BLUEHUB CAPITAL

AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

BLUEHUB CAPITAL, INC. AND AFFILIATES

Contents
December 31, 2023 and 2022

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Independent Auditor's Report

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

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2023, the Corporation adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

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.

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 64 through 67 as of and for the years ended December 31, 2023 and 2022, 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 16, 2024

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2023 and 2022

Assets	**2023**	**2022**
Current Assets:		
Cash and cash equivalents	$ 88,800,688	$ 132,149,309
Cash and cash equivalents - escrow funds	3,229,858	3,412,974
Cash and cash equivalents - loan loss reserves	980,855	4,564,539
Short-term investments	29,559,590	-
Current portion of loans receivable	56,191,014	38,940,926
Allowance for credit losses as of December 31, 2023 and allowance for loan losses as of December 31, 2022	(457,791)	(2,146,919)
Net current portion of loans receivable	55,733,223	36,794,007
Current portion of affiliate fees receivable	1,093,746	598,796
Grants and other accounts receivable	2,262,409	2,856,613
Accrued interest receivable	2,675,344	2,402,320
Other current assets	846,554	686,013
Total current assets	185,182,267	183,464,571
Loans Receivable, net of current portion	282,529,415	234,373,728
Allowance for credit losses as of December 31, 2023 and allowance for loan losses as of December 31, 2022	(12,369,704)	(11,515,881)
Net loans receivable	270,159,711	222,857,847
Restricted Deposits	41,728,075	33,309,071
Affiliate Fees Receivable, net of current portion	350,977	1,442,973
Investments in Affiliates	534,362	592,405
Right-of-Use Lease Asset - Operating Lease	206,193	618,578
Property, Equipment and Interests in Real Property, net	563,645	4,947,338
Total assets	$ 498,725,230	$ 447,232,783
Liabilities, Net Assets and Non-Controlling Interests		
Current Liabilities:		
Current portion of bonds and loans payable	$ 9,776,755	$ 8,504,337
Interest and accounts payable	3,914,381	3,877,486
Escrow funds	3,229,858	3,412,974
Conditional advances	4,336,446	6,260,000
Current portion of operating lease obligation	206,193	422,700
Total current liabilities	21,463,633	22,477,497
Bonds and Loans Payable, net	255,121,564	227,326,220
Operating Lease Obligation, net of current portion	-	195,878
Deferred Revenue	1,504,857	2,085,572
Permanent Loan Capital - Subordinated Loans Payable	24,250,000	24,250,000
Total liabilities	302,340,054	276,335,167
Net Assets and Non-Controlling Interests:		
Without donor restrictions:		
General	134,872,823	127,454,381
Board designated for loan loss reserves	9,555,826	6,565,280
Total without donor restrictions	144,428,649	134,019,661
With donor restrictions:		
Revolving loan capital	44,413,970	30,940,074
Other purpose restrictions	4,575,576	3,704,343
Total with donor restrictions	48,989,546	34,644,417
Total net assets	193,418,195	168,664,078
Non-controlling interests	2,966,981	2,233,538
Total net assets and non-controlling interests	196,385,176	170,897,616
Total liabilities, net assets and non-controlling interests	$ 498,725,230	$ 447,232,783

See accompanying supplemental Combining and Consolidating Statements of Financial Position on pages 64 and 65.

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions:		
Operating revenues:		
Financial and earned revenue:		
Interest on loans, net	$ 18,872,748	$ 16,409,805
Program revenue and fees	3,982,553	4,339,463
Realized gain on sale of property and equipment	2,838,770	-
Interest on cash and cash equivalents	2,576,989	195,241
Investment return	2,267,396	290,890
Net gains on shared appreciation agreements and sales of real estate	447,830	1,882,756
Recovery of credit losses	134,902	822,220
Less - interest expense	(8,003,926)	(8,132,905)
Net financial and earned revenue	23,117,262	15,807,470
Net assets released from purpose restrictions	103,654	80,170
Grants and contributions	100,619	96,398
Total operating revenues	23,321,535	15,984,038
Operating expenses:		
Personnel	9,192,037	8,395,281
Consultants and professional fees	4,917,750	4,072,961
Office operations	1,218,026	1,072,291
Marketing	1,166,222	1,340,851
Organizational support	875,443	783,388
Program expenses	584,516	389,728
Interest	25,735	57,606
Total operating expenses before depreciation and amortization	17,979,729	16,112,106
Depreciation and amortization	1,363,405	1,854,658
Total operating expenses	19,343,134	17,966,764
Changes in net assets without donor restrictions from operations	3,978,401	(1,982,726)
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for loan capital	4,500,000	2,750,000
Grants for loan capital	1,962,564	4,441,265
Gain on bond payable redemption	745,224	340,651
Distributions	14,284	-
PPP loan forgiveness	-	1,064,225
Share of income (loss) of affiliate	(58,042)	532,470
Changes in net assets without donor restrictions	11,142,431	7,145,885
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	18,573,441	7,025,000
Interest income	550,342	26,215
Net assets released from purpose restrictions	(278,654)	(80,170)
Net assets released from restrictions for loan capital	(4,500,000)	(2,750,000)
Changes in net assets with donor restrictions	14,345,129	4,221,045
Changes in net assets	25,487,560	11,366,930
Changes in Net Assets Attributable to Non-Controlling Interests	(433,443)	242,357
Changes in net assets attributable to BlueHub Capital, Inc. and Affiliates	$ 25,054,117	$ 11,609,287

* See accompanying supplemental Combining and Consolidating Statements of Activities on pages 66 and 67.

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets and Non-Controlling Interests
For the Years Ended December 31, 2023 and 2022

	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, 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
Cumlative effect adjustment of ASC Topic 326	(300,000)	-	-	-	300,000	-
Changes in net assets	10,708,988	-	13,473,896	871,233	433,443	25,487,560
Transfers of net assets without donor restrictions	(2,990,546)	2,990,546	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2023	$ 134,872,823	$ 9,555,826	$ 44,413,970	$ 4,575,576	$ 2,966,981	$ 196,385,176

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

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets	$ 25,487,560	$ 11,366,930
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,363,405	1,854,658
Interest - amortization	141,188	147,003
Recovery of credit losses	(134,902)	(822,220)
Gain on bond payable redemption	(745,224)	(340,651)
Realized gains on sale of real estate and property and equipment	(2,838,770)	-
Share of loss (income) in affiliate	58,043	(532,470)
PPP loan forgiveness	-	(1,064,225)
Grants for loan capital, credit enhancement and investment uses	(20,785,596)	(9,625,000)
Changes in operating assets and liabilities:		
Interest receivable	(464,742)	1,021,854
Affiliate fees receivable	597,046	843,841
Grants and other accounts receivable	594,204	286,000
Other current assets	(160,541)	71,480
Interest and accounts payable	36,895	(259,773)
Conditional advances	-	(1,826,265)
Deferred revenue	(580,715)	(375,001)
Deferred loan fees	319,407	(167,746)
Net cash provided by operating activities	2,887,258	578,415
Cash Flows from Investing Activities:		
Issuance of loans receivable, net	(98,561,002)	(44,617,491)
Principal payments of loans receivable	32,327,135	71,069,994
Purchase of property and equipment	(24,626)	(23,994)
Proceeds from sale of property	5,883,684	-
Purchase of and interest earned on short-term investments	(29,559,590)	-
Escrow funds	(183,116)	(673,343)
Net cash provided by (used in) investing activities	(90,117,515)	25,755,166
Cash Flows from Financing Activities:		
Proceeds from loans payable	52,158,362	4,120,693
Principal payments on loans payable	(22,443,803)	(19,072,113)
Distributions to equity members	-	(37,502)
Grants for loan capital	15,362,042	5,715,000
Conditional advances	3,500,000	3,500,000
Cash paid for debt issuance costs	(42,761)	(23,908)
Net cash provided by (used in) financing activities	48,533,840	(5,797,830)
Net Change in Cash, Cash Equivalents and Restricted Deposits	(38,696,417)	20,535,751
Cash, Cash Equivalents and Restricted Deposits:		
Beginning of year	173,435,893	152,900,142
End of year	$ 134,739,476	$ 173,435,893
Reconciliation of Cash, Cash Equivalents and Restricted Deposits Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	$ 88,800,688	$ 132,149,309
Cash and cash equivalents - escrow funds	3,229,858	3,412,974
Cash and cash equivalents - loan loss reserves	980,855	4,564,539
Restricted deposits	41,728,075	33,309,071
Total cash, cash equivalents and restricted deposits shown in the consolidated statements of cash flows	$ 134,739,476	$ 173,435,893
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 7,980,021	$ 8,157,596

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. During 2023 and 2022, Managed Assets made additional investments of $3,500,000 and $250,000, respectively, through a transfer of net assets without donor restrictions.

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.

1. OPERATIONS AND RELATED ENTITIES (Continued)

OPERATIONS (Continued)

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 in both 2023 and 2022, respectively. Aura Mortgage has a $100 million loan under the CDFI Bond Guarantee Program (see Note 7). The Loan Fund was awarded $3,000,000 and $5,440,000 for the years ended December 31, 2023 and 2022, respectively, for a variety of different uses.

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 2023 and 2022.

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, 2023 and 2022, SEA had completed construction of solar panels and maintained eight and nine sites, respectively, in Massachusetts (see Note 6), and entered into long-term contracts with the owners to provide electricity to the sites.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

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

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.

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. During 2023, Kinzer Drive was sold (see Note 6).

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 five solar energy projects in Massachusetts. SEA QALICB sold one of the solar energy projects during 2023 (see Note 6).

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 six solar energy projects located in Massachusetts. SEA QALICB II sold two projects during 2023 (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, 2024. 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, 2023 and 2022.

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, 2023, 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, 2023 and 2022, 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, 2023.

The Holding Company has formed a total of forty-eight CDEs (collectively, the CDE LLCs), eleven of which were active as of December 31, 2023:

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

During 2023, the Holding Company received a new allocation of NMTC totaling $65 million. None of this award was syndicated as of December 31, 2023.

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).

