BLUEHUB
CAPITAL

AND AFFILIATES
(FORMERLY, BOSTON COMMUNITY CAPITAL, INC.)

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

BLUEHUB CAPITAL, INC. AND AFFILIATES

Contents
December 31, 2018 and 2017

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BlueHub Capital, Inc. (formerly, Boston Community Capital, Inc.) and Affiliates (collectively, the Corporation) (see Note 1), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BlueHub Capital, Inc. and Affiliates as of December 31, 2018 and 2017, 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.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 60 through 63 as of and for the years ended December 31, 2018 and 2017, 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.

Emphasis of a Matter

As disclosed in Note 2 to the consolidated financial statements, during 2018, the Corporation changed the manner in which it accounts for its net asset funds as a result of the adoption of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
April 10, 2019

BLUEHUB CAPITAL, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2018 and 2017

Assets	**2018**	**2017**
Current Assets:		
Cash and cash equivalents	$ 64,233,948	$ 74,625,653
Cash and cash equivalents - escrow funds and other	8,403,334	5,392,735
Cash and cash equivalents - loan loss reserves	5,083,696	5,166,281
Current portion of restricted cash	6,441,489	1,891,963
Short-term investments	6,568,057	10,329
Current portion of loans and interest receivable, net	37,653,267	20,805,813
Current portion of affiliate fees receivable	1,809,013	1,690,545
Grants and other accounts receivable	2,714,187	2,486,010
Assets related to discontinued operations	-	955,634
Other current assets	396,275	350,216
Total current assets	133,303,266	113,375,179
Restricted Cash, net of current portion	10,522,456	9,969,289
Loans Receivable, net of current portion and allowance for loan losses	240,965,693	195,785,176
Affiliate Fees Receivable, net of current portion	3,502,947	4,342,837
Investments in Affiliates	361,793	340,299
Property, Equipment and Interests in Real Property, net	15,563,945	17,468,174
Total assets	$ 404,220,100	$ 341,280,954
Liabilities, Net Assets and Non-Controlling Interests		
Current Liabilities:		
Current portion of loans and bond payable	$ 8,930,449	$ 8,639,810
Current portion of permanent loan capital - subordinated loans payable	4,517,162	105,042
Interest and accounts payable	1,805,666	2,515,590
Escrow funds and other	8,403,334	5,392,735
Conditional advances	3,313,000	2,105,000
Liabilities related to discontinued operations	255,690	9,091,165
Total current liabilities	27,225,301	27,849,342
Loans and Bond Payable, net	225,489,985	182,248,523
Deferred Revenue	6,131,963	7,508,709
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	22,854,495	25,371,656
Total liabilities	281,701,744	242,978,230
Net Assets and Non-Controlling Interests:		
Without donor restrictions:		
General	84,846,124	64,721,279
Board designated for permanent loan capital and special programs	3,132,500	3,132,500
Board designated for loan loss reserves	8,168,792	5,453,280
Total without donor restrictions	96,147,416	73,307,059
With donor restrictions:		
Revolving loan capital	14,012,811	11,283,751
Other purpose restrictions	1,476,531	902,306
Total with donor restrictions	15,489,342	12,186,057
Total net assets	111,636,758	85,493,116
Non-controlling interests	10,881,598	12,809,608
Total net assets and non-controlling interests	122,518,356	98,302,724
Total liabilities, net assets and non-controlling interests	$ 404,220,100	$ 341,280,954

* See accompanying supplemental Combining and Consolidating Statements of Financial Position on pages 60 and 61.

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

Consolidated Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Changes in Net Assets Without Donor Restrictions:		
Operating revenues:		
Financial and earned revenue:		
Interest on loans, net	$ 15,610,992	$ 13,005,086
Program revenue and fees	7,827,975	9,835,651
Net loan loss recoveries	2,648,022	3,383,539
Net gains on shared appreciation agreements and sales of real estate and tax credit notes	1,137,172	2,739,235
Investment income	416,203	155,125
Less - interest expense	(6,945,274)	(6,506,783)
Net financial and earned revenue	20,695,090	22,611,853
Grants and contributions	490,936	87,144
Total operating revenues	21,186,026	22,698,997
Operating expenses:		
Personnel	6,728,010	5,795,417
Office operations	2,423,328	2,013,856
Program expenses	1,003,232	660,630
Consultants	870,573	869,750
Marketing	696,591	617,197
Professional fees	517,769	216,799
Insurance and other	225,959	231,744
Interest	204,472	226,457
Total operating expenses before depreciation and amortization	12,669,934	10,631,850
Depreciation and amortization	2,334,126	2,287,960
Total operating expenses	15,004,060	12,919,810
Changes in net assets without donor restrictions from operations	6,181,966	9,779,187
Other changes in net assets without donor restrictions:		
Grants for loan capital	1,507,505	-
Share of income of affiliate	55,404	50,046
Net assets released from restrictions for loan capital	-	2,000,000
Write-off of expired debt issuance costs	-	(683,222)
Changes in net assets without donor restrictions	7,744,875	11,146,011
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	3,266,225	10,395,000
Interest income	37,060	5,430
Net assets released from restrictions	-	(2,000,000)
Changes in net assets with donor restrictions	3,303,285	8,400,430
Changes in net assets before discontinued operations	11,048,160	19,546,441
Changes in Net Assets from Discontinued Operations	13,168,078	(3,665,312)
Changes in net assets	24,216,238	15,881,129
Changes in Net Assets Attributable to Non-Controlling Interests	157,865	1,031,331
Changes in net assets attributable to BlueHub Capital, Inc. and Affiliates	$ 24,374,103	$ 16,912,460

* See accompanying supplemental Combining and Consolidating Statements of Activities on pages 62 and 63.

Consolidated Statements of Changes in Net Assets and Non-Controlling Interests
For the Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	Without Donor Restrictions - Board Designated		With Donor Restrictions				
	General	**Permanent Loan Capital and Special Programs**	**Loan Loss Reserves**	**Revolving Loan Capital**	**Other Purpose Restrictions**	**Total Net Assets**	**Non-Controlling Interests**	**Total Net Assets and Non-Controlling Interests**
Net Assets and Non-Controlling Interests, December 31, 2016	$ 56,409,610	$ 1,132,500	$ 7,136,043	$ 883,321	$ 2,902,306	$ 68,463,780	$ 13,827,953	$ 82,291,733
Changes in net assets	8,512,030	-	-	10,400,430	(2,000,000)	16,912,460	(1,031,331)	15,881,129
Distributions	116,876	-	-	-	-	116,876	12,986	129,862
Transfers of net assets without donor restrictions	(317,237)	2,000,000	(1,682,763)	-	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2017	64,721,279	3,132,500	5,453,280	11,283,751	902,306	85,493,116	12,809,608	98,302,724
Changes in net assets	21,070,818	-	-	2,729,060	574,225	24,374,103	(157,865)	24,216,238
Transfer of non-controlling interest	1,769,539	-	-	-	-	1,769,539	(1,769,539)	-
Distributions	-	-	-	-	-	-	(606)	(606)
Transfers of net assets without donor restrictions	(2,715,512)	-	2,715,512	-	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2018	$ 84,846,124	$ 3,132,500	$ 8,168,792	$ 14,012,811	$ 1,476,531	$ 111,636,758	$ 10,881,598	$ 122,518,356

