888,671	$ (23,904,926)	$ 447,232,783

BLUEHUB CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2021

	BlueHub Capital, Inc. and Affiliates								
Assets	**Loan Fund**	**Managed Assets**	**Venture Fund**	**Holding Company**	**One Percent for America**	**Solar Energy Programs**	**Foreclosure and Home Mortgage Services**	**Eliminations**	**Total**
Current Assets:									
Cash and cash equivalents	$ 62,842,163	$ 19,313,913	$ 1,277,907	$ 2,978,416	$ 1,238,100	$ 2,210,962	$ 21,149,414	$ -	$ 111,010,875
Cash and cash equivalents - escrow funds	910,542	-	-	3,175,775	-	-	-	-	4,086,317
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	4,618,496	-	4,618,496
Current portion of loans and interest receivable, net	45,268,688	-	-	-	-	-	1,694,729	-	46,963,417
Current portion of affiliate fees receivable	-	729,588	-	-	-	-	-	(100,000)	629,588
Grants and other accounts receivable	-	141,339	17,573	-	-	1,334,554	1,649,147	-	3,142,613
Other current assets	114,109	-	-	203,809	19,106	301,543	118,926	-	757,493
Due from affiliates	-	5,048	3,182	179,309	-	165,734	-	(353,273)	-
Total current assets	109,135,502	20,189,888	1,298,662	6,537,309	1,257,206	4,012,793	29,230,712	(453,273)	171,208,799
Restricted Deposits	8,048,649	-	-	1,370,034	-	-	23,765,771	-	33,184,454
Loans Receivable, net	153,261,082	-	-	-	-	-	88,314,066	-	241,575,148
Affiliate Fees Receivable, net of current portion	8,000,000	2,256,022	-	-	-	-	-	(8,000,000)	2,256,022
Origination Costs - Sub-Allocation Fee, net of accumulated amortization	-	-	-	-	-	117,860	-	(117,860)	-
Investments in Affiliates	-	10,003	12,042,435	4,200,000	-	-	-	(15,870,688)	381,750
Right-of-Use Lease Asset - Operating Lease	-	-	-	1,030,963	-	-	-	-	1,030,963
Property, Equipment and Interests in Real Property, net	-	-	-	436,129	-	6,263,383	152,358	(73,868)	6,778,002
Total assets	$ 278,445,233	$ 22,455,913	$ 13,341,097	$ 13,574,435	$ 1,257,206	$ 10,394,036	$ 141,462,907	$ (24,515,689)	$ 456,415,138
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of bonds and loans payable	$ 8,459,196	$ -	$ -	$ 1,259,604	$ -	$ 541,557	$ 2,066,360	$ -	$ 12,326,717
Interest and accounts payable	1,847,321	102,469	-	1,874,367	27,500	41,090	244,512	-	4,137,259
Current portion of affiliate loans and interest payable	-	-	-	-	-	100,000	-	(100,000)	-
Escrow funds	910,542	-	-	3,175,775	-	-	-	-	4,086,317
Conditional advances	6,670,000	-	-	-	-	-	1,826,265	-	8,496,265
Due to affiliates	125,116	-	-	-	57,542	139,113	31,502	(353,273)	-
Current portion of operating lease obligation	-	-	-	422,700	-	-	-	-	422,700
Total current liabilities	18,012,175	102,469	-	6,732,446	85,042	821,760	4,168,639	(453,273)	29,469,258
Bonds and Loans Payable, net	144,190,241	-	-	-	-	313,078	95,233,722	-	239,737,041
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	3,000,000	5,000,000	(8,000,000)	-
Operating Lease Obligation, net	-	-	-	608,263	-	-	-	-	608,263
Deferred Revenue	-	2,860,961	-	-	-	-	-	(78,573)	2,782,388
Permanent Loan Capital - Subordinated Loans Payable	24,250,000	-	-	-	-	-	-	-	24,250,000
Total liabilities	186,452,416	2,963,430	-	7,340,709	85,042	4,134,838	104,402,361	(8,531,846)	296,846,950
Net Assets and Non-Controlling Interest:									
Without donor restrictions:									
General	54,594,570	19,492,483	13,341,097	5,757,195	1,172,164	1,874,860	19,349,817	(913,245)	114,668,941
Board designated for loan loss reserves	7,644,388	-	-	-	-	-	-	-	7,644,388
Total without donor restrictions	62,238,958	19,492,483	13,341,097	5,757,195	1,172,164	1,874,860	19,349,817	(913,245)	122,313,329
With donor restrictions:									
Revolving loan capital	27,003,859	-	-	-	-	-	-	-	27,003,859
Other purpose restrictions	2,750,000	-	-	476,531	-	192,982	-	-	3,419,513
Total with donor restrictions	29,753,859	-	-	476,531	-	192,982	-	-	30,423,372
Total net assets	91,992,817	19,492,483	13,341,097	6,233,726	1,172,164	2,067,842	19,349,817	(913,245)	152,736,701
Stockholder's equity and members' investment:									
Members' investment - NSP Residential, LLC	-	-	-	-	-	-	3,400,000	(3,400,000)	-
Members' investment - Aura Mortgage Advisors, LLC	-	-	-	-	-	-	11,670,000	(11,670,000)	-
Total stockholder's equity and members' investment	-	-	-	-	-	-	15,070,000	(15,070,000)	-
Non-controlling interests:									
SUN Initiative Financing, LLC	-	-	-	-	-	-	2,640,729	-	2,640,729
Solar Energy Programs	-	-	-	-	-	4,191,356	-	(598)	4,190,758
Total non-controlling interests	-	-	-	-	-	4,191,356	2,640,729	(598)	6,831,487
Total net assets and non-controlling interests	91,992,817	19,492,483	13,341,097	6,233,726	1,172,164	6,259,198	37,060,546	(15,983,843)	159,568,188
Total liabilities, net assets and non-controlling interests	$ 278,445,233	$ 22,455,913	$ 13,341,097	$ 13,574,435	$ 1,257,206	$ 10,394,036	$ 141,462,907	$ (24,515,689)	$ 456,415,138