Recently Adopted Accounting Pronouncement

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that were most impacted and subject to the guidance in Topic 326 were loans receivable. The Corporation adopted the standard effective January 1, 2023, using the modified retrospective method.

The impact of adoption of ASC Topic 326 on Aura's statement of financial position as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 6,859,672	$ 6,859,672
Allowance for loan losses	$ 6,559,672	$ (6,559,672)	$ -
Net assets without donor restrictions	$ 28,422,544	$ (300,000)	$ 28,122,544

The impact of adoption of ASC Topic 326 on SUN Financing's statement of financial position as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 3,279,895	$ 3,279,895
Allowance for loan losses	$ 3,579,895	$ (3,579,895)	$ -
Net assets without donor restrictions	$ 2,233,538	$ 300,000	$ 2,533,538

As noted in Note 1, 100% of the equity interests in SUN Financing are allocated to the outside investor including the $300,000 impact of adoption on net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

The impact of adoption of ASC Topic 326 on the Loan Fund's consolidated statement of financial position as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 3,523,233	$ 3,523,233
Allowance for loan losses	$ 3,523,233	$ (3,523,233)	$ -
Net assets without donor restrictions	$ 70,285,409	$ -	$ 70,285,409

The impact of adoption of ASC Topic 326 on the Corporation's consolidated statement of financial position as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 13,662,800	$ 13,662,800
Allowance for loan losses	$ 13,662,800	$ (13,662,800)	$ -
Net assets without donor restrictions	$ 134,019,661	$ -	$ 134,019,661

The Corporation had previously monitored the performance of its loan portfolio with its management team and its loan loss mitigation department on a frequent basis to align its perceived credit risk with the allowance for doubtful accounts recognized in the consolidated financial statements. The Corporation adjusted its allowance for loan losses annually based on credit exposure and not on an incurred loss model.

In conjunction with the adoption of ASU 2016-13 noted above, on January 1, 2023, the Corporation also adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02), removing the recognition and measurement guidance on troubled debt restructurings for creditors and enhancing disclosures provided about certain modifications or receivables to debtors experiencing financial difficulty.

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.

Prior to termination, 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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation and Combination (Continued)

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 100% 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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Risk (Continued)

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 $3,229,858 and $3,412,974 in escrow for outside parties as of December 31, 2023 and 2022, 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.

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 Credit Losses (ACL) - General

Loans receivable are reported net of related allowance for expected credit losses.

The allowance for credit losses (ACL) represents an amount which, in management's judgment, reflects the lifetime expected losses that may be sustained on outstanding loans at the consolidated statement of financial position date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience utilizing both quantitative and qualitative assessments. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is reduced by charge-offs (net of recoveries of previous losses) and is increased or decreased by a provision (recovery) for credit losses, which is recorded as a current period expense (revenue). Such allowance is based on credit losses over the contractual term of the loan adjusted for expected prepayments, if any.

In connection with the adoption of ASU 2016-13, the Corporation made an accounting policy election to exclude interest receivable from the measurement of the allowance for credit losses and follows a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. The Corporation considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to nonaccrual status and no longer recognize interest revenue on the loan. This policy election also applies to the foreclosure and home mortgage services as well as the loan fund.

Foreclosure and Home Mortgage Services Loans Receivable and Allowance for Credit Losses (ACL)

Allowance for Credit Losses – Performing

Management determined the ACL for current performing loans receivables – representing borrowers who are at the maximum 30 days past due – using the weighted average remaining life to maturity (WARM) method to estimate the collective quantified component of the allowance. BlueHub SUN elected to utilize a five-year lookback period for the WARM method calculation based on a lending portfolio that is comprised of amortizing loans to borrowers with maturities up to thirty years from the date of issuance. The five-year look-back period aligns with the most accurate depiction of management's assessment of history of loss. The reasonable and supportable forecast period represents a current economic outlook (as of December 31, 2023) for the applicable economic variables for a period of one to two years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosure and Home Mortgage Services Loans Receivable and Allowance for Credit Losses (ACL) (Continued

Allowance for Credit Losses – Performing (Continued)

Although each borrower has a thirty year loan, management has determined the average mortgage lives in BlueHub SUN's program for an average duration of seven years based on history of loan pre-payments through sale or refinance. As a result the loans are only amortized through the current starting period plus six additional years under the WARM method rather than amortizing through maturity. BlueHub SUN has yet to have a loan in its portfolio go to its maturity date and having a loss rate calculation go through maturity would yield an unrealistic loss rate above and beyond BlueHub SUN's potential losses. The average duration is reflective of the mission of BlueHub SUN and the borrower's intent as BlueHub SUN often serves borrowers for a limited period of time until the individual can prepay most often through a traditional sale or refinance.

Management of BlueHub SUN considered significant factors that could affect the expected future collectability of the amortized cost basis of the portfolio and determined that the primary factors are the volatility in the real estate market for home valuations in addition to the interest rate environment which impacts the borrower's ability to potentially refinance out of the program. See Note 5 for disclosure of BlueHub SUN's qualitative reserve factor as of the adoption date (January 1, 2023) and December 31, 2023.

Allowance for Credit Losses – Past Due Loans

Management also determined the ACL for past due delinquent loans – representing borrowers who are 60, 90 or 120+ days past due – using either a percentage of the outstanding balance for each delinquency bucket (see Note 5) as determined by starting with the WARM method for performing loans calculation percentage factoring in additional basis point factors based on management's faithful estimate of potential loss. Additionally, a subset of past due loans are categorized as collateral dependent financial assets calculated based on the estimated fair value less costs to sell compared to the outstanding loan balance (see below). Management has deemed the delinquent loan analysis appropriate given the unique situation of BlueHub SUN and its mission to provide foreclosure relief to borrowers who otherwise would have foreclosed or already foreclosed on their home. The mission of BlueHub SUN provides an opportunity to segregate certain delinquent loans and conduct separate ACL analysis distinct from the WARM method, plus additional subjective qualitative assessments.

Collateral Dependent Financial Assets

BlueHub SUN has elected to adopt the practical expedient for collateral dependent financial assets where BlueHub SUN has determined that foreclosure of the collateral is probable and/or where the borrower is experiencing substantial financial difficulty. The ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Repayment is expected to be provided substantially through the operation or sale of the collateral. All borrowers that fall under this presentation are experiencing substantial financial difficulty whereas repayment through traditional terms of financing is unlikely. Fair value is generally calculated based on the value of the underlying collateral less a relevant discount assessed by management coupled with the estimated cost to sell. Included in the cost to sell consideration would be escrow balances which have gone negative because of advances as a result of the borrower's delinquent status paid for by BlueHub SUN. Additionally, the fair value is discounted from traditional assessments based on available online platforms (i.e. Zillow) based on past history of sale prices coming in significantly lower than the available assessment due to lack of upkeep in the home by the borrower and other factors. Loans which are severely delinquent demonstrate the highest risk as the borrower is more than likely not to enter foreclosure or bankruptcy in the near future.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosure and Home Mortgage Services Loans Receivable and Allowance for Credit Losses (ACL) (Continued)

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. BlueHub SUN establishes reserves for unfunded commitments that do not meet that criteria, as a liability on the balance sheet. Changes to the liability are recorded through the provision for credit losses in the statement of activities. The establishment of the reserves for unfunded commitments considers both the likelihood that the funding will occur and an estimate of the expected credit losses over the life of the respective commitments. There were no unfunded lending commitments as of the adoption date (January 1, 2023) nor at December 31, 2023.

Loan Fund Loans Receivable and Allowance for Credit Losses

The methodology for estimating the ACL includes a quantified reserve using the WARM method and a specifically identified analysis on loans categorized as delinquent.

Allowance for Credit Losses – WARM Method

The Loan Fund determined the ACL for the portion of the reserve calculated using the WARM method by pooling loans into segments based on similar characteristics, contract terms, collateral types, types of associated industries and business purposes of the loans. The Loan Fund segregated its portfolio into the following loan pools:

- Construction/Mini-Permanent
- Construction/Permanent
- Expansion
- Mini Permanent
- New Construction
- New Construction/Permanent
- Organizational
- Permanent
- Predevelopment
- Predevelopment/Mini-Permanent
- Rehabilitation
- Rehabilitation/Mini-Permanent
- Rehabilitation/Permanent
- Site Acquisition
- Startup

The Loan Fund elected to utilize a twenty-two-year lookback period for the WARM method calculation for all pools based on a lending portfolio that is comprised of amortizing loans to borrowers with varying maturities from the date of issuance. The twenty-two-year lookback period aligns with the most accurate depiction of management's assessment of history of loss and available quality data information in their systems.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Fund Loans Receivable and Allowance for Credit Losses (Continued)

Allowance for Credit Losses – WARM Method (Continued)

The reasonable and supportable forecast period represents a current economic outlook (as of December 31, 2023) for the applicable economic variables for the lifetime of the loan through maturity. Based on management's analysis, it was determined that the Rehabilitation (Mini-Permanent/Permanent), Predevelopment and Site Acquisition pools were the only pools that have experienced a history of loss within their lookback period. All other pools with no historical loss experience were removed from the WARM method calculations and are not part of the quantitative ACL. Although for financial statement disclosure purposes, the Loan Fund has historically grouped its lending portfolio into five broad categories (see Note 4), when analyzing credit exposure and risk of loss for CECL purposes, the Loan Fund has more defined categories within a broader set of criteria outlined in Note 4.

Allowance for Credit Losses – Specifically Identified Delinquent Loans

The Loan Fund determines the ACL for specifically identified delinquent and other loans – representing borrowers who are past due in payments, have shown negative trends financially and/or significantly past due on principal and interest payments, by segregating these certain loans and conducting a separate ACL analysis distinct from the WARM method. The Loan Fund internally uses a number-based credit rating system, with "1" representing the highest quality/lowest credit risk and "8" representing the lowest quality/highest credit risk. Loans that are internally rated 5 through 8 were determined to be delinquent and removed from the overall WARM methodology performed on the remainder of the portfolio and analyzed individually under CECL. The Loan Fund has determined specific loss percentages to be applied to the loans in the internal rating categories of 5 through 8. These percentages were set based on if there is a potential weakness in the borrower and loan quality (5 rating assigned 10%), a definite weakness, but full loss is still unlikely (6 rating assigned 20%), if loss is possible as determined by management and the loan loss mitigation departments (7 rating assigned 50%) or if a full loss is probable (8 rating assigned 100%).