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Changes in net assets before discontinued operations	$ 11,048,160	$ 19,546,441
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,334,126	2,287,960
Interest - amortization	46,739	65,965
Write-off of debt issuance costs	-	683,222
Net loan loss recoveries	(2,648,022)	(3,383,539)
Realized gains on sale of real estate and tax credit notes	(69,797)	(246,109)
Share of income in affiliate	(55,404)	(50,046)
Grants for loan capital, credit enhancement and investment uses	(5,199,505)	(10,395,000)
Changes in operating assets and liabilities:		
Due to (from) affiliate	402,313	(431,644)
Interest receivable	(795,563)	(239,701)
Affiliate fees receivable	721,422	(923,802)
Grants and other accounts receivable	(228,177)	(275,812)
Other current assets	(46,059)	(311,914)
Interest and accounts payable	(709,924)	452,717
Deferred revenue	(1,376,746)	(593,907)
Deferred loan fees	148,366	123,830
Net cash provided by operating activities	3,571,929	6,308,661
Cash Flows from Investing Activities:		
Withdrawal from cash and cash equivalents - loan loss reserves, net	82,585	1,015,701
Decrease in restricted cash, net of conditional advances	(3,099,693)	(11,861,252)
Distribution from investment in affiliate	-	185,100
Issuance of loans receivable	(90,683,329)	(79,882,076)
Principal payments of loans receivable	31,950,577	36,466,405
Purchase of property and equipment	(1,001,952)	(457,282)
Proceeds from sale of property	641,852	658,895
Purchase of certificate of deposit	(6,106,284)	-
Sales (purchase) of marketable securities	(451,444)	11,490,409
Net cash used in investing activities	(68,667,688)	(42,384,100)
Cash Flows from Financing Activities:		
Grants for revolving capital and investment uses	5,199,505	14,145,000
Proceeds from loans payable	42,399,928	27,993,538
Proceeds from bond payable	10,000,000	65,000,000
Principal payments on subordinated loans payable	(105,041)	(102,963)
Principal payments on loans payable	(8,879,026)	(51,906,347)
Distributions to equity members	(606)	-
Proceeds from subordinated loans payable	2,000,000	-
Conditional advances	1,208,000	2,105,000
Cash paid for debt issuance costs	(35,540)	(752,741)
Net cash provided by financing activities	51,787,220	56,481,487
Cash Flows from Discontinued Operations:		
Net cash used in operating activities	(3,347,334)	(2,829,761)
Net cash provided by investing activities	13,485,894	156,394
Net cash provided by (used in) financing activities	(7,221,726)	2,000,000
Net cash provided by (used in) discontinued operations	2,916,834	(673,367)
Net Change in Cash and Cash Equivalents	(10,391,705)	19,732,681
Cash and Cash Equivalents:		
Beginning of year	74,625,653	54,892,972
End of year	$ 64,233,948	$ 74,625,653
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 7,197,494	$ 6,569,748

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

1. OPERATIONS AND RELATED ENTITIES

OPERATIONS

BlueHub Capital, Inc., formerly Boston Community 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 three other affiliated Massachusetts nonprofit corporations:

- **BlueHub Loan Fund, Inc.** (the Loan Fund), formerly Boston Community 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.

The four 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 four 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 (the Code). Donors may deduct contributions made to the Corporation within the requirements of the Code. 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 Code. Managed Assets is also subject to the Code's regulations governing required minimum expenditures for charitable purposes. The other three nonprofit corporations are classified as publicly supported organizations. The Corporation is also exempt from state income taxes.

Community Development Financial Institutions

The Loan Fund, the Venture Fund, and Aura Mortgage 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 has received permanent loan capital - subordinated loans payable from the Treasury (see Note 8). The Loan Fund received Capital Magnet Fund awards of $3,900,000 and $4,500,000 in 2018 and 2017, respectively, and $2,507,505 of Healthy Foods Financing Initiative funds in 2018. During 2019, the Loan Fund received an additional Capital Magnet Fund award of $4,800,000. During 2017, Aura Mortgage entered into a $100 million loan under the CDFI Bond Guarantee Program (see Note 7).

1. OPERATIONS AND RELATED ENTITIES (Continued)

OPERATIONS (Continued)

Community Development Financial Institutions (Continued)

In connection with the assistance received from the Treasury, the Corporation is generally required to adhere to specific performance goals and requirements as outlined in each agreement with the Treasury through May 2023 and affordability requirements of the Capital Magnet grants through May 2028. 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 are included with those of the Loan Fund in these consolidated financial statements. There was no activity in BCC REO during 2018 and 2017.

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 14). 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 these consolidated financial statements.

WegoWise, Inc.

The Holding Company and two unrelated entities formed a joint venture company, WegoWise, Inc. (WegoWise), a Delaware corporation, in March 2010 for the purpose of creating and commercializing a web-based energy tracking tool for home and business owners. The Holding Company and Venture Fund collectively held a controlling ownership interest in WegoWise as of December 31, 2018 and 2017, respectively (see Note 3). During 2018, the assets of WegoWise were sold to an outside party and WegoWise ceased business operations (see page 8). The net proceeds of the asset sale were distributed to the Venture Fund and the Holding Company in partial satisfaction of their preferred stock redemption priorities. As of December 31, 2018, all residual equity in WegoWise is distributable to the Venture Fund and the Holding Company.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

WegoWise, Inc.

Discontinued Operations

During 2018, WegoWise's assets were sold to an unaffiliated buyer. The buyer purchased substantially all of the assets of WegoWise and the consideration paid for the assets was the assumption of certain liabilities plus $15,000,000 in cash. WegoWise recognized a gain on sale of $15,423,144. Approximately $2,000,000 of the proceeds are held in an escrow account (see Note 14) as recourse for indemnity claims that may arise under the sale agreement. Release and payment of these funds to the Venture Fund and the Holding Company is expected to occur in August 2019. WegoWise will also be dissolved at that time.

Assets and liabilities related to the discontinued operations of December 31, 2018 and 2017, are as follows:

	2018	2017
Assets:		
Accounts receivable	$ -	$ 858,855
Restricted cash	-	65,750
Property and equipment	-	31,029
Total assets related to discontinued operations	$ -	$ 955,634
Liabilities:		
Accounts payable	$ 255,690	$ 308,034
Loans payable, net	-	6,891,517
Deferred revenue	-	1,891,614
Total liabilities related to discontinued operations	$ 255,690	$ 9,091,165

WegoWise entered into a loan agreement with a bank for borrowings up to $7,000,000 through February 2018, with a maturity date of February 22, 2023, and a fixed interest rate of 4.5%. As of December 31, 2018, the loan had been repaid in full. As of December 31, 2017, the outstanding balance on the note payable was $7,000,000 less $108,483 of unamortized debt issuance costs.

Revenue and expenses related to the discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

	2018	2017
Operations:		
Program revenue and fees	$ 2,419,816	$ 3,058,404
Operating expenses	4,674,882	6,723,716
Net loss from operations	(2,255,066)	(3,665,312)
Gain on sale of assets	15,423,144	-
Changes in net assets from discontinued operations	$ 13,168,078	$ (3,665,312)

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

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, 2018 and 2017, SEA had completed construction of solar panels at twelve sites in Massachusetts (see Note 6) and entered into long-term contracts with the owners to provide electricity to the sites.

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

Kinzer Drive Solar, LLC

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

BCC NMTC CDE X, LLC

During 2011, the Corporation activated BCC NMTC CDE X, LLC (CDE X), a Massachusetts limited liability corporation, to provide investment capital through the New Markets Tax Credit (NMTC) program (see page 14) to businesses in low-income communities that are not served by conventional forms of financing or equity.

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

BCC 481 NMTC Investment Fund, LLC (the 481 Investment Fund), a Maine limited liability company, was formed in January 2011 for the purpose of making a qualified equity investment (QEI) in CDE X. Until April 30, 2018, the 481 Investment Fund equity interests were owned by an outside investor.

BCC NMTC CDE X, LLC

On April 30, 2018, at the conclusion of the NMTC compliance period, the 481 Investment Fund and SEA entered into a membership interest transfer agreement for SEA to acquire the 481 Investment Fund's interest in CDE X at a price equal to the outstanding balance of the loan payable to the Loan Fund plus $1 (see Note 4). This transfer effectively moved 481 Fund's non-controlling interest to SEA (see Note 2). Subsequently, CDE X transferred its interest in SEA QALICB to SEA and CDE X was dissolved as of December 31, 2018.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

BCC SEA QALICB I, LLC (SEA QALICB), a Delaware limited liability company, was formed in January 2008 to facilitate the delivery of solar energy to affordable housing projects and other facilities. SEA is the Manager Member of SEA QALICB with a .01% direct interest. CDE X made an equity qualified low-income community investment (QLICI) to SEA QALICB in 2011 to fund construction of six solar energy projects in Massachusetts. Through the QLICI, CDE X acquired a 99.99% interest in SEA QALICB. As a result of the transfers mentioned above, SEA acquired 100% of SEA QALICB's member interest as of December 31, 2018.

The 481 Investment Fund is a disregarded entity of its investor and was eliminated from the consolidated financial statements in 2018 because of the transfer agreement with SEA. CDE X and SEA QALICB were partnerships for tax purposes, but CDE X was dissolved in 2018 and SEA QALICB became a disregarded entity of SEA.