Combining and Consolidating Statement of Activities
For the Year Ended December 31, 2022

	BlueHub Capital, Inc. and Affiliates								
	Loan Fund	**Managed Assets**	**Venture Fund**	**Holding Company**	**One Percent for America**	**Solar Energy Programs**	**Foreclosure and Home Mortgage Services**	**Eliminations**	**Total**
Changes in Net Assets Without Donor Restrictions:									
Operating revenues:									
Financial and earned revenue:									
Interest on loans, net	$ 11,200,394	$ -	$ -	$ 130	$ -	$ -	$ 5,431,842	$ (222,431)	$ 16,409,935
Program revenue and fees	1,216,722	1,032,462	37,509	-	3,325	2,282,408	40,033	(77,885)	4,534,574
Net gains on shared appreciation agreements and sales of real estate	-	-	-	-	-	-	1,882,756	-	1,882,756
Recovery of loan losses	-	-	-	-	-	-	822,220	-	822,220
Investment return	-	46,323	3,128	(30,708)	-	179	271,968	-	290,890
Less - interest expense	(4,935,027)	-	-	-	-	-	(3,375,309)	177,431	(8,132,905)
Net financial and earned revenue	7,482,089	1,078,785	40,637	(30,578)	3,325	2,282,587	5,073,510	(122,885)	15,807,470
Grants and contributions	-	-	-	46,398	-	50,000	-	-	96,398
Net assets released from purpose restrictions	-	-	-	56,025	-	24,145	-	-	80,170
Total operating revenues	7,482,089	1,078,785	40,637	71,845	3,325	2,356,732	5,073,510	(122,885)	15,984,038
Operating expenses:									
Personnel	3,562,102	730,274	62,819	664,380	1,035,093	586,667	1,753,946	-	8,395,281
Consultants and professional fees	343,589	224,517	2,871	278,638	412,491	182,219	2,628,636	-	4,072,961
Marketing	183,554	22,944	-	91,775	588,648	46,394	407,536	-	1,340,851
Office operations	487,948	67,144	5,140	88,412	77,528	204,418	141,701	-	1,072,291
Organizational support	223,445	29,956	12,555	80,930	47,640	162,947	225,915	-	783,388
Program expenses	-	-	-	-	-	175,078	214,650	-	389,728
Interest	-	-	-	-	-	76,871	25,735	(45,000)	57,606
Total operating expenses before depreciation and amortization	4,800,638	1,074,835	83,385	1,204,135	2,161,400	1,434,594	5,398,119	(45,000)	16,112,106
Depreciation and amortization	-	-	-	153,587	-	1,835,775	-	(134,704)	1,854,658
Total operating expenses	4,800,638	1,074,835	83,385	1,357,722	2,161,400	3,270,369	5,398,119	(179,704)	17,966,764
Changes in net assets without donor restrictions from operations	2,681,451	3,950	(42,748)	(1,285,877)	(2,158,075)	(913,637)	(324,609)	56,819	(1,982,726)
Other changes in net assets without donor restrictions:									
Grants for loan capital	2,615,000	-	-	-	-	-	1,826,265	-	4,441,265
Net assets released from restrictions for loan capital	2,750,000	-	-	-	-	-	-	-	2,750,000
PPP loan forgiveness	-	-	-	1,064,225	-	-	-	-	1,064,225
Share of income of affiliate	-	-	532,470	-	-	-	-	-	532,470
Gain on bond payable redemption	-	-	-	-	-	-	340,651	-	340,651
Changes in net assets without donor restrictions	8,046,451	3,950	489,722	(221,652)	(2,158,075)	(913,637)	1,842,307	56,819	7,145,885
Changes in Net Assets With Donor Restrictions:									
Grants and contributions	7,010,000	-	-	-	-	15,000	-	-	7,025,000
Interest income	26,215	-	-	-	-	-	-	-	26,215
Net assets released from purpose restrictions	-	-	-	(56,025)	-	(24,145)	-	-	(80,170)
Net assets released from restrictions for loan capital	(2,750,000)	-	-	-	-	-	-	-	(2,750,000)
Changes in net assets with donor restrictions	4,286,215	-	-	(56,025)	-	(9,145)	-	-	4,221,045
Changes in net assets	12,332,666	3,950	489,722	(277,677)	(2,158,075)	(922,782)	1,842,307	56,819	11,366,930
Changes in Net Assets Attributable to Non-Controlling Interests	-	-	-	-	-	(164,834)	407,191	-	242,357
Changes in net assets attributable to BlueHub Capital, Inc. and Operating Affiliates	$ 12,332,666	$ 3,950	$ 489,722	$ (277,677)	$ (2,158,075)	$ (1,087,616)	$ 2,249,498	$ 56,819	$ 11,609,287