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. The Loan Fund establishes reserves for unfunded commitments that do not meet that criteria, as a liability in the consolidated statements of financial position. Changes to the liability are recorded through the provision for credit losses in the consolidated statements of activities. The establishment of the reserves for unfunded commitments considers both the likelihood that the funding will occur and an estimate of the expected credit losses over the life of the respective commitments. The Loan Fund generally has two types of unfunded lending commitments. The first being general commitments on loans yet to be closed where the Loan Fund is still in the process of due diligence and has no credit exposure. The second being closed loans where all or a portion of the total commitment has yet to be drawn (see Note 3). There is also no credit exposure with the second type of commitments as the Loan Fund is not legally obligated to fund the remainder of the exposed loan if the borrowers do not meet certain milestones or provide proper requisitions for the funding. The borrower does not have the unilateral right to draw down additional funds without proper approvals by the Loan Fund. There were no unfunded lending commitments as of the adoption date (January 1, 2023) nor at December 31, 2023, that would be required to recognize a liability in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Credit Losses

Legacy Disclosure - Allowance for Loan Losses (Corporation)

As of December 31, 2022, the Corporation followed the accounting and disclosure standards pertaining to ASC Topic, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard required disclosure on the accounting policies and methodology used to estimate the allowance for loan losses (see Note 5).

Provisions were made for estimated loan losses based on management's evaluation of each loan. Loss recoveries were recorded in the year the recovery was known. The allowance for loan losses (see Note 5) was established through a provision for loan losses, which was charged to operations. The allowance was an amount that management believed would be adequate to absorb expected losses on existing loans that may have become uncollectible. Management evaluated 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 have affected the borrower's ability to repay.

Loan loss recoveries consisted of recovery of the initial loan loss reserve applied to loans receivable recognized when loans were repaid in full by the borrower or upon management's periodic assessment of the loan portfolio. Conversely, additional provision for loan losses may have been recognized upon management's assessment that additional reserves were necessary based upon a review of the performance of the loan portfolio (see Note 5).

Below-Market Rate Loans

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 Notes 5 and 7. Interest rates on loans receivable are disclosed in Note 3. 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 grants 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit Enhancement (Continued)

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 2023 or 2022. Due to the fact the Loan Fund has no credit exposure on loans deployed using these funds, those specific loans have been excluded in the ASC Topic 326 analysis for credit losses (see Note 5).

Short-term Investments

Investment balances are reflected as short-term investments (consisting entirely of U.S. Treasury bills with maturities through March 2024) in the accompanying consolidated statements of financial position and consist of the Corporation's holdings of marketable financial securities held for purposes of financial returns. The Corporation records investments at fair value. The fair values of investments in mutual funds and Treasury bills are based upon quoted prices in active markets for identical assets which are Level 1 inputs (see page 14).

Interest, dividends, mutual fund distributions, and other income from these investments are recorded when earned or declared. Gains and losses are recognized as incurred on sale or based on fair value changes during the period.

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 (or loss) 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, 2023 and 2022.

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)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Interests in Real Property (Continued)

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, 2023 and 2022, the Corporation has not recognized any significant reduction in the carrying value of its property and equipment when considering these requirements.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2023	2022
Revolving Loan Capital:		
CDFI Capital Magnet	$ 23,118,492	$ 21,998,130
ED Credit Enhancement	20,412,157	8,058,623
Permanent loan capital	883,321	883,321
Subtotal revolving loan capital	44,413,970	30,940,074
Other Purpose Restrictions:		
CDFI Fund awards	3,862,436	2,825,000
Energy Advantage Program (EAP)	320,506	420,506
Renewable and Energy Efficiency Program	280,183	183,837
Other grants	112,451	275,000
Subtotal other purpose restrictions	4,575,576	3,704,343
Total net assets with donor restrictions	$ 48,989,546	$ 34,644,417

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 grants expire in September 2040 and September 2046, respectively. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interests (Continued)

Other CDFI Fund awards as of December 31, 2023 and 2022, relate to proceeds from the Healthy Food Financing and the Equitable Recovery Program. Other grants as of December 31, 2023, 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. As of December 31, 2023 and 2022, this only relates to SUN Financing.

Non-controlling interests are comprised of the following activity:

	SUN Financing	BCC Solar III Investment Fund, LLC	Total
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
Cumulative effect adjustment of ASC Topic 326	300,000	-	300,000
Changes in net assets	433,443	-	433,443
Non-controlling interests, at December 31, 2023	$ 2,966,981	$ -	$ 2,966,981

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Program revenue and fees for the years ended December 31, 2023 and 2022, include:

	2023	2022
Loan fees (see page 25)	$ 1,532,347	$ 1,061,514
Power purchase and host agreements (see below)	792,327	944,008
Solar Renewable Energy Certificates (SRECs) (see page 25)	782,995	1,338,400
NMTC sub-allocation fees (see Note 9)	595,000	1,032,462
Other	279,884	40,834
Total	3,982,553	4,417,348
Less - intercompany eliminations related to NMTC program	-	(77,885)
	$ 3,982,553	$ 4,339,463

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Solar Operations (Continued)

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.

Solar Energy Program revenues are as follows for 2023 and 2022, and are included in program revenue and fees in the accompanying consolidated statements of activities:

	2023	2022
PPA Revenue:		
Solar III PPA	$ 424,496	$ 507,874
SEA PPA	202,887	228,401
SEA QALICB II PPA	83,831	110,319
SEA QALICB PPA	81,113	97,414
Sub-total PPA revenue	792,327	944,008
REC/SREC Revenue:		
Solar III SREC	518,691	1,023,608
SEA QALICB II SREC	160,175	206,481
SEA REC	54,119	57,138
SEA SREC	31,942	17,411
SEA QALICB SREC	18,068	33,762
Total REC/SREC revenue	782,995	1,338,400
Total	$ 1,575,322	$ 2,282,408

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

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 2023 and 2022, the Loan Fund received certain Federal grants totaling $3,500,000 in both years, which meets this criteria. Due to timing of the awards, $4,336,448 and $6,260,000 of the funds were not yet committed to qualifying projects as of December 31, 2023 and 2022, respectively, and are reported as conditional advances in the accompanying consolidated statements of financial position. The conditional advances as of December 31, 2023, 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, 2023, by their natural and functional classifications, are as follows:

	Program	General and Administration	Fund-raising	Total
Personnel	$ 7,009,523	$ 2,182,514	$ -	$ 9,192,037
Consultants and professional fees	4,372,091	545,659	-	4,917,750
Depreciation and amortization	1,227,806	135,599	-	1,363,405
Office operations	111,214	1,106,812	-	1,218,026
Marketing	794,658	74,313	297,251	1,166,222
Organizational support	575,063	300,380	-	875,443
Program expenses	502,324	82,192	-	584,516
Interest	25,735	-	-	25,735
Subtotal operating	14,618,414	4,427,469	297,251	19,343,134
Interest for lending operations	8,003,926	-	-	8,003,926
Total	$ 22,622,340	$ 4,427,469	$ 297,251	$ 27,347,060

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

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
Office operations	221,137	851,154	-	1,072,291
Marketing	996,184	69,338	275,329	1,340,851
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

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, 2023 and 2022. 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 16, 2024, which is the date the consolidated financial statements were available to be 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:

	2023	2022
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:

	2023	2022
NSP	$ 3,400,000	$ 3,400,000
SEA	-	800,000
	$ 3,400,000	$ 4,200,000

SEA repaid the Holding Company its $800,000 investment during 2023.

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, 2023 and 2022, Managed Assets had the following amounts invested in the unconsolidated CDE LLCs:

	2023	2022
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	$ 7,500

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, 2023 and 2022, was as follows:

	2023	2022
Net investment, beginning of year	$ 584,904	$ 372,435
Distributions	-	(320,000)
Share of income (loss)	(58,042)	532,470
Net investment, end of year	$ 526,862	$ 584,905

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

	2023	2022
Assets	$ 2,303,786	$ 2,486,204
Equity	$ 2,303,786	$ 2,486,204
Investment gains (losses)	$ (163,148)	$ 2,074,294
Expenses	19,270	46,769
Net income (loss)	$ (182,418)	$ 2,027,525

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 5.91% and 5.71% as of December 31, 2023 and 2022, 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 $45,603,842 and $39,427,868 as of December 31, 2023 and 2022, 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 $2,432,858 and $2,629,022 collected on behalf of and paid to loan participants in 2023 and 2022, respectively.

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

	2023		2022	
Type	Number of Loans	Net Loan Amount	Number of Loans	Net Loan Amount
Permanent	62	$ 86,448,428	61	$ 74,601,476
Construction	30	51,713,917	29	46,677,567
Site acquisition	39	90,083,139	36	46,553,116
Organizational	20	15,061,956	20	8,668,654
Predevelopment	4	6,014,486	4	7,593,550
	155	$ 249,321,926	150	$ 184,094,363

The majority of the Loan Fund's loans receivable are 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 $2,125,000 and $3,525,748 of the Loan Fund's restricted deposits dedicated to credit enhancement activities (see Note 13) as of December 31, 2023 and 2022, respectively.

The Loan Fund had committed $118,394,575 and $79,999,913 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2023 and 2022, respectively. Among the tools available to manage liquidity (see Note 16) 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. As of December 31, 2023, approximately $35 million of the total were from commitments not closed and the remainder of approximately $83 million were undisbursed amounts on closed loans of line of credits (see Notes 2 and 5).