BCC NMTC CDE XVI, LLC

During 2013, the Corporation activated BCC NMTC CDE XVI, LLC (CDE XVI), a Massachusetts limited liability corporation, to provide investment capital through the NMTC program (see page 14) to businesses in low-income communities that are not served by conventional forms of financing or equity.

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

BCC Solar USB Investment Fund, LLC (the USB Investment Fund), a Missouri limited liability company, was formed in October 2013 for the purpose of making a QEI in CDE XVI. The USB Investment Fund equity interests are owned by an outside investor, but its activities are controlled by SEA Fund Manager as a non-member manager.

The USB Investment Fund entered into an option agreement with the Loan Fund and the investor member of the USB Investment Fund, whereby the investor member has the option to sell its investor interest in the USB Investment Fund to the Loan Fund for a purchase price of $1,000, reduced by all distributions made by the USB Investment Fund to the investor member. The investor member has the right to exercise this option at any time during a four-month period beginning at the end of the seven-year NMTC compliance period which ends in 2020. In the event that the investor member does not elect to exercise the put option, the Loan Fund has a call option to purchase the interest from the investor member at fair market value as determined by a mutual agreement among the parties, at any time during the four-month period following the put option period expiration.

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 is the Manager Member of SEA QALICB II with a .01% interest. CDE XVI made a QLICI to SEA QALICB II during 2013 to fund construction of nine solar energy projects located in Massachusetts. Through the QLICI, CDE XVI acquired a 99.99% interest in SEA QALICB II.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

BCC NMTC CDE XVI, LLC (Continued)

The USB Investment Fund is a disregarded entity of its investor. CDE XVI and SEA QALICB II are partnerships for tax purposes.

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 14) 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 QEI in CDE XXII. The Investment Fund equity interests are owned by an outside investor, but its activities are controlled by SEA Fund Manager as a non-member manager.

The Investment Fund entered into an option agreement with CDE XXII and NMTC Manager, whereby the Investment Fund, following the expiration of the credit period in 2021, has the option to sell its investor interest in the CDE to the NMTC Manager for a purchase price of $1,000 plus all amounts outstanding under the leverage loan, provided that the total does not exceed the fair market value of the Investment Fund. Upon the Investment Fund's exercise of the put option, NMTC Manager may elect to have a designee purchase the Investment Fund's interest for the put price in lieu of the CDE redeeming the Investment Fund's interest. In the event that the Investment Fund does not elect to exercise the put option, the NMTC Manager has a call option to purchase the interest from the Investment Fund at fair market value, as defined in the agreement, at any time during the six month period following the put option period expiration.

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.

The Investment Fund is a disregarded entity of its investor. CDE XXII and Solar III are partnerships for tax purposes.

Foreclosure and Home Mortgage Services

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

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Foreclosure and Home Mortgage Services (Continued)

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, 2019. 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 (see below) are collectively referred to as Aura Mortgage in these 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, 2018 and 2017.

In addition, Aura Mortgage is required to have a mortgage lender surety bond in states in which it operates. As of December 31, 2018, Aura Mortgage had the following surety bonds:

State	Bond Amount
Illinois	$ 25,000
New Jersey	$ 150,000
Wisconsin	$ 300,000
Maryland	$ 150,000
Pennsylvania	$ 100,000
Connecticut	$ 200,000

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.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Foreclosure and Home Mortgage Services (Continued)

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 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).

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.

BCC SUN Investor II LLC and SUN Initiative Financing II LLC

The Corporation formed BCC SUN Investor II LLC (SUN Investor) and SUN Initiative Financing II LLC (SUN Financing II). SUN Investor and SUN Financing II were Massachusetts limited liability companies established to provide additional financing for BlueHub SUN. SUN Investor was the sole member of SUN Financing II and the Holding Company was the sole member of SUN Investor. SUN Investor and SUN Financing II have elected to be treated as disregarded entities for tax purposes. During 2017, substantially all of SUN Financing II's assets and liabilities were transferred to Aura Mortgage and SUN Financing in preparation for dissolution of SUN Financing II, which occurred during 2018.

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Other Affiliates - Unconsolidated

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 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 $523 million of QEIs that have been syndicated as of December 31, 2018.

The Holding Company has formed a total of forty-six CDEs (collectively, the CDE LLCs), twenty-four of which were active as of December 31, 2018:

BCC NMTC CDE VI, LLC	BCC NMTC CDE XX, LLC
BCC NMTC CDE VIII, LLC (closed in 2018)	BCC NMTC CDE XXI, LLC
BCC NMTC CDE IX, LLC	BCC NMTC CDE XXII, LLC (see page 11)
BCC NMTC CDE X, LLC (closed in 2018) (see page 9)	BCC NMTC CDE XXIII, LLC
BCC NMTC CDE XI, LLC	BCC NMTC CDE XXIV, LLC
BCC NMTC CDE XII, LLC	BCC NMTC CDE XXV, LLC
BCC NMTC CDE XIII, LLC	BCC NMTC CDE XXVI, LLC
BCC NMTC CDE XIV, LLC	BCC NMTC CDE XXVII, LLC
BCC NMTC CDE XV, LLC	BCC NMTC CDE XXVIII, LLC
BCC NMTC CDE XVI, LLC (see page 10)	BCC NMTC CDE XXIX, LLC
BCC NMTC CDE XVII, LLC	BCC NMTC CDE XXX, LLC
BCC NMTC CDE XVIII, LLC	BCC NMTC CDE XXXI, LLC
BCC NMTC CDE XIX, LLC	BCC NMTC CDE XXXII, 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 XXXIII, LLC - BCC NMTC CDE XLIII

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.

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).

In 2018, the Corporation adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these consolidated statements accordingly. Under Topic 958, net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see pages 20 and 21). The adoption of this ASU did not impact the Corporation's net asset classes, results of operations, or cash flows for the years ended December 31, 2018 or 2017. This ASU has been applied retrospectively to all periods presented, but provides an option to omit the following information for the 2017 consolidated financial statements:

- Analysis of expense by both natural classification and functional classification (see page 24).
- Disclosures about liquidity and availability of financial assets (see Note 15).

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.

The Corporation combines the financial statements of CDE X, LLC, CDE XVI, LLC and CDE XXII and their 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. All other CDE/LLCs (see Note 1) are not required to be consolidated in the accompanying consolidated financial statements because of the financial interests and participating rights of the investor members.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Concentration of Risk

For purposes of the 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 available for general use, but exclude cash and cash equivalents set aside as escrow funds, loan loss reserves, and restricted cash (see Note 14) balances.

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 $6,276,572 and $5,392,735 in escrow for outside parties as of December 31, 2018 and 2017, 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. The Corporation also held in escrow a cash balance of $2,126,762 as of December 31, 2018, related to the proceeds of a sale of tax credits donated to the Loan Fund from a project's sponsor. The Loan Fund will make a loan to the project's entity from the proceeds in 2019 (see Note 4).

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 and SUN Financing II have 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).

Short-Term Investments

Short-term investments include certificates of deposit and an investment in a money market mutual fund. At December 31, 2018, Managed Assets held a $6,106,284 certificate of deposit that earns interest at a rate of 2.3% annually. The certificate of deposits matures in November 2019. Money market mutual funds are reported at fair value using Level 1 inputs (see page 16) and totaled $461,773 and $10,329 as of December 31, 2018 and 2017, respectively.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of unamortized deferred loan origination fees and an allowance for loan losses (see Notes 4 and 5). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses (Continued)

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses (see Note 5) is established through a provision for loan losses, which is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

U.S. GAAP requires nonprofit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on loans payable are disclosed in Note 7. Interest rates on loans receivable are disclosed in Note 4. The Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

Credit Enhancement

Using the proceeds of a grant received in 2017 from the U.S. Department of Education (see page 21), the Loan Fund enters into credit enhancement agreements with charter schools and third-party lenders to act as the guarantor of loans between the charter schools and the lenders (see Note 13). Under the terms of the agreements, the Loan Fund deposits amounts, as defined in the agreements, into credit enhancement reserves held by the Loan Fund for the benefit of the lenders as collateral for the charter schools' loans. The agreements are in effect until the earlier of the maturity of the loans or early pay-off of the loans. If the charter schools' default on the loans, the lenders are entitled to the collateral to the extent of the default, not to exceed the designated credit enhancement reserve. All remaining collateral deposits and accrued income are deposited back to the grant reserve funds at the expiration of the agreements and are then available for subsequent use in new credit enhancement transactions on a revolving basis. For accounting purposes, the Loan Fund accrues for losses against the credit enhancement reserves when losses are deemed probable. There were no losses incurred during 2018 or 2017.