Combining and Consolidating Statement of Activities
For the Year Ended December 31, 2021

	BlueHub Capital, Inc. and Affiliates								
	Loan Fund	Managed Assets	Venture Fund	Holding Company	One Percent for America	Solar Energy Programs	Foreclosure and Home Mortgage Services	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:									
Operating revenues:									
Financial and earned revenue:									
Interest on loans, net	$ 12,453,078	$ -	$ -	$ -	$ -	$ -	$ 7,187,455	$ (267,535)	$ 19,372,998
Program revenue and fees	1,017,043	1,566,966	25,000	500,113	3,110	2,956,322	7,280	(86,399)	5,989,435
Net gains on shared appreciation agreements and sales of real estate	-	-	-	-	-	-	1,469,341	-	1,469,341
Recovery of loan losses	-	-	-	-	-	-	1,554,293	-	1,554,293
Investment return	-	4,461	250	10,911	-	70	58,707	-	74,399
Less - interest expense	(5,177,152)	-	-	-	-	-	(3,595,121)	177,535	(8,594,738)
Net financial and earned revenue	8,292,969	1,571,427	25,250	511,024	3,110	2,956,392	6,681,955	(176,399)	19,865,728
Grants and contributions	-	-	-	82,475	-	-	-	-	82,475
Net assets released from purpose restrictions	-	-	-	-	-	7,018	-	-	7,018
Total operating revenues	8,292,969	1,571,427	25,250	593,499	3,110	2,963,410	6,681,955	(176,399)	19,955,221
Operating expenses:									
Personnel	3,883,631	733,873	60,946	591,569	429,268	562,887	2,404,792	-	8,666,966
Consultants and professional fees	403,552	484,580	6,089	74,511	1,137,876	219,179	1,669,443	-	3,995,230
Marketing	183,997	23,000	-	91,999	237,386	45,999	507,449	-	1,089,830
Office operations	392,452	71,558	3,550	13,863	16,111	177,468	147,595	-	822,597
Organizational support	168,877	32,209	16,449	45,121	10,305	203,575	94,949	-	571,485
Program expenses	-	-	-	-	-	193,591	390,639	-	584,230
Interest	-	-	-	-	-	161,072	25,735	(90,000)	96,807
Total operating expenses before depreciation and amortization	5,032,509	1,345,220	87,034	817,063	1,830,946	1,563,771	5,240,602	(90,000)	15,827,145
Depreciation and amortization	-	-	-	147,393	-	2,180,565	-	(145,415)	2,182,543
Total operating expenses	5,032,509	1,345,220	87,034	964,456	1,830,946	3,744,336	5,240,602	(235,415)	18,009,688
Changes in net assets without donor restrictions from operations	3,260,460	226,207	(61,784)	(370,957)	(1,827,836)	(780,926)	1,441,353	59,016	1,945,533
Other changes in net assets without donor restrictions:									
Grants for loan capital	1,826,265	-	-	-	-	-	-	-	1,826,265
Net assets released from purpose restrictions	561,151	-	-	-	-	-	-	-	561,151
Share of income of affiliate	-	-	71,716	-	-	-	-	-	71,716
Realized gain on sale of property and equipment	-	-	-	-	-	95,771	-	-	95,771
Grants (to) from affiliate	-	(3,000,000)	-	-	3,000,000	-	-	-	-
Changes in net assets without donor restrictions	5,647,876	(2,773,793)	9,932	(370,957)	1,172,164	(685,155)	1,441,353	59,016	4,500,436
Changes in Net Assets With Donor Restrictions:									
Grants and contributions	3,835,000	-	-	-	-	-	-	-	3,835,000
Interest income	6,522	-	-	-	-	-	-	-	6,522
Net assets released from purpose restrictions	(561,151)	-	-	-	-	(7,018)	-	-	(568,169)
Changes in net assets with donor restrictions	3,280,371	-	-	-	-	(7,018)	-	-	3,273,353
Changes in net assets	8,928,247	(2,773,793)	9,932	(370,957)	1,172,164	(692,173)	1,441,353	59,016	7,773,789
Changes in Net Assets Attributable to Non-Controlling Interests	-	-	-	-	-	206,631	(93,870)	-	112,761
Changes in net assets attributable to BlueHub Capital, Inc. and Operating Affiliates	$ 8,928,247	$ (2,773,793)	$ 9,932	$ (370,957)	$ 1,172,164	$ (485,542)	$ 1,347,483	$ 59,016	$ 7,886,550