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:

	2023	2022
Total past due (30 - 90 days)	$ 2,316,775	$ 18,179
Total past due (greater than 90 days)	426,144	433,492
Total payments past due	$ 2,742,919	$ 451,671
Principal balance of 90-day delinquent loans	$ 726,771	$ 1,891,245
Current principal	248,595,155	182,203,118
Total loans receivable	$ 249,321,926	$ 184,094,363

Special Tax-Credit Lending

As of December 31, 2023 and 2022, the Loan Fund has entered into 171 and 159 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 $350,963 and $289,165 for 2023 and 2022, respectively.

Total outstanding principal balances are $735,653,856 and $668,963,104 as of December 31, 2023 and 2022, 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, 2023 and 2022. 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, 2023 and 2022. As of December 31, 2023 and 2022, there was outstanding interest receivable on these loans of $442,870 and $390,733, 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. 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:

	2023		
	Number of Loans	Interest Rates	Monthly Payments
Aura Mortgage	421	5.625% - 8.500%	\$180 - \$4,281
SUN Financing	120	5.750% - 8.500%	\$298 - \$4,012

	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

The weighted-average interest rates for Aura Mortgage as of December 31, 2023 and 2022, were 6.38%. The weighted-average interest rates for SUN Financing as of December 2023 and 2022, were 6.63% and 6.57%, respectively.

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

	2023	2022
60 - 89 days	\$ 3,776,044	\$ 3,790,925
Greater than 90 days	11,402,727	14,205,336
Total past due	15,178,771	17,996,261
Current	74,677,946	71,584,982
Total loans receivable	\$ 89,856,717	\$ 89,581,243

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, 2023, there were no loans under forbearance. As of December 31, 2022, there were $943,778 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, 2023 and 2022, NSP recognized gains related to shared appreciation notes totaling $447,830 and $1,882,756, 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, 2023, are as follows:

			Foreclosure and Home Mortgage Services		
Year	Loan Fund	One Percent of America	Aura Mortgage	SUN Financing	Total
2024	$ 54,380,897	$ -	$ 1,361,069	$ 449,048	$ 58,850,393
2025	36,814,658	432,948	1,445,503	378,502	39,071,611
2026	24,397,318	-	1,537,352	403,416	26,338,086
2027	35,223,872	-	1,635,044	429,991	37,288,907
2028	46,896,686	-	1,738,953	458,338	49,093,977
Thereafter	51,608,495	-	55,886,431	24,133,070	132,070,866
	249,321,926	432,948	63,604,352	26,252,365	339,611,591
Adjustment for deferred loan fees (see Note 2)	(891,162)	-	-	-	(891,162)
Less - allowance for credit losses (see Note 5)	(3,160,270)	(69,272)	(6,640,897)	(2,957,056)	(12,827,495)
Net loans and interest receivable	245,270,494	363,676	56,963,455	23,295,309	325,892,934
Less - current portion, net	53,923,106	-	1,361,069	449,048	55,733,223
Net long-term portion	$ 191,347,388	$ 363,676	$ 55,602,386	$ 22,846,261	$ 270,159,711

4. LOANS AND INTEREST RECEIVABLE (Continued)

Maturities (Continued)

Maturities of the loans 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	$ 37,333,449	$ -	$ 1,302,003	$ 305,474	$ 38,940,926
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	58,275,228	-	59,506,699	20,953,016	138,734,943
	184,094,363	228,513	66,889,346	22,691,897	273,904,119
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	179,999,375	210,803	60,329,674	19,112,002	259,651,854
Less - current portion, net	35,186,530	-	1,302,003	305,474	36,794,007
Net long-term portion	$ 144,812,845	$ 210,803	$ 59,027,671	$ 18,806,528	$ 222,857,847

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 for 2023 and 2022. As of December 31, 2023 and 2022, the principal amount of the loan payable is $5,000,000.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans (Continued)

SEA

The Loan Fund loaned $3,000,000 of the proceeds of permanent loan capital - subordinated loans payable to SEA (see Note 6) to finance a portion of certain assets of SEA. As of December 31, 2022, there was $1,500,000 outstanding. There was no outstanding balance as of December 31, 2023, as it was paid in full. This intercompany loan bore interest at 3%, payable quarterly, was unsecured, and matured in September 2029. Interest on these borrowings totaled $3,822 and $45,000 in 2023 and 2022, respectively, and has been eliminated in the accompanying consolidated statements of activities.

Affiliate loans consist of the following at December 31:

	2023	2022
Intercompany borrowings:		
Loan Fund receivable from SUN Financing	$ 5,000,000	$ 5,000,000
Loan Fund receivable from SEA	-	1,500,000
Sub-total affiliate loans receivable	5,000,000	6,500,000
Affiliate loan receivables eliminated in consolidation	(5,000,000)	(6,500,000)
Total net affiliate loans receivable	$ -	$ -

Interest on these borrowings totaled $181,253 and $222,431 in 2023 and 2022, respectively, which has also been eliminated from the accompanying consolidated financial statements.

5. ALLOWANCE FOR CREDIT LOSSES

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 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 ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans, in accordance with ASC Topic 326. Loans are charged-off against the ACL when management believes the lack of collectability of a loan balance is confirmed.

The Loan Fund's allowance for credit losses consist of the following as of December 31:

	2023	2022
Allowance for credit losses, in accordance with Topic 326 (see page 36 and Note 2)	$ 3,160,270	$ 3,523,233
Board designated net assets for general loan loss reserves	9,555,826	6,565,280
	$ 12,716,096	$ 10,088,513

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Fund (Continued)

The Loan Fund estimates the allowance balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in interest rates or other relevant factors. After the reasonable and supportable forecast period, the Loan Fund's model reverts to historical loss trends. As described, the Loan Fund has analyzed its loan portfolio using the WARM method for the vast majority of its lending and a specifically identified analysis on loans categorized as delinquent or borrowers beginning to exhibit financial difficulty.

Loans Under the WARM Method

The Loan Fund's historical average annual loss rate for the three pools with past loss history are as follows as of both the adoption date (January 1, 2023) and December 31, 2023:

Rehabilitation (Mini-Permanent/Permanent)	0.4%
Predevelopment	1.1%
Site acquisition	0.1%

Based on the historical average annual loss rates noted above, the Loan Fund's WARM calculated loss rates range before any qualitative adjustments is calculated at 0.4% - 4.0% and 0.3% - 3.6% as of the adoption date (January 1, 2023) and December 31, 2023, respectively (see below). This is driven from analyzing scheduled principal payments over the life of the loans in these pools beyond the origination date which is based on when management estimates payments in full will occur. Management has assessed no further qualitative factors are applicable to these loan pools as the loans are largely short term in nature as temporary means of financing and no additional credit risks have been identified above and beyond the history of loss.

Based on the various accounting policy elections made by the Loan Fund in connection with the application of the WARM method (see Note 2), the rate used to calculate the allowance for credit losses applied to the amortized cost basis of loans receivable was comprised of the following inputs:

	Adoption Date (January 1, 2023)	December 31, 2023
Average Annual Loss Rate:		
Rehabilitation (Mini-Permanent/Permanent)	0.4%	0.4%
Predevelopment	1.1%	1.1%
Site acquisition	0.1%	0.1%
WARM Calculated Loss Rate:		
Rehabilitation (Mini-Permanent/Permanent)	4.0%	3.6%
Predevelopment	1.7%	1.0%
Site acquisition	0.4%	0.3%
Allowance for Credit Losses - WARM rate range	0.4% - 4.0%	0.3% - 3.6%

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Fund (Continued)

Loans Specifically Identified as Delinquent

For loans specifically identified as delinquent, the Loan Fund applies a fixed percentage to the outstanding loans receivable balance to calculate the allowance for credit losses based on individual assessments of the loans, then applied to the risk rating bucket the credit exposure is linked to.

Internal Rating	Applied Fixed Percentage as of January 1, 2023	Applied Fixed Percentage as of December 31, 2023
5	10%	10%
6	20%	20%
7	50%	50%
8	100%	100%

The applied percentage for delinquent loans all shows varying degrees of signs of weakness that warrants an additional allowance for credit losses outside of the WARM method allowance calculated on performing loans.

The percentage applied was based on current economic factors at the individual borrower level associated with varying degrees of past due considerations to arrive at the allowance for credit loss applied. Although, grouped into four buckets of risk exposure, each loan is evaluated individually before being assigned a fixed percentage of loss based on managements assessment of overall credit exposure to the Loan Fund.

Credit Loss Activity

Category	Principal Balance	Applied Percentage	Allowance for Credit Losses
WARM Method:			
Rehabilitation	$ 8,066,852	3.6%	$ 17,490
Predevelopment	15,282,383	1.0%	152,107
Site acquisition	58,048,298	0.3%	141,281
Other **	161,734,460	0%	-
	243,131,993		480,878
Specifically Identified Loans:			
5 rating (special mention category 1)	3,611,244	10%	361,124
6 rating (special mention category 2)	325,526	20%	65,105
7 rating (substandard)	-	75%	-
8 rating (uncollectible)	2,253,163	100%	2,253,163
	6,189,933		2,679,392
Total	$ 249,321,926		$ 3,160,270

** As described previously, of the various loan pool segments determined by the Loan Fund, only three pools have experienced past loss history and therefore the remaining loan pool segments have no allowance percentage applied to those loans.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Fund (Continued)

Credit Loss Activity (Continued)

Activity within the loan loss allowance consists of the following for the years ended December 31:

	2023	2022
Beginning balance (as previously reported)	$ 3,523,233	$ 3,523,233
Provision	165,225	225,000
Transfer to special tax credit lending reserve (see Note 3)	(442,870)	-
Other miscellaneous reclassification	(85,318)	-
Recoveries	-	(225,000)
Ending balance	$ 3,160,270	$ 3,523,233

The above table does not break out the activity within the loan loss allowance by segment due to the change in segments from 2022 to 2023 with the adoption of Topic 326 in the current year and will show the detail going forward in 2024.