Investments in Affiliates

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates (Continued)

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 are reported as income.

The Corporation periodically assesses the carrying balance of all investments in affiliates for possible impairment.

Property, Equipment and Interests in Real Property

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

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

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

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

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

Also included in property and equipment are purchased rental properties and properties held for sale within BlueHub SUN (see Note 1), which are recorded at the lower of cost or fair value. Properties held for sale are generally rented to low-income homeowners under rent-to-buy arrangements (see Note 6).

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, 2018 and 2017, the Corporation has not recognized any significant reduction in the carrying value of its property and equipment when considering these requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional Advances

The Loan Fund records the amount of proceeds of certain Federal award programs, which it has not committed to qualifying projects, as conditional advances as mandated by the grant agreements. During 2018 and 2017, the Loan Fund received Federal grants totaling $3,900,000 and $12,500,000, respectively. Due to timing of the awards, $3,313,000 and $2,105,000 of the funds were not yet committed to qualifying projects as of December 31, 2018 and 2017, respectively, and are reported as conditional advances in the accompanying consolidated statements of financial position. During 2018, the Loan Fund committed $2,105,000 that was remaining as of December 31, 2017, to qualifying projects and such amounts are included in grants and contributions in the accompanying 2018 consolidated statement of activities. The conditional advances as of December 31, 2018, are expected to be deployed or committed for qualifying projects in future periods.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the closing of notes and bond 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.

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 permanent loan capital (see page 21), special programs, loan loss reserves, and affiliate investments. The Corporation's Board of Directors designated $1,000,000 of net assets without donor restrictions, the proceeds of two grant awards from the Treasury (see Note 1), as permanent loan capital. The Corporation's Board of Directors also designated $132,500 of net assets without donor restrictions to Board designated net assets for special programs of the Loan Fund. During 2017, the Board of Directors established a $2 million Board designated reserve utilizing NSP's net assets to create scholarships for youth impacted by foreclosure. There were no scholarships awarded during 2018 or 2017.

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).

Board designated net assets for affiliate investments consist of the Corporation's investment in unconsolidated affiliates (see Note 3).

The Board of Directors may also authorize transfers of net assets without donor restrictions among the affiliates for working capital needs or to support new initiatives. During 2018, Managed Assets transferred $1,000,000 to the Venture Fund in order to make an investment in Aura Mortgage. During 2017, Managed Assets transferred $834,000 to Holding Company to support general operations and the Holding Company transferred $1,000,000 to the Venture Fund in order to make an investment in Aura Mortgage.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interests (Continued)

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:

	2018	2017
Revolving Loan Capital:		
ED Credit Enhancement	$ 8,024,674	$ 8,003,288
CDFI Capital Magnet	5,104,816	2,397,142
Permanent loan capital	883,321	883,321
Subtotal revolving loan capital	14,012,811	11,283,751
Other Purpose Restrictions:		
Other Financial Assistance	1,000,000	-
Energy Advantage Program (EAP)	476,531	776,531
Special Program Collaborative	-	125,775
Subtotal other purpose restrictions	1,476,531	902,306
Total net assets with donor restrictions	$ 15,489,342	$ 12,186,057

Revolving loan capital represents awards from the Department of Education for credit enhancement (see Note 13), CDFI Capital Magnet awards and other permanent loan capital from donors (see below). The ED credit enhancement grant is used to provide credit enhancement in the form of securable collateral in connection with the financing of charter school facilities (see page 18 and Note 13). The Capital Magnet awards are used to make loans to qualified projects. Each of these grants requires that the proceeds be revolved for recurring use during the term of the respective agreements. Accordingly, the expended grant proceeds plus applicable donor designated accumulations remain in net assets with donor restrictions until depleted by losses or until the agreements expire. The ED credit enhancement grant expires in September 2040 and the Capital Magnet awards expire on various dates through May 2023.

Permanent loan capital is the term the Loan Fund uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meet debt covenants and provide for potential loan losses. The Loan Fund has three categories of permanent loan capital: net assets with donor restrictions, designated by the Board of Directors (see page 20), 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 have been classified as net assets with donor restrictions in the accompanying consolidated statements of financial position.

EAP net assets with donor restrictions consist of the unspent proceeds from a grant in the original amount of $5,000,000 received in 2007, 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.

Special program collaborative net assets with donor restrictions consist of the remaining unspent proceeds of a grant in the original amount of $1,500,000 received in 2004, which is designated for activities of a collaborative between the Corporation and other agencies to promote ecologically efficient building designs and related technical assistance to community development corporations. A significant portion of the proceeds of this grant have been distributed to collaborative members and other agencies.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interest (Continued)

Other financial assistance represents unexpended awards from the Treasury (see Note 1) for the Healthy Foods Financing Initiative, which aims to provide low-income neighborhoods with access to affordable and healthy foods.

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

Non-controlling interests are comprised of the following activity:

	SUN Financing	BCC 481 NMTC Investment Fund, LLC	BCC Solar USB Investment Fund, LLC	BCC Solar III Investment Fund, LLC	WegoWise	Total
Non-controlling interests at December 31, 2016	$ 2,831,419	$ 2,248,873	$ 3,990,613	$ 5,106,699	$ (349,651)	$ 13,827,953
Changes in net assets	82,627	(275,699)	(199,561)	(272,167)	(366,531)	(1,031,331)
Other adjustments	-	-	-	-	12,986	12,986
Non-controlling interests at December 31, 2017	2,914,046	1,973,174	3,791,052	4,834,532	(703,196)	12,809,608
Changes in net assets	(317,636)	(203,029)	(138,226)	(202,170)	703,196	(157,865)
Transfer of non-controlling interests	-	(1,769,539)	-	-	-	(1,769,539)
Distributions	-	(606)	-	-	-	(606)
Non-controlling interests at December 31, 2018	$ 2,596,410	$ -	$ 3,652,826	$ 4,632,362	$ -	$ 10,881,598

Statements of Activities

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities. Non-operating revenue (expenses) include loan capital transactions, investment earnings accounted for under the equity method, and write-off of expired debt issuance costs.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program revenue and fees includes:

- Loan fees of the Loan Fund and Aura Mortgage
- Upfront, backend and delayed sub-allocation fees of Managed Assets (see Note 9)
- Management fees of the Venture Fund and Managed Assets (see Notes 1 and 9)
- Developer fees of the Holding Company and SEA (see Note 6)
- Electric utility charges and sales of Renewable Energy Certificates of SEA, SEA QALICB, SEA QALICB II and Solar III (see Note 6)
- Other fee income

Program revenue and fees are recognized on the accrual basis as services or goods are delivered or according to relevant benchmarks or criteria of the underlying agreements. Fees received or committed in advance of services or delivery are included in deferred revenue and are recognized as services are delivered.

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 with no donor restrictions are recognized as revenue without donor restrictions when received or unconditionally pledged to the Corporation. Donor restricted grants and contributions with time or purpose restrictions are recognized as net assets with donor restrictions when received or unconditionally pledged (see page 21). Net assets with donor restrictions are transferred to net assets without donor restrictions when they are used or expire in accordance with donor restrictions. Donor restricted gifts received and expended for their intended use in the same year are reflected as increases in net assets without donor restrictions.

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. Therefore, these expenses require allocation 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.

Functional expense allocation information is disclosed in connection with the adoption of Topic 958 (see page 15). The functional expense allocation disclosure is required in the year of adoption and will be presented in comparative form in future years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

The Corporation's operating expenses for the year ended December 31, 2018, by their natural and functional classifications are as follows:

	Program	General and Administration	Fundraising	Total
Personnel	$ 4,889,513	$ 1,796,158	$ 42,339	$ 6,728,010
Office operations	1,801,589	621,739	-	2,423,328
Depreciation and amortization	2,334,126	-	-	2,334,126
Program expenses	1,003,232	-	-	1,003,232
Consultants	776,248	94,325	-	870,573
Marketing	270,654	-	425,937	696,591
Professional fees	282,007	235,762	-	517,769
Insurance and other	139,019	86,940	-	225,959
Interest	204,472	-	-	204,472
	$ 11,700,860	$ 2,834,924	$ 468,276	$ 15,004,060

The Corporation also incurred interest expense of $6,945,274 and $6,506,783 related to its lending operations. These charges are reported as a direct reduction of financial and earned revenue in the consolidated statements of activities.