Prior to the adoption of ASU 2016-13, the Loan Fund used a number-based credit rating system, with "1" representing the highest quality/lowest credit risk and "8" representing the lowest quality/highest credit risk. The following table presents the Loan Fund's loans receivable balances and related allowance by risk rating at December 31, 2022:

Category	Risk Rating	Loan Balance	Loan Loss Allowance
Pass	1 - 4	$ 175,048,003	$ -
Special Mention	5 - 6	6,466,547	680,235
Substandard	7 - 8	2,579,813	2,107,001
General Reserve		-	735,997
		$ 184,094,363	$ 3,523,233

Foreclosure and Home Mortgage Services

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the lack of collectability of a loan balance is confirmed.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in interest rates or other relevant factors. After the reasonable and supportable forecast period, BlueHub SUN's model reverts to historical loss trends. As described below, management has analyzed its loan portfolio into three groups of (1) performing loans, (2) delinquent loans 60 days upwards to 120 days past due, (3) delinquent loans considered collateral dependent financial assets. Each group utilizes a different method of arriving at its allowance for credit losses.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Foreclosure and Home Mortgage Services (Continued)

Current Loans under the WARM Method

BlueHub SUN's historical average annual loss rate for the most recent five-year period is 1.46% as of both the adoption date (January 1, 2023) and December 31, 2023. There was one loss that occurred in early 2023 that was assessed in the opening loss rate calculation as of January 1, 2023, prior to the loss being formally executed as the loss was evident as of the beginning of the year just needed to go through the typical process to be formalized. The historical credit loss rate already factors in prepayment history, which management expects to remain unchanged due to the nature of the program and no history of loans going out to term. Based on the historical average annual loss rate of 1.46%, the Organization's lifetime historical loss rate before any qualitative adjustments is calculated at 9.75% as of the adoption date (January 1, 2023) and December 31, 2023, respectively, (see below). This is driven from analyzing scheduled principal payments over the next 6 years beyond the origination date which is based on when management estimates prepayments in full will occur. For performing loans since the analysis incorporates prepayments and all payments are current, management assesses no further qualitative factors.

Management believes this methodology most faithfully reflects the expected credit losses for the segment of the loan portfolio which is performing without any signs of weakness or deterioration. Management is using a loss rate method adjusted for prepayments that are probable. This assessment is an estimation technique that is most practical and relevant to BlueHub SUN's current circumstances.

Based on the various accounting policy elections made by BlueHub SUN in connection with the application of the WARM method (see Note 2), the rate used to calculate the allowance for credit losses applied to the amortized cost basis of loans receivable was comprised of the following inputs:

	Adoption Date (January 1, 2023)	December 31, 2023
Average Annual Loss Rate	1.46%	1.46%
Lifetime Historical Loss Rate before qualitative assessments	9.75%	9.75%
Qualitative factor adjustment range	0-2%	0-3%
Allowance for Credit Losses – Rate range	9.75-11.75%	9.75-12.75%

Delinquent Loans – Past Due Loans – Non-Collateral Dependent Financial Assets

For delinquent loans starting at 60 days past due and going through 120 days+ past due, BlueHub SUN applies a fixed percentage to the outstanding loans receivable balance to calculate the allowance for credit losses based on aging buckets:

Aging Bucket	Applied Fixed Percentage as of January 1, 2023	Applied Fixed Percentage as of December 31, 2023
Current & 30 Days	9.75%	9.75%
60 Days	11.25% (9.75%+1.5%)	10.5% (9.75% + .75%)
90 Days	11.75% (9.75% + 2%)	11.25% (9.75% + 1.5%)
120+ Days	**	12.75% (9.75% + 3%)

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Foreclosure and Home Mortgage Services (Continued)

Delinquent Loans – Past Due Loans – Non-Collateral Dependent Financial Assets (Continued)

The applied percentage for delinquent loans all shows varying degrees of signs of weakness that warrants an additional allowance for credit losses beyond the performing loans. These loans are not so much past due that they are experiencing significant deterioration that would be categorized in the collateral dependent financial asset analysis or alternatively are significantly past due in some cases, however, based on the collateral dependent financial asset model performed, there were no perceived losses. For this subset of 120+ day loans, they were re-assigned into the applied fixed percentages noted above.

Management believes at this time, based on prior history these loans can get back on track and payment will be received in a traditional manner or through other modification means due to the borrower's home having equity that would enable a refinance.

The percentage applied was based on history and adjusted for current economic factors of the varying degrees of past due considerations to arrive at the allowance for credit loss applied.

Credit Loss Activity

Aging Bucket	Principal Balance	Applied Percentage	Allowance for Credit Losses
Current	$ 74,677,946	9.75%	$ 7,529,142
60 Days	3,776,044	10.5%	396,612
90 Days	2,781,794	11.25%	313,046
120+ Days	4,728,331	12.75%	603,022
120+ Days	3,892,602	**	756,131
Total	$ 89,856,717		$ 9,597,953

** As described previously, all loans 120 days and beyond are initially categorized as collateral dependent financial assets. These loans are evaluated on an individual basis utilizing the modified fair value assessment using both external and internal factors, less costs to sell compared to the outstanding loan balance plus negative escrows. Borrowers which yield losses are based on specific individual analysis, where as other borrowers who do not yield a perceived loss are applied the fixed percentages.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Foreclosure and Home Mortgage Services (Continued)

Credit Loss Activity

The credit loss allowance consists of the following:

	Aura Mortgage	SUN Financing	Total
December 31, 2021	$ 7,336,560	$ 3,426,268	$ 10,762,828
Loan loss allowance established with mortgage origination (see Note 2)	190	261,019	261,209
Net loan loss allowance transfers	(25,000)	25,000	-
Payment made for program return of funds (see Note 4)	(37,250)	(25,000)	(62,250)
Recovery from loans repaid	(714,828)	(107,392)	(822,220)
December 31, 2022	6,559,672	3,579,895	10,139,567
Adjustment for CECL adoption (see Note 2)	300,000	(300,000)	-
Foreclosed properties	89,383	-	89,383
Credit loss allowance established with mortgage origination (see Note 2)	-	78,244	78,244
Net credit loss allowance transfers	(21,593)	21,593	-
Payment made for program return of funds (see Note 4)	(104,602)	(21,594)	(126,196)
Recovery from loans repaid	(181,963)	(401,082)	(583,045)
December 31, 2023	$ 6,640,897	$ 2,957,056	$ 9,597,953

BlueHub SUN monitors credit quality indicators on an on-going basis to determine if any of their loans need to be evaluated separately. Once a loan is over 120 days past due and collection from traditional methods is deemed unlikely, each asset is assessed individually under the practical expedient for collateral dependent financial assets. The credit quality indicators assessed by management include security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage. Since all loans of BlueHub SUN are 1st security priority loans one roll-forward table is being disclosed (see above).

BlueHub SUN had no write-offs of loan principal during 2023 and 2022.

Prior to the adoption of ASU 2016-13, management derived its loan loss allowance utilizing a risk rating system. BlueHub SUN had used an eight-level credit rating system, with "1" representing the highest quality/lowest risk credits and "8" representing the lowest quality/highest credit risk credits. All loans were individually evaluated and put into a risk rating category with assigned percentages based on credit risk.

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Foreclosure and Home Mortgage Services (Continued)

Credit Loss Activity (Continued)

The following table presents BlueHub SUN loans receivable balances and related allowance by risk rating at December 31, 2022:

Category	Risk Rating	Loan Balance	Loan Loss Allowance
Pass	1 - 2	$ 54,994,229	$ 1,932,677
Special Mention	3 - 6	15,646,975	1,879,119
Substandard	7 - 8	18,940,039	4,715,340
General reserve		-	1,612,431
		$ 89,581,243	$ 10,139,567

Impaired Loans and Troubled Debt Restructurings

Prior to the adoption of ASU 2016-13, the Corporation identified a loan as impaired when it was probable that interest and/or principal would not be collected according to the contractual terms of the loan agreement. This was further defined as delinquent payments for ninety plus days and entering foreclosure of bankruptcy. In accordance with *Receivables – Troubled Debt Restructurings by Creditors*, management employed 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 Corporation reviewed its outstanding balance, value of the collateral, and a current report of the action being implemented. Based on the nature of the specific loan and borrower, one of the impairment methods was chosen and any impairment was determined, based on criteria established for impaired loans.

In accordance with ASC Topic, *Impairment (Recoverability) of a Loan*, a troubled debt restructuring (TDRs) occurred when the creditor granted a concession related to the borrower's financial difficulties that the creditor otherwise would not consider. There were no impaired loans or TDRs as of December 31, 2022.

Foreclosure and Home Mortgage Services

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

Impaired loans are set forth in the table below as of December 31, 2022:

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

5. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Fund

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

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

As of December 31, 2022, loans that were impaired and classified as TDRs were as follows:

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

The above loans were all on "non-accrual" status as of December 31, 2022.

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY

Holding Company

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

	2023	2022
Computer equipment	$ 312,611	$ 295,072
Office equipment	98,142	98,142
Leasehold improvements	1,138,555	1,138,555
	1,549,308	1,531,769
Less - accumulated depreciation	1,395,546	1,243,102
	$ 153,762	$ 288,667

Depreciation expense of the Holding Company for 2023 and 2022 was $152,444 and $153,587, respectively.

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

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, 2023 and 2022.

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

2023	SEA	SEA QALICB	SEA QALICB II	Solar III	Total
Solar energy panels and installation	$ 7,545,568	$ 3,302,330	$ 1,943,356	$ 612,099	$ 13,403,353
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	2,422,779	3,086,441	1,943,356	612,099	8,064,675
Less - accumulated depreciation	(2,422,779)	(3,055,338)	(1,570,289)	(516,976)	(7,565,382)
Net book value of projects	$ -	$ 31,103	$ 373,067	$ 95,123	499,293
Less - elimination of developer fee profit earned by SEA					(138,613)
Net book value of projects after elimination					$ 360,680

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

Solar Energy Programs (Continued)

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

For the years ended December 31, 2023 and 2022, depreciation expense, net of eliminations, related to SEA, SEA QALICB, SEA QALICB II, and Solar III totaled $1,289,315 and $1,779,428, 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, 2023:

	SEA	SEA QALICB I	SEA QALICB II	Solar III	Total
Proceeds	$ 508,500	$ 55,665	$ 467,493	$ 4,803,253	$ 5,834,911
Plus - Solar energy panel accumulated depreciation	-	1,663,748	1,226,266	6,830,117	9,720,131
Less - Solar energy panel net depreciable cost	(233,548)	(1,712,528)	(1,638,373)	(9,131,823)	(12,716,272)
Realized gain on sale of property and equipment	$ 274,952	$ 6,885	$ 55,386	$ 2,501,547	$ 2,838,770

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

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 2023 or 2022. 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.

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

	2023	2022
Balance, at beginning of year	$ -	$ -
Purchase of interests in real properties	4,411,956	2,501,978
Cost basis of interests in real property converted to interests in loans receivable (see Note 4)	(4,411,956)	(2,501,978)
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 2023 or 2022. There was one property remaining under SUN Financing as of December 31, 2022, for $152,358. The property had an agreement where the current delinquent tenant was to vacate the property by mid-2021 but did not as of December 31, 2022. During 2023, this delinquent property was reversed by the courts and is now included in loans receivable in the accompanying financial statements as of December 31, 2023. There was one property under Aura Mortgage as of December 31, 2023, for $89,383 and no properties as of December 31, 2022. There was no real estate owned under SUN Financing as of December 31, 2023.

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

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

Real Estate Owned (Continued)

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

	2023	2022
Holding Company property and equipment	$ 153,762	$ 288,667
SEA - Solar energy equipment	360,680	4,563,337
Foreclosure and Home Mortgage Services:		
Aura Mortgage - foreclosed property	89,383	-
SUN Financing - foreclosed property	-	152,358
	603,825	5,004,362
Less - eliminations	(40,180)	(57,024)
	$ 563,645	$ 4,947,338

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:

	2023	2022
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, was $871,594. There was no accrued interest as of December 31, 2023. The bonds are rated A- by S&P Global Ratings.	$ 56,250,000	$ 56,250,000

7. BONDS AND LOANS PAYABLE (Continued)

Loan Fund (Continued)

Bonds Payable (Continued)

	2023	2022
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, was $270,938. There was no accrued interest as of December 31, 2023. 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	(491,572)	(569,476)
	$ 74,508,428	$ 74,430,524

Debt issuance costs totaling $904,193 and $887,692 as of December 31, 2023 and 2022, respectively, 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 $94,405, for the years ended December 31, 2023 and 2022, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2023 and 2022, was $412,621 and $318,216, 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, 2023 and 2022.

Loans Payable

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

	2023	2022
The Loan Fund has a $20,000,000 and a $10,000,000 unsecured revolving line of credit with a financial institution, which originally expires in 2025, but were extended through December 31, 2028. The interest rate on these lines of credit is 2% and interest is due in quarterly payments.	$ 30,000,000	$ 30,000,000
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which expires on February 24, 2025. The loan bears a fixed interest rate of 2.75% on the outstanding balance.	15,000,000	-
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which expires on March 31, 2027. The loan bears a fixed interest rate of 2.5% on the outstanding balance. Quarterly principal payments of $187,500 commence in March 2024 with the remainder due at maturity.	15,000,000	-

7. BONDS AND LOANS PAYABLE (Continued)

Loan Fund (Continued)

Loans Payable (Continued)

	2023	2022
The Loan Fund has a $20,000,000 unsecured term loan with a financial institution, which expires on December 29, 2030. The loan is to be disbursed in two tranches with separate interest rates. The first tranche of $10,000,000 disbursed as of December 31, 2023, bears interest at a fixed rate of 5.68%. The second tranche of $10,000,000 to be disbursed in 2024 is to bear interest at the Federal Home Loan Bank of Boston Classic Advance Rate as of the date the second tranche is disbursed, plus eighty basis points. Interest only shall accrue and be payable monthly on both tranches through December 29, 2028, at which time quarterly principal payments of $500,000 shall begin as outlined in the agreement through maturity.	10,000,000	-
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 15, 2033. The interest rate on this line of credit is 3.3% and interest is due in quarterly payments. Principal payments of $2,500,000 begin in 2030 through maturity.	10,000,000	-
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 22, 2028. The interest rate on this line of credit is 3.5% and interest is due quarterly on the first day of each quarter. Principal payments of $2,500,000 are set to commence in 2025 through maturity. The $2,500,000 payment due in 2025 was made during 2023.	7,500,000	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. This loan was paid in full in April 2023.	-	8,500,000
Total lines of credit	87,500,000	48,500,000
Other loans payable (see below)	29,559,258	29,364,206
	117,059,258	77,864,206
Less - unamortized debt issuance costs	(58,577)	(53,365)
Less - current portion	(8,223,391)	(6,734,162)
	$ 108,777,290	$ 71,076,679

7. BONDS AND LOANS PAYABLE (Continued)

Loan Fund (Continued)

Loans Payable (Continued)

The Loan Fund had a total of $35,000,000 of additional available credit on lines of credit with financial institutions as of December 31, 2023. 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, 2023 and 2022, the Loan Fund was in compliance with these covenants.

Other loans payable of the Loan Fund represent loans by approximately 310 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, 2023, include approximately $395,000 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, 2023, also include approximately $1,053,000 considered due on demand. As of December 31, 2023 and 2022, there was $29,559,258 and $29,364,206, respectively, of outstanding other notes payable.

Debt issuance costs totaling $327,004 and $300,744 as of December 31, 2023 and 2022, 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 $21,048 and $26,862 for the years ended December 31, 2023 and 2022, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2023 and 2022, was $268,427 and $247,379, respectively.

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, 2023 and 2022, 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 $22,451,445 and $22,425,889 as of December 31, 2023 and 2022, respectively.

Interest expense under the loans payable, excluding the Loan Fund’s interest, was $787,504 and $791,108 as of December 31, 2023 and 2022, respectively.

7. BONDS AND LOANS PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

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, 2023 and 2022. All draws must be substantiated by proper loan collateral and the deadline for the last draw was September 18, 2022, which was not extended. 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.

The draws on the bond payable were subject to a weighted-average interest rate of 2.91% as of December 31, 2023 and 2022. Quarterly principal and interest payments plus applicable administrative and Trustee fees began on March 15, 2018. The quarterly principal and interest payments were $768,927 and $899,927 as of December 31, 2023 and 2022, 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, 2023 and 2022, was $51,411,098 and $61,787,370, respectively. The bond payable is shown net of unamortized debt issuance costs of $598,332 and $624,067 as of December 31, 2023 and 2022, respectively. Amortization was $25,735 for each of the years ended December 31, 2023 and 2022, 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, 2023 and 2022, on the bond payable totaled $1,911,262 and $2,406,770, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Aura Mortgage prepaid portions of the outstanding principal balance of the bond during 2023 and 2022, which Aura Mortgage received a discount to the balances paid resulting in a gain on the bond payable redemption of $745,224 and $340,651, respectively, for the years ended December 31, 2023 and 2022. The bond is guaranteed under the CDFI Bond Guarantee Program and a third-party limited guarantee of $3,000,000 (see page 52).

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 52). Aura Mortgage was in compliance with these covenants as of December 31, 2023 and 2022.

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 2023 or 2022.

7. BONDS AND LOANS PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

Aura Mortgage (Continued)

Bond Payable (Continued)

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.

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 2022, Aura Mortgage received a temporary compliance waiver where the collateral requirement cannot fall below 110% and was effective through March 31, 2023. During 2023, Aura Mortgage received an extension on the temporary compliance waiver extending it through April 30, 2024.

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, 2023 and 2022.

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.

7. BONDS AND LOANS PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

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%.

In 2021, the Corporation applied for, but was initially denied, forgiveness by the Small Business Administration (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.

One Percent for America

During 2023, One Percent for America (OPA) entered into a note payable with Eastern Bank Foundation. This note bears interest at a rate of 1% and matures December 15, 2028. Repayment on the note payable is due at maturity. OPA had an outstanding balance of $125,000 as of December 31, 2023.

Maturities

The schedule of maturities (below) includes only regularly scheduled principal payments for principal outstanding at December 31, 2023, 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, 2023 and 2022, are as follows:

2023	Loan Fund	Foreclosure and Homes Mortgage Services	One Percent for America	Total
2024	$ 8,223,391	$ 1,553,364	$ -	$ 9,776,755
2025	20,587,211	24,053,339	-	44,640,550
2026	9,297,072	1,649,941	-	10,947,013
2027	41,122,500	1,699,867	-	42,822,367
2028	33,600,295	1,750,912	125,000	35,476,207
Thereafter	79,228,789	43,155,120	-	122,383,909
Total loans	192,059,258	73,862,543	125,000	266,046,801
Less - current portion	(8,223,391)	(1,553,364)	-	(9,776,755)
Less - unamortized debt issuance costs	(550,149)	(598,333)	-	(1,148,482)
Loans payable, net of current portion	$ 183,285,718	$ 71,710,846	$ 125,000	$ 255,121,564

7. BONDS AND LOANS PAYABLE (Continued)

Maturities (Continued)

2022	Loan Fund	Foreclosure and Homes Mortgage Services	Total
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

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, 2023 and 2022) 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, 2023 and 2022.

Principal maturities on subordinated loans payable over the next five years as of December 31, 2023, are as follows:

Year	Principal Maturities
2024	$ -
2025	$ -
2026	$ -
2027	$ -
2028	$ 1,000,000
Thereafter	$ 23,250,000

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).

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

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, 2023, 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 2023 or 2022. 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.

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 shown as affiliate fees receivable on the accompanying consolidated statements of financial position. Delayed fees receivable are as follows at December 31:

	2023	2022	Quarterly Installments Payable Through
BCC NMTC CDE XXIV, LLC	$ 660,000	$ 660,000	Entire fee due in March 2024
BCC NMTC CDE XXV, LLC	14,392	65,392	June 2024
BCC NMTC CDE XXVI, LLC	74,444	174,444	September 2024
BCC NMTC CDE XXVII, LLC	29,793	145,125	June 2024
BCC NMTC CDE XXVIII, LLC	73,111	153,111	August 2024
BCC NMTC CDE XXIX, LLC	15,764	40,764	August 2024
BCC NMTC CDE XXX, LLC	40,000	70,000	June 2025
BCC NMTC CDE XXXI, LLC	77,778	157,778	December 2024
BCC NMTC CDE XXXII, LLC	37,500	67,500	March 2024
BCC NMTC CDE XXXIII, LLC	272,691	328,405	December 2028
BCC NMTC CDE XXXIV, LLC	149,250	179,250	December 2028
Total	1,444,723	2,041,769	
Less - current portion	(1,093,746)	(598,796)	
	$ 350,977	$ 1,442,973	

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.