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 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 consolidated financial statements at December 31, 2018 and 2017. 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 10, 2019, which is the date the consolidated financial statements were available to be issued. Aside from the events disclosed in Notes 6 and 7, there were no additional events that met the criteria for recognition and disclosure in the consolidated financial statements.

3. INVESTMENTS IN AFFILIATES

Cost Method Investments Eliminated in Consolidation

Managed Assets' investments in CDE X, CDE XVI and CDE XXII (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:

	2018	2017
CDE X	$ -	$ 517
CDE XVI	753	753
CDE XXII	600	600
	$ 1,353	$ 1,870

Managed Assets recovered its investment in CDE X upon its closure during 2018 (see Note 1).

The Venture Fund's investments in Aura Mortgage (see Note 1) and WegoWise 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:

	2018	2017
Aura Mortgage	$ 10,670,000	$ 9,670,000
WegoWise	894,310	5,371,511
	$ 11,564,310	$ 15,041,511

The Holding Company's investments in NSP, WegoWise, 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:

	2018	2017
NSP	$ 3,400,000	$ 3,400,000
WegoWise	820,000	3,444,431
SEA	800,000	800,000
	$ 5,020,000	$ 7,644,431

The Venture Fund and Holding Company received partial liquidations of their interests of $1,934,692 and $1,344,447, respectively, in WegoWise during 2018, but also wrote down those investments by $2,542,509 and $1,279,984, respectively, in 2018 (see Note 1). The Venture Fund and Holding Company expect to recover the remainder of their investments in WegoWise in 2019 upon liquidation of the Indemnity Escrow (see Notes 1 and 14).

Cost Method Investments in CDE LLCs

The consolidated financial statements do not include the financial statements of CDEs I through IX, CDEs XI through XV, CDEs XVII through XXI and CDE XXXII (see Notes 1 and 2). Managed Assets and NMTC Manager do not maintain a significant membership interest in these entities and account for them using the cost method of accounting.

3. INVESTMENTS IN AFFILIATES (Continued)

Cost Method Investments in CDE LLCs (Continued)

As of December 31, 2018 and 2017, Managed Assets had the following amounts invested in the unconsolidated CDE LLCs:

	2018	2017
BCC NMTC CDE I, LLC	$ -	$ 4,714
BCC NMTC CDE II, LLC	-	892
BCC NMTC CDE III, LLC	-	575
BCC NMTC CDE IV, LLC	-	2,137
BCC NMTC CDE V, LLC	-	551
BCC NMTC CDE VI, LLC	-	4,421
BCC NMTC CDE VII, LLC	4,363	15,805
BCC NMTC CDE VIII, LLC	8,502	8,502
BCC NMTC CDE IX, LLC	-	7,500
BCC NMTC CDE XI, LLC	-	2,279
BCC NMTC CDE XII, LLC	1,442	1,442
BCC NMTC CDE XIII, LLC	1,579	1,579
BCC NMTC CDE XIV, LLC	2,526	2,526
BCC NMTC CDE XV, LLC	2,062	2,062
BCC NMTC CDE XVII, LLC	800	800
BCC NMTC CDE XVIII, LLC	1,505	1,505
BCC NMTC CDE XIX, LLC	337	337
BCC NMTC CDE XX, LLC	1,578	1,578
BCC NMTC CDE XXI, LLC	1,384	1,384
BCC NMTC CDE XXIII, LLC	431	431
BCC NMTC CDE XXIV, LLC	550	550
BCC NMTC CDE XXV, LLC	500	500
BCC NMTC CDE XXVI, LLC	1,000	1,000
BCC NMTC CDE XXVII, LLC	1,000	1,000
BCC NMTC CDE XXVIII, LLC	800	800
BCC NMTC CDE XXIX, LLC	250	250
BCC NMTC CDE XXXII, LLC	300	-
BCC NMTC CDE XXXI, LLC	800	800
BCC NMTC CDE XXXII, LLC	300	-
	$ 32,009	$ 65,920

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 net income or loss and decreases its investment by distributions received.

The Venture Fund's net investment in Venture II, LLC was $329,784 and $274,379, respectively, as of December 31, 2018 and 2017, as follows:

	2018	2017
Net investment, beginning of year	$ 274,379	$ 414,333
Share of income	55,405	50,046
Distributions	-	(190,000)
Net investment, end of year	$ 329,784	$ 274,379

3. INVESTMENTS IN AFFILIATES (Continued)

Equity Investment in BCLF Ventures II, LLC (Continued)

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

	2018	2017
Assets	$ 3,232,171	$ 2,678,127
Equity	$ 3,232,171	$ 2,678,127
Revenues	$ 603,104	$ 515,273
Expenses	49,060	60,703
Net income	$ 554,044	$ 454,570

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.

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

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

Loans receivable bear interest at rates ranging from zero to eight percent (0% - 8%) and mature at various dates through 2042. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities. Loans receivable are generally made in connection with affordable housing and community development projects and are primarily collateralized by first or second mortgages on the property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender, or other forms of collateral. The Loan Fund's five largest outstanding loans receivable collectively comprised approximately 17% and 20% of the portfolio as of December 31, 2018 and 2017, respectively.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

Portfolio Lending (Continued)

Loans receivable of the Loan Fund are presented net of third-party loan participations of $24,240,176 and $14,654,407 as of December 31, 2018 and 2017, 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 $1,137,950 and $653,189 collected on behalf of and paid to loan participants in 2018 and 2017, respectively.

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

	2018		2017	
Type	**Number of Loans**	**Net Loan Amount**	**Number of Loans**	**Net Loan Amount**
Construction	50	$ 89,550,337	33	$ 45,729,465
Organizational	10	4,923,945	9	9,377,667
Permanent	60	56,136,563	57	44,131,893
Predevelopment	2	704,146	2	1,547,251
Site acquisition	23	19,605,368	23	20,170,913
	145	170,920,359	124	120,957,189
Interest receivable on above loans		2,098,489		1,302,926
		$ 173,018,848		$ 122,260,115

The majority of the Loan Fund's loans receivable is secured by real estate holdings in New England and the Mid-Atlantic states and could be affected by adverse real estate markets in the region. Certain loans receivable from charter schools are also secured by approximately $3,418,769 of the Loan Fund's restricted cash dedicated to credit enhancement activities (see Note 13) as of December 31, 2018.

The Loan Fund had committed $63,962,218 and $63,240,398 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2018 and 2017, respectively. Among the tools available to manage liquidity are 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.

All borrowers with loans that are currently amortizing are current with their payments as of December 31, 2018 and 2017. The following is an aging analysis of the Loan Fund's loans receivable at December 31:

	2018	2017
60 - 89 days	$ 2,500	$ 2,500
Greater than 90 days	22,500	-
Total past due	25,000	2,500
Current	170,895,359	120,954,689
	$ 170,920,359	$ 120,957,189

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

Special Tax-Credit Lending

As of December 31, 2018 and 2017, the Loan Fund has entered into 105 and 93 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 1.2%, which the Loan Fund will receive on the maturity dates through July 2072. As part of each arrangement, the Loan Fund receives fees up to .05% of the total loan, not to be less than $15,000. These fees are included in program revenue and fees in the accompanying consolidated statements of activities and totaled $246,664 and $279,759 for 2018 and 2017, respectively.

Total outstanding principal balances are $464,701,149 and $404,760,094 as of December 31, 2018 and 2017, respectively. These loans have specific restrictions surrounding their use, and due to their long-term deferred nature and likelihood of collectability, the notes are substantially reserved at December 31, 2018 and 2017. The provision associated with these allowances is netted with the value of the tax credit donations. Interest earned on these loans totaled $156,126 and $114,891 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, there was outstanding interest receivable on these loans of $419,353 and $263,227, respectively, which is substantially reserved in the accompanying consolidated financial statements.

During 2017, the Loan Fund sold two of the loans yielding proceeds of $246,109. These proceeds are reflected as realized gain on sale of tax credit notes in the accompanying 2017 consolidated statement of activities.

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.