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

NMTC sub-allocation fees are recognized when the payment is made on the performance obligation to Managed Assets. For 2023 and 2022, Managed Assets reported $595,000 and $1,032,462, 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.

Deferred revenue is as follows at December 31:

	2023	2022
BCC NMTC CDE XXIV, LLC	$ 660,000	$ 660,000
BCC NMTC CDE XXV, LLC	20,833	70,833
BCC NMTC CDE XXVI, LLC	66,667	166,667
BCC NMTC CDE XXVII, LLC	116,667	216,667
BCC NMTC CDE XXVIII, LLC	46,667	126,667
BCC NMTC CDE XXIX, LLC	14,583	39,583
BCC NMTC CDE XXX, LLC	40,000	70,000
BCC NMTC CDE XXXI, LLC	80,000	160,000
BCC NMTC CDE XXXII, LLC	37,500	67,500
BCC NMTC CDE XXXIII, LLC	272,690	328,405
BCC NMTC CDE XXXIV, LLC	149,250	179,250
Total deferred revenue	$ 1,504,857	$ 2,085,572

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, 2023 and 2022, 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 December 2024, with an option to extend for an additional five-year period, which was not considered when assessing the value of the ROU asset - operating lease because the Corporation is not reasonably certain that is will exercise its option to renew the lease. 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. Total lease expense was $412,385 for 2023 and 2022 and is included in office operations in the accompanying consolidated statements of activities. Total cash paid for amounts included in the measurement of the operating lease liabilities was $422,700 for the years ended December 31, 2023 and 2022. As of December 31, 2023, there were no material leases that have been executed by the Corporation, but did not yet commence.

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

2024	$ 211,350
Less - discount to present value	(5,157)
Current portion	$ (206,193)

10. LEASES AND OTHER COMMITMENTS (Continued)

Operating Lease – Lessee (Continued)

The Corporation used the risk-free discount rate at lease inception 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 $150,549 and $105,725 for the years ended December 31, 2023 and 2022, 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 2023 and 2022 was $323,960 and $278,802, 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 $101,000 and $82,000 to this plan during 2023 and 2022, respectively, which is included in personnel in the accompanying consolidated statements of activities. Employees did not make any contributions during 2023 or 2022. The balance in the deferred compensation plan was $727,606 and $479,451 at December 31, 2023 and 2022, respectively, and is reported as both an asset and liability in the accompanying consolidated statements of financial position.

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 $250,000 and $325,000 to this plan during 2023 and 2022, respectively. Contributions are accrued as personnel expense on a straight-line basis over the two-year vesting periods and amount to $317,500 and $293,750, which are included in personnel in the accompanying consolidated statements of activities for 2023 and 2022, 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 $250,000 and $325,000 of the 2023 and 2022 contributions, respectively. The balance of investments in the deferred compensation plan was $1,299,715 and $1,174,049 at December 31, 2023 and 2022, respectively, and are included in restricted deposits in the accompanying consolidated statements of financial position. The accrued liability to participants was $701,216 and $626,217 at December 31, 2023 and 2022, 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, 2023 and 2022, SEA had the following net operating loss (NOL) carryforwards available to offset future taxable income:

	2023	2022
SEA:		
Federal NOL	$ 4,730,503	$ 4,369,238
State NOL	$ 2,644,759	$ 2,307,124

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, 2023 and 2022.

As of December 31, 2023 and 2022, the components of SEA's net deferred tax asset are as follows:

	2023	2022
Net operating loss carryforwards	$ 663,000	$ 1,158,000
Less - valuation allowance	663,000	1,158,000
	$ -	$ -

13. CREDIT ENHANCEMENT

The Loan Fund administers proceeds of two grants 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. The first conditional grant of $8 million was received in 2017 and the second conditional grant of $12 million was received in 2023. Under the agreements, 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 providing 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 for the first grant and September 2046 for the second grant. The Loan Fund actively monitors this program, and no losses are deemed probable for 2023 or 2022.

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.

13. CREDIT ENHANCEMENT (Continued)

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

	2023	2022
Cash collateral (six and nine arrangements as of December 31, 2023 and 2022, respectively)	$ 2,642,000	$ 4,768,501
Grant reserve funds	17,770,157	3,290,122
	$ 20,412,157	$ 8,058,623

Approximately $2.1 million and $3.5 million of the cash collateral escrow secures loans receivable of the Loan Fund as of December 31, 2023 and 2022, respectively (see Note 4).

Interest income reinvested to the grant reserve totaled $353,534 and $9,974 for the years ended December 31, 2023 and 2022, respectively.

Maturity dates of the active arrangements as of December 31, 2023, range from June 30, 2023 through February 28, 2037, as follows:

2024	$ 1,073,000
2025	$ 300,000
2026	$ -
2027	$ -
2028	$ -
Thereafter	$ 1,269,000

During 2023, the Corporation received a commitment to receive another $15 million in funding to enter into credit enhancement agreements with charter schools and third-party lenders which has not been received or committed as of December 31, 2023, thus not recognized in the accompanying consolidated financial statements.

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES

Restricted Deposits

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

	2023	2022
BlueHub SUN:		
Restricted deposit account	$ 17,130,316	$ 21,165,056
CDFI bond risk share pool account	2,490,000	2,490,000
Pledged loan payment account	395,887	421,343
Subtotal BlueHub SUN	20,016,203	24,076,399
Loan Fund:		
Credit enhancement reserves (see Note 13)	20,412,157	8,058,623
Holding Company:		
Restricted deposits for deferred compensation investments (see Note 11)	1,299,715	1,174,049
	$ 41,728,075	$ 33,309,071

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES (Continued)

Restricted Deposits (Continued)

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, 2023 and 2022.

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 62).

Required Overcollateralization Cash Account

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 61). 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 was no required balance as of December 31, 2023 and 2022.

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.

14. RESTRICTED DEPOSITS AND LOAN LOSS RESERVES (Continued)

Loan Loss Reserves

Below is a reconciliation of cash and cash equivalents - loan loss reserves held in connection with BlueHub SUN for 2023 and 2022:

	Aura Mortgage	SUN Financing	Total
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
Payment made for program return of funds (see Note 5)	(104,600)	(25,000)	(129,600)
Transfers to operating	-	(3,482,818)	(3,482,818)
Interest earned on loan loss reserves	22,590	6,144	28,734
Balance at December 31, 2023	$ 873,149	$ 107,706	$ 980,855

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:

	2023	2022
Cash and cash equivalents	$ 88,800,688	$ 132,149,309
Short-term investments	29,559,590	-
Current portion of loans receivable	56,191,014	38,940,926
Accrued interest receivable	2,675,344	2,402,320
Current portion of affiliate fees receivable	1,093,746	598,796
Grants and other accounts receivable	2,262,409	2,856,613
Total financial assets	180,582,791	176,947,964
Board designated reserves (see Note 2)	(9,555,826)	(6,565,280)
Net assets with donor restrictions and conditional advances, less restricted cash	(32,313,146)	(32,241,451)
	(41,868,972)	(38,806,731)
Financial assets available to meet cash needs for general expenditures within one year	$ 138,713,819	$ 138,141,233

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.

16. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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, 2022 consolidated financial statements have been reclassified to conform with the December 31, 2023 presentation.