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

4. LOANS AND INTEREST RECEIVABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

Mortgage Loans Receivable

Loans receivable consists of mortgage loans receivable to low-income individuals in the states of Massachusetts, New Jersey, Maryland, Illinois, Rhode Island, Connecticut, 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 2048. The allowance for loan losses reduces the reported loan values.

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

	2018			2017		
	Number of Loans	Interest Rates	Monthly Payments	Number of Loans	Interest Rates	Monthly Payments
Aura Mortgage	501	5.625 % - 7.500 %	$172 - $4,261	447	5.625 % - 7.500 %	$172 - $4,261
SUN Financing	170	5.750 % - 6.500 %	$270 - $3,413	134	5.750 % - 6.375 %	$270 - $3,367

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

	2018	2017
60 - 89 days	$ 4,156,996	$ 2,346,537
Greater than 90 days	10,258,208	11,321,035
Total past due	14,415,204	13,667,572
Current	109,415,538	98,740,416
	$ 123,830,742	$ 112,407,988

BlueHub SUN maintains certain cash held for loan loss reserves (see Notes 1 and 14). 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.

Shared Appreciation Agreements

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, 2018 and 2017, NSP recognized gains totaling $1,067,375 and $2,314,888, respectively, resulting from the sale of properties, which are included in net gain on shared appreciation agreements in the accompanying consolidated statements of activities.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Maturities

Maturities of the loans and interest receivable as of December 31, 2018, are as follows:

		Foreclosure and Home Mortgage Services		
Year	Loan Fund	Aura Mortgage	SUN Financing	Total
2019	$ 36,186,899	$ 1,405,776	$ 447,393	$ 38,040,068
2020	28,575,625	1,494,953	475,839	30,546,417
2021	17,235,087	1,589,790	506,093	19,330,970
2022	9,757,786	1,690,645	538,272	11,986,703
2023	9,699,479	1,797,900	572,496	12,069,875
Thereafter	71,563,972	82,101,537	31,210,048	184,875,557
	173,018,848	90,080,601	33,750,141	296,849,590
Adjustment for deferred loan fees (see Note 2)	(637,455)	-	-	(637,455)
Less - current portion	(35,800,098)	(1,405,776)	(447,393)	(37,653,267)
Less - allowance for loan losses (see Note 5)	(2,813,234)	(9,402,690)	(5,377,251)	(17,593,175)
Net long-term portion	$ 133,768,061	$ 79,272,135	$ 27,925,497	$ 240,965,693

Loans receivable are as follow as of December 31, 2017:

		Foreclosure and Home Mortgage Services		
	Loan Fund	Aura Mortgage	SUN Financing	Total
Gross loans receivable	$ 122,260,115	$ 82,847,802	$ 29,560,186	$ 234,668,103
Adjustment for deferred loan fees (see Note 2)	(489,089)	-	-	(489,089)
Less - current portion	(19,090,266)	(1,339,598)	(375,949)	(20,805,813)
Less - allowance for loan losses (see Note 5)	(2,813,234)	(9,206,218)	(5,568,573)	(17,588,025)
Net long-term portion	$ 99,867,526	$ 72,301,986	$ 23,615,664	$ 195,785,176

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.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans (Continued)

The Loan Fund has entered into the following lending arrangements with certain consolidating affiliates. All outstanding loan balances and interest have been eliminated from the consolidating financial statements.

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 4.25% per annum and interest is due quarterly. Interest paid to the Loan Fund was $430,903 for 2018 and 2017.

As of December 31, 2018 and 2017, principal outstanding under this agreement totaled $10,000,000. All remaining unpaid principal and interest are due on the maturity date of December 31, 2020.

Venture Fund

The Loan Fund had loaned $2,300,000 of the proceeds of the permanent loan capital - subordinated loans payable to the Venture Fund (see Notes 1 and 3) to finance a portion of certain investments of the Venture Fund. This intercompany loan bore interest at 3%, payable quarterly, was unsecured, and the original maturity date was in 2027. Interest on this borrowing totaled $32,954 and $49,500 in 2018 and 2017, respectively, and has been eliminated in the accompanying consolidated statements of activities. As of December 31, 2017, the principal outstanding under this agreement totaled $1,650,000. During 2018, this loan was paid off.

SEA

The Loan Fund loaned $3,000,000 of the proceeds of the permanent loan capital - subordinated loans payable to SEA (see Notes 1 and 6) to finance a portion of certain assets of SEA. The entire principal is outstanding at December 31, 2018 and 2017. This intercompany loan bears interest at 3%, payable quarterly, is unsecured, and matures in 2020. Interest on these borrowings totaled $90,000 in 2018 and 2017 and has been eliminated in the accompanying consolidated statements of activities.

481 Investment Fund/SEA

The Loan Fund entered into a leverage loan agreement with the 481 Investment Fund in the amount of $1,472,876, which was used in the finance of solar panel installations within a new markets tax credit financing structure (see Note 1). Interest on this note accrues at 6%. On October 31st of each year, all accrued interest and unpaid principal, to the extent of cash flow as outlined in the agreement, are due. All remaining unpaid principal and interest are due on the maturity date of March 23, 2021. During 2018 and 2017, the 481 Investment Fund made payments of principal of $209,854 and $116,190, respectively. In connection with the membership interest transfer agreement (see Note 1), SEA assumed the outstanding balance of the loan payable. As of December 31, 2018 and 2017, the outstanding balance of the loan was $369,489 and $579,343, respectively. Total interest was $32,924 and $40,051 for 2018 and 2017, respectively, and has been eliminated in the accompanying consolidated statements of activities. There was no unpaid interest as of December 31, 2018 and 2017.

4. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans (Continued)

USB Investment Fund

During 2013, the Loan Fund entered into a leverage loan with the USB Investment Fund in the amount of $5,224,207, which was used in the financing of solar panel installations within a new markets tax credit financing structure. Interest on this note accrues at 6% per annum, compounded annually. Beginning on December 31, 2013, and thereafter at each succeeding year, all accrued interest and unpaid principal, to the extent of net cash flow as outlined in the agreement, is due and payable. All remaining principal and interest are due on the maturity date of November 6, 2023. This loan may be prepaid without penalty. During 2018 and 2017, USB Investment Fund made payments of principal of $520,044 and $480,181, respectively. Total interest incurred was $79,267 and $108,289 for 2018 and 2017, respectively, and has been eliminated in the accompanying consolidated statements of activities. There was no unpaid interest as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, the principal outstanding under this agreement was $1,010,797 and 1,530,841, respectively.

Affiliate loans consist of the following at December 31:

	2018	2017
Intercompany Borrowings:		
Loan Fund receivable from SUN	$ 10,000,000	$ 10,000,000
Loan Fund receivable from SEA	3,000,000	3,000,000
Loan Fund receivable from the USB Investment Fund	1,010,797	1,530,841
Loan Fund receivable from Venture Fund	-	1,650,000
Loan Fund receivable from the 481 Investment Fund/SEA	369,489	579,343
Sub-total affiliate loans receivable	14,380,286	16,760,184
Affiliate loan receivables eliminated in consolidation	(14,380,286)	(16,760,184)
Total net affiliate loans receivable	$ -	$ -

Interest on these borrowings totaled $666,048 and $719,989 in 2018 and 2017, respectively, which has also been eliminated from the accompanying consolidated financial statements.

5. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES

Loan Fund

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

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

Loan Fund (Continued)

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

	2018	2017
Allowance for loan losses (see Notes 2 and 4)	$ 2,813,234	$ 2,813,234
Board designated net assets for general loan loss reserves (see Note 2)	8,168,792	5,453,280
	$ 10,982,026	$ 8,226,514

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

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

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

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

Loan Fund (Continued)

2017	Construction	Organi-zational	Permanent	Pre-development	Site Acquisition	Total
Allowance for loan losses, December 31, 2016	$ 22,988	$ 2,755	$ 2,218,945	$ 822,076	$ 153,576	$ 3,220,340
Charge-offs	-	-	-	(407,106)	-	(407,106)
Allowance for loan losses, December 31, 2017	$ 22,988	$ 2,755	$ 2,218,945	$ 414,970	$ 153,576	$ 2,813,234
Ending balance: Individually evaluated for impairment	$ -	$ -	$ 1,955,869	$ -	$ -	$ 1,955,869
Troubled Debt Restructuring	$ -	$ -	$ 1,955,869	$ -	$ -	$ 1,955,869

The Loan Fund uses 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. The following table presents the Loan Fund’s loans receivable balances and related allowance by risk rating at December 31:

		2018		2017	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Pass	1 - 4	$ 161,075,362	$ -	$ 112,345,459	$ -
Special Mention	5 - 6	9,050,429	1,794,777	7,799,662	1,875,108
Substandard	7 - 8	794,568	794,568	812,068	812,068
General Reserve		-	223,889	-	126,058
		$ 170,920,359	$ 2,813,234	$ 120,957,189	$ 2,813,234

Impaired Loans and Troubled Debt Restructurings

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

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

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

Loan Fund (Continued)

Impaired Loans and Troubled Debt Restructurings (Continued)

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

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

As of December 31, 2018 and 2017, loans that were impaired and classified as TDRs were as follows:

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

	2017		
Troubled Debt Restructuring	**Number of Loans Restructured**	**Amount of Restructured Loans**	**Related Allowance for Loan Loss**
Permanent financings - multiple extensions resulting from financial difficulty	4	$ 3,099,670	$ 1,955,869

The above loans are all on “non-accrual” basis. During 2018, one loan that was extended resulting from financial difficulty as of December 31, 2017, was paid off.

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

Foreclosure and Home Mortgage Services

BlueHub SUN uses an eight number-based credit rating system, with "1" representing the highest quality/lowest risk credits and "8" representing the lowest quality/highest credit risk credits.

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

		2018		2017	
Category	Risk Rating	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
Pass	1 - 2	$ 87,784,275	$ 3,371,117	$ 79,932,426	$ 2,466,767
Special Mention	3 - 6	21,631,262	2,513,364	18,807,990	2,105,662
Substandard	7 - 8	14,415,205	3,572,759	13,667,572	3,409,230
General Reserve		-	5,322,701	-	6,793,132
		$ 123,830,742	$ 14,779,941	$ 112,407,988	$ 14,774,791

The loan loss allowance consists of the following:

	2018	2017
Beginning of year	$ 14,774,791	$ 13,915,350
Loan loss allowance established with mortgage origination (see Note 2)	2,797,729	4,270,343
Reduction for loans converted to real estate owned	(144,557)	(27,363)
Recovery from loans repaid	(1,673,022)	(2,478,539)
Loan loss recoveries	(975,000)	(905,000)
End of year	$ 14,779,941	$ 14,774,791

BueHub SUN had no write-offs of loan principal during 2018 and 2017.

Impaired loans as of December 31, 2018 and 2017, are set forth in the tables below:

	2018		
	Number of Impaired Loans	Amount of Impaired Loans	Related Allowance for Loan Loss
SUN Financing	30	$ 7,124,365	$ 1,748,832

	2017		
	Number of Impaired Loans	Amount of Impaired Loans	Related Allowance for Loan Loss
SUN Financing	33	$ 7,559,513	$ 1,889,878

6. PROPERTY, EQUIPMENT AND INTERESTS IN REAL PROPERTY

Holding Company

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

	2018	2017
Computer equipment	$ 188,845	$ 184,528
Office equipment	47,923	47,923
Leasehold improvements	1,138,555	1,138,555
	1,375,323	1,371,006
Less - accumulated depreciation	665,347	519,806
	$ 709,976	$ 851,200

Depreciation expense of the Holding Company for 2018 and 2017 was $145,541 and $169,277, respectively.

Solar Energy Programs

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

In connection with certain of these installations, SEA and SEA QALICB received financial support in the form of grant proceeds of the Holding Company's EAP grant (see Note 2), Massachusetts Renewable Energy Trust (MRET) rebates, Massachusetts Clean Energy Center (MCEC) grants, and Federal Payments for Specified Energy Property in Lieu of Tax Credits under Section 1603 of the American Recovery and Reinvestment Act of 2009 (Section 1603 payments), all of which have reduced the cost of the solar energy equipment for depreciation purposes (see Note 2). There are specific recapture provisions associated with the MRET rebates and Section 1603 payments. SEA and SEA QALICB were in compliance with these provisions as of December 31, 2018 and 2017.

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

Solar Energy Programs (Continued)

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

2018	SEA	SEA QALICB	SEA QALICB II	Solar III	Total
Solar energy panels and installation	$ 10,508,570	$ 5,091,403	$ 6,906,911	$ 9,718,284	$ 32,225,168
Less - MRET rebates, MCEC grants and Section 1603 payments	(5,141,188)	(215,889)	-	-	(5,357,077)
Less - EAP grants received from the Holding Company	(2,307,684)	-	-	-	(2,307,684)
Depreciable cost basis	3,059,698	4,875,514	6,906,911	9,718,284	24,560,407
Less - accumulated depreciation	(2,162,705)	(2,889,924)	(2,664,551)	(2,662,720)	(10,379,900)
Net book value of projects	$ 896,993	$ 1,985,590	$ 4,242,360	$ 7,055,564	14,180,507
Less - elimination of developer fee profit earned by SEA					(446,163)
Net book value of projects after elimination					$ 13,734,344

2017	SEA	SEA QALICB	SEA QALICB II	Solar III	Total
Solar energy panels and installation	$ 10,429,508	$ 5,091,403	$ 6,906,911	$ 9,718,284	$ 32,146,106
Less - MRET rebates, MCEC grants and Section 1603 payments	(5,141,188)	(215,889)	-	-	(5,357,077)
Less - EAP grants received from the Holding Company	(2,307,684)	-	-	-	(2,307,684)
Depreciable cost basis	2,980,636	4,875,514	6,906,911	9,718,284	24,481,345
Less - accumulated depreciation	(1,919,149)	(2,423,338)	(2,087,035)	(1,691,301)	(8,120,823)
Net book value of projects	$ 1,061,487	$ 2,452,176	$ 4,819,876	$ 8,026,983	16,360,522
Less - elimination of developer fee profit earned by SEA					(507,673)
Net book value of projects after elimination					$ 15,852,849

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

Solar Energy Programs (Continued)

For the years ended December 31, 2018 and 2017, depreciation expense related to SEA, SEA QALICB, SEA QALICB II, and Solar III totaled $2,199,112 and $2,199,660, respectively.

The Holding Company and SEA are the developers of the solar projects on behalf of the affiliates which own them. The portion of any developer fee that is considered intercompany profit has been eliminated from the consolidated financial statements (see page 39 and 43).

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. Under the power purchase agreements, the applicable affiliate constructs and installs integrated solar-photovoltaic electricity generating systems (the systems) in order to provide solar energy for the host. Each agreement obligates the host to buy the power produced by its solar panel project, for which the host is billed monthly at a rate per kilowatt hour of energy specified in the agreement. SEA manages the billing process on behalf of each affiliate and transfers payments accordingly. The initial term of each agreement is ten or twenty years. Ten-year agreements may be extended as provided in the agreement. The host may terminate its agreement on specified dates provided that the host pays the affiliate an early buyout purchase price for the solar panel project. The host can also buy each solar panel project on the agreement expiration date. Solar III has also signed net metering credit purchase and sale agreement with owners of residential affordable rental housing developments serving low income communities and residents in Massachusetts. Each agreement obligates the purchaser to buy the net metering credits generated by the solar panel systems.

The solar developments also earn Solar Renewable Energy Certificates (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. SEA is obligated to sell certain amounts of SRECs and RECs to one of the utility companies through 2017. 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.

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

Solar Energy Programs (Continued)

Solar Energy Program revenues are as follows for 2018 and 2017 and are included in program revenue and fees in the accompanying consolidated statements of activities:

	2018	2017
PPA Revenue:		
SEA PPA	$ 219,573	$ 219,929
SEA QALICB PPA	90,150	91,413
SEA QALICB II PPA	229,641	238,498
Solar III PPA	411,706	385,753
Sub-total PPA revenue	951,070	935,593
REC/SREC Revenue:		
SEA REC	5,867	59,981
SEA SREC	137,580	131,757
SEA QALICB SREC	318,555	283,677
SEA QALICB II SREC	610,889	605,681
Solar III SREC	1,007,611	955,115
Other	33,559	35,464
Total REC/SREC revenue	2,114,061	2,071,675
Total	$ 3,065,131	$ 3,007,268

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 or SUN Financing II have purchased an interest of the real property's income. At the time of sale, NSP transfers the value of the property to SUN Financing or SUN Financing II. NSP manages the rental and held for sale properties and transfers the net rental income to the affiliate holding the interest. Total rental income received by NSP totaled $31,644 and $44,863 for the years ended December 31, 2018 and 2017, respectively, and is included in program revenue and fees in the accompanying consolidated statements of activities. Due to the uncertainty of when these properties will sell, these properties have been classified as long-term assets in the accompanying consolidated statements of financial position.