BLUEHUB CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2023

	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	$ 61,743,696	$ 5,016,026	$ 332,656	$ 1,708,990	$ 356,004	$ 5,768,761	$ 13,874,555	$ -	$ 88,800,688
Cash and cash equivalents - escrow funds	866,196	-	-	2,363,662	-	-	-	-	3,229,858
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	980,855	-	980,855
Short-term investments	17,761,560	10,567,065	1,230,965	-	-	-	-	-	29,559,590
Current portion of loans receivable	54,380,897	-	-	-	-	-	1,810,117	-	56,191,014
Allowance for credit losses as of December 31, 2023	(457,791)	-	-	-	-	-	-	-	(457,791)
Net current portion of loans receivable	53,923,106	-	-	-	-	-	1,810,117	-	55,733,223
Current portion of affiliate fees receivable	-	1,093,746	-	-	-	-	-	-	1,093,746
Grants and other accounts receivable	-	188,307	-	-	-	194,058	1,880,044	-	2,262,409
Accrued interest receivable	2,659,379	-	15,965	-	-	-	-	-	2,675,344
Other current assets	183,811	-	-	206,967	78,789	250,539	126,448	-	846,554
Due from affiliates	-	-	-	578,209	-	55,444	-	(633,653)	-
Total current assets	137,137,748	16,865,144	1,579,586	4,857,828	434,793	6,268,802	18,672,019	(633,653)	185,182,267
Loans Receivable, net of current portion	194,049,867	-	-	-	432,948	-	88,046,600	-	282,529,415
Allowance for credit losses as of December 31, 2023	(2,702,479)	-	-	-	(69,272)	-	(9,597,953)	-	(12,369,704)
Net loans receivable	191,347,388	-	-	-	363,676	-	78,448,647	-	270,159,711
Restricted Deposits	20,412,157	-	-	1,299,715	-	-	20,016,203	-	41,728,075
Affiliate Fees Receivable, net of current portion	5,000,000	350,977	-	-	-	-	-	(5,000,000)	350,977
Investments in Affiliates	-	7,500	12,196,862	3,400,000	-	-	-	(15,070,000)	534,362
Right-of-Use Lease Asset - Operating Lease	-	-	-	206,193	-	-	-	-	206,193
Property, Equipment and Interests in Real Property, net	-	-	-	153,762	-	360,680	89,383	(40,180)	563,645
Total assets	$ 353,897,293	$ 17,223,621	$ 13,776,448	$ 9,917,498	$ 798,469	$ 6,629,482	$ 117,226,252	$ (20,743,833)	$ 498,725,230
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of bonds and loans payable	$ 8,223,391	$ -	$ -	$ -	$ -	$ -	$ 1,553,364	$ -	$ 9,776,755
Interest and accounts payable	1,985,945	170,438	-	1,569,363	5,905	-	182,730	-	3,914,381
Escrow funds	866,196	-	-	2,363,662	-	-	-	-	3,229,858
Conditional advances	4,336,446	-	-	-	-	-	-	-	4,336,446
Due to affiliates	209,968	67,532	8,667	-	111,378	3,122	232,986	(633,653)	-
Operating lease obligation	-	-	-	206,193	-	-	-	-	206,193
Total current liabilities	15,621,946	237,970	8,667	4,139,218	117,283	3,122	1,969,080	(633,653)	21,463,633
Bonds and Loans Payable, net	183,285,718	-	-	-	125,000	-	71,710,846	-	255,121,564
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	-	5,000,000	(5,000,000)	-
Deferred Revenue	-	1,504,857	-	-	-	-	-	-	1,504,857
Permanent Loan Capital - Subordinated Loans Payable	24,250,000	-	-	-	-	-	-	-	24,250,000
Total liabilities	223,157,664	1,742,827	8,667	4,139,218	242,283	3,122	78,679,926	(5,633,653)	302,340,054
Net Assets and Non-Controlling Interests:									
Without donor restrictions:									
General	72,794,946	15,480,794	13,767,781	5,457,774	556,186	6,346,177	20,509,345	(40,180)	134,872,823
Board designated for loan loss reserves	9,555,826	-	-	-	-	-	-	-	9,555,826
Total without donor restrictions	82,350,772	15,480,794	13,767,781	5,457,774	556,186	6,346,177	20,509,345	(40,180)	144,428,649
With donor restrictions:									
Revolving loan capital	44,413,970	-	-	-	-	-	-	-	44,413,970
Other purpose restrictions	3,974,887	-	-	320,506	-	280,183	-	-	4,575,576
Total with donor restrictions	48,388,857	-	-	320,506	-	280,183	-	-	48,989,546
Total net assets	130,739,629	15,480,794	13,767,781	5,778,280	556,186	6,626,360	20,509,345	(40,180)	193,418,195
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	-	-	-	-	-	-	2,966,981	-	2,966,981
Total net assets and non-controlling interests	130,739,629	15,480,794	13,767,781	5,778,280	556,186	6,626,360	38,546,326	(15,110,180)	196,385,176
Total liabilities, net assets and non-controlling interests	$ 353,897,293	$ 17,223,621	$ 13,776,448	$ 9,917,498	$ 798,469	$ 6,629,482	$ 117,226,252	$ (20,743,833)	$ 498,725,230

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 receivable	37,333,449	-	-	-	-	-	1,607,477	-	38,940,926
Allowance for loan losses as of December 31, 2022	(2,146,919)	-	-	-	-	-	-	-	(2,146,919)
Net current portion of loans receivable	35,186,530	-	-	-	-	-	1,607,477	-	36,794,007
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
Accrued interest receivable	2,402,320	-	-	-	-	-	-	-	2,402,320
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	130,617,800	19,604,700	1,578,628	4,877,759	180,060	2,257,811	25,825,715	(1,477,902)	183,464,571
Loans Receivable, net of current portion	146,189,159	-	-	-	210,803	-	87,973,766	-	234,373,728
Allowance for loan losses as of December 31, 2022	(1,376,314)	-	-	-	-	-	(10,139,567)	-	(11,515,881)
Net loans receivable	144,812,845	-	-	-	210,803	-	77,834,199	-	222,857,847
Restricted Deposits	8,058,623	-	-	1,174,049	-	-	24,076,399	-	33,309,071
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 Interest:									
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 Activities
For the Year Ended December 31, 2023

	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	$ 12,858,276	$ -	$ -	$ 344	$ 2,820	$ -	$ 6,192,561	$ (181,253)	$ 18,872,748
Program revenue and fees	1,710,347	595,000	20,612	-	25,248	1,575,322	56,024	-	3,982,553
Realized gain on sale of property and equipment	-	-	-	-	-	2,838,770	-	-	2,838,770
Interest on cash and cash equivalents	2,576,989	-	-	-	-	-	-	-	2,576,989
Investment return	-	726,393	65,090	30,711	-	44,157	1,401,045	-	2,267,396
Net gains on shared appreciation agreements and sales of real estate	-	-	-	-	-	-	447,830	-	447,830
Recovery (provision) of credit losses	(165,225)	-	-	-	-	-	300,127	-	134,902
Less - interest expense	(5,304,935)	-	-	-	(225)	-	(2,876,197)	177,431	(8,003,926)
Net financial and earned revenue	11,675,452	1,321,393	85,702	31,055	27,843	4,458,249	5,521,390	(3,822)	23,117,262
Net assets released from purpose restrictions	-	-	-	100,000	-	3,654	-	-	103,654
Grants and contributions	-	-	-	619	-	100,000	-	-	100,619
Total operating revenues	11,675,452	1,321,393	85,702	131,674	27,843	4,561,903	5,521,390	(3,822)	23,321,535
Operating expenses:									
Personnel	4,224,308	784,477	73,253	339,419	994,055	621,947	2,154,578	-	9,192,037
Consultants and professional fees	666,994	226,585	6,761	112,694	562,368	212,655	3,129,693	-	4,917,750
Office operations	637,244	107,187	7,344	(99,233)	80,867	177,664	306,953	-	1,218,026
Marketing	198,167	24,771	-	99,084	485,626	49,542	309,032	-	1,166,222
Organizational support	345,940	37,012	3,340	12,035	112,830	114,449	249,837	-	875,443
Program expenses	-	-	-	-	-	137,203	447,313	-	584,516
Interest	-	-	-	-	-	3,822	25,735	(3,822)	25,735
Total operating expenses before depreciation and amortization	6,072,653	1,180,032	90,698	463,999	2,235,746	1,317,282	6,623,141	(3,822)	17,979,729
Depreciation and amortization	-	-	-	152,444	-	1,227,805	-	(16,844)	1,363,405
Total operating expenses	6,072,653	1,180,032	90,698	616,443	2,235,746	2,545,087	6,623,141	(20,666)	19,343,134
Changes in net assets without donor restrictions from operations	5,602,799	141,361	(4,996)	(484,769)	(2,207,903)	2,016,816	(1,101,751)	16,844	3,978,401
Other changes in net assets without donor restrictions:									
Net assets released from restrictions for loan capital	4,500,000	-	-	-	-	-	-	-	4,500,000
Grants for loan capital	1,962,564	-	-	-	-	-	-	-	1,962,564
Gain on bond payable redemption	-	-	-	-	-	-	745,224	-	745,224
Distributions	-	-	-	-	-	(785,716)	-	800,000	14,284
Share of loss of affiliate	-	-	(58,042)	-	-	-	-	-	(58,042)
Changes in net assets without donor restrictions	12,065,363	141,361	(63,038)	(484,769)	(2,207,903)	1,231,100	(356,527)	816,844	11,142,431
Changes in Net Assets With Donor Restrictions:									
Grants and contributions	18,473,441	-	-	-	-	100,000	-	-	18,573,441
Interest income	550,342	-	-	-	-	-	-	-	550,342
Net assets released from purpose restrictions	(175,000)	-	-	(100,000)	-	(3,654)	-	-	(278,654)
Net assets released from restrictions for loan capital	(4,500,000)	-	-	-	-	-	-	-	(4,500,000)
Changes in net assets with donor restrictions	14,348,783	-	-	(100,000)	-	96,346	-	-	14,345,129
Changes in net assets	26,414,146	141,361	(63,038)	(584,769)	(2,207,903)	1,327,446	(356,527)	816,844	25,487,560
Changes in Net Assets Attributable to Non-Controlling Interests	-	-	-	-	-	-	(433,443)	-	(433,443)
Changes in net assets attributable to BlueHub Capital, Inc. and Operating Affiliates	$ 26,414,146	$ 141,361	$ (63,038)	$ (584,769)	$ (2,207,903)	$ 1,327,446	$ (789,970)	$ 816,844	$ 25,054,117

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	$ -	$ -	$ -	$ -	$ -	$ 5,431,842	$ (222,431)	$ 16,409,805
Program revenue and fees	1,021,481	1,032,462	37,509	130	3,325	2,282,408	40,033	(77,885)	4,339,463
Interest on cash and cash equivalents	195,241	-	-	-	-	-	-	-	195,241
Investment return	-	46,323	3,128	(30,708)	-	179	271,968	-	290,890
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
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)	3,100	2,282,587	5,073,510	(122,885)	15,807,470
Net assets released from purpose restrictions	-	-	-	56,025	-	24,145	-	-	80,170
Grants and contributions	-	-	-	46,398	-	50,000	-	-	96,398
Total operating revenues	7,482,089	1,078,785	40,637	71,845	3,100	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
Office operations	487,948	67,144	5,140	88,412	77,528	204,418	141,701	-	1,072,291
Marketing	183,554	22,944	-	91,775	588,648	46,394	407,536	-	1,340,851
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)	(2,158,300)	(913,637)	(324,609)	56,819	(1,982,726)
Other changes in net assets without donor restrictions:									
Net assets released from purpose restrictions	2,750,000	-	-	-	-	-	-	-	2,750,000
Grants for loan capital	2,615,000	-	-	-	-	-	1,826,265	-	4,441,265
Grants (to) from affiliate	-	-	-	-	-	-	340,651	-	340,651
PPP loan forgiveness	-	-	-	1,064,225	-	-	-	-	1,064,225
Share of income of affiliate	-	-	532,470	-	-	-	-	-	532,470
Changes in net assets without donor restrictions	8,046,451	3,950	489,722	(221,652)	(2,158,300)	(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)	(2,158,300)	(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)	$ (2,158,300)	$ (1,087,616)	$ 2,249,498	$ 56,819	$ 11,609,287