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

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

Properties Held for Sale (Continued)

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

	SUN Financing	SUN Financing II	Total
Balance at December 31, 2016	$ 166,351	$ -	$ 166,351
Purchase of interests in real properties	22,441,192	6,718,996	29,160,188
Cost basis of interests in real property converted to interests in loans receivable (see Note 4)	(22,349,674)	(6,718,996)	(29,068,670)
Balance at December 31, 2017	257,869	-	257,869
Purchase of interests in real properties	19,573,429	-	19,573,429
Cost basis of interests in real property converted to interests in loans receivable (see Note 4)	(19,759,909)	-	(19,759,909)
Balance at December 31, 2018	$ 71,389	$ -	$ 71,389

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 five new SUN Financing properties acquired through foreclosure in 2018. No properties were acquired through foreclosure in 2017. The last property held by Aura Mortgage was sold in 2017. There are seven properties remaining under SUN Financing as of December 31, 2018. Subsequent to December 31, 2018, three of the properties were under agreement to be sold to prospective buyers. The remaining four properties all have agreements where the current delinquent tenant must vacate the property by mid-2019 where upon SUN Financing intends to remodel and sell the remaining properties. Aura Mortgage did not own real estate as of December 31, 2018 and 2017. SUN Financing real estate owned was $1,172,639 and $647,503 as of December 31, 2018 and 2017, respectively.

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)

During 2018, SUN Financing sold one residential real estate property, yielding proceeds of $455,372, and recognized gain on the sale of these residential real estate properties for $69,797. During 2017, SUN Financing sold one property, yielding proceeds of $265,492, and recognized gain of $62,097. During 2017, Aura Mortgage sold its remaining residential real estate property, yielding proceeds of $325,532, and recognized gain on the sale of the residential real estate property for $116,141. These gains are included in realized gains from sales of real estate in the accompanying consolidated statements of activities.

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

	2018	2017
Holding Company property and equipment	$ 709,976	$ 851,200
SEA - Solar energy equipment	13,734,344	15,852,849
Foreclosure and Home Mortgage Services:		
SUN Financing - foreclosed property	1,172,639	647,503
SUN Financing - properties held for sale	71,389	257,869
	15,688,348	17,609,421
Less - eliminations	(124,403)	(141,247)
	$ 15,563,945	$ 17,468,174

Eliminations represent the undepreciated net profit of capitalized developer fees earned by the Holding Company related to solar installations (see page 40).

7. LOANS AND BOND PAYABLE

Loan Fund

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

	2018	2017
The Loan Fund has two $10,000,000 unsecured non-revolving lines of credit with a financial institution, which expire on December 21, 2021 and September 28, 2025. The interest rate on the first line of credit is based on the applicable Federal Home Loan Bank of Boston (FHLBB) rate at the time of the borrowings. The interest rate on the second line of credit is based on the FHLBB rate at the time of the borrowing plus 1%. The interest rates are locked-in on the specific date of each draw.	$ 20,000,000	$ 10,000,000
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which originally expired on September 2017. During 2017, this line of credit was extended until September 30, 2019, under the same terms. During 2019, this line of credit was extended until March 2026. The interest rate on this line of credit is a thirty-day London Interbank Offered Rate (LIBOR) (2.4582% and 1.4925% as of December 31, 2018 and 2017, respectively), plus 1.5%, with a minimum rate of 1.65%. There was no balance on this line of credit as of December 31, 2017.	15,000,000	-
The Loan Fund has a $15,000,000 unsecured revolving line of credit with a financial institution, which expires on October 31, 2026. The interest rate on this line of credit is 2.5% and interest is due in quarterly payments.	15,000,000	15,000,000
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on November 30, 2022. The interest rate on this line of credit is 1.34% and interest is due in quarterly payments.	10,000,000	10,000,000
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on November 30, 2026. The interest rate on this line of credit is 3.25% and interest is due at the end of each calendar year.	10,000,000	10,000,000
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which originally expired on May 31, 2018. During 2018, this was amended and extended until August 27, 2021. The interest rate on this line of credit is a thirty-day LIBOR (2.4582% and 1.4925% as of December 31, 2018 and 2017, respectively), plus 2.5%.	5,000,000	-
The Loan Fund has a $5,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 11, 2025. The interest rate on this line of credit is based on FHLBB Rate at the time of the borrowing plus 1.25%.	5,000,000	-

7. LOANS AND BOND PAYABLE (Continued)

Loan Fund (Continued)

	2018	2017
The Loan Fund has a $10,000,000 unsecured revolving line of credit with a financial institution, which expires on March 13, 2021. The interest rate on this line of credit is based on a thirty-day LIBOR (2.4582% at December 31, 2018), plus 2.05%.	5,000,000	-
The Loan Fund had a $15,000,000 unsecured non-revolving line of credit agreement with a financial institution, which expired on June 30, 2018. Outstanding advances under this line of credit bore interest at the financial institution's seven-year cost of funds, plus 125 basis points on the date of the draw. Proceeds from this line of credit were used only to finance qualifying New Markets Tax Credit loans in certain states. Funds advanced under these draws bore interest at rates ranging from 3.24% to 3.73%. There was no available credit as of December 31, 2018 or 2017, as $10,000,000 of the note was paid in previous years.	-	5,000,000
Total lines of credit	85,000,000	50,000,000
Other loans payable (see below)	36,186,370	37,142,390
	121,186,370	87,142,390
Less - unamortized debt issuance costs	(49,428)	(34,892)
Less - current portion	(6,735,751)	(6,901,215)
	$ 114,401,191	$ 80,206,283

Other loans payable of the Loan Fund represent loans by approximately 350 lenders ("investors") in principal amounts ranging from $1,000 to $5,300,000. Loans payable bear interest at rates ranging from 0% to 4.3%, payable at various dates through 2028.

In the ordinary course of operations, the Loan Fund may negotiate extensions of maturity with many investors. The current maturities as of December 31, 2018, include approximately $1,155,000 of loan principal which has matured, but has not been paid or formally extended. Management is in the process of negotiating extensions of these loans. Current maturities as of December 31, 2018, also include approximately $1,581,000 considered due on demand.

Debt issuance costs totaling $169,779 and $134,239 as of December 31, 2018 and 2017, respectively, are recorded at cost and are amortized over the lives of their respective loan payables. The Loan Fund uses the straight-line method of imputed interest associated with these costs, as the effective interest method does not materially impact the consolidated financial statements. Imputed interest totaled $21,004 and $23,240 for the years ended December 31, 2018 and 2017, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2018 and 2017, was $120,351 and $99,347, respectively.

The Loan Fund has a line of credit with a financial institution for borrowings available up to $2,500,000, which has no outstanding balance as of December 31, 2018 and 2017. As of December 31, 2018, the Loan Fund had $12,500,000 of available credit on existing lines of credit. Subsequent to December 31, 2018, the Loan Fund obtained commitments and closed several lines of credit for up to an additional $42,500,000 of financing.

7. LOANS AND BOND PAYABLE (Continued)

Solar Energy Programs

Solar III

Solar III entered into a loan agreement with a bank in the amount of $4,802,252. Outstanding amounts bear interest at 5.11% per annum. Solar III is required to make principal and interest payments to fully amortize the loan in ten years. Beginning on December 31, 2016 and through December 31, 2025, Solar III is also required to make an additional principal payment equal to 95% of surplus cash flow as defined in the loan agreement. As of December 31, 2018, there is an additional principal payment of $71,938 due based on 2018 surplus cash flow. As of December 31, 2017, there was an additional principal payment of $13,339 due based on 2017 surplus cash flow, which was paid in full during 2018. SEA has unconditionally guaranteed Solar III's loan and the direct loan is also secured by all assets of Solar III. The balance of the direct loan was $3,572,123 and $3,990,221 as of December 31, 2018 and 2017, respectively.

Foreclosure and Home Mortgage Services

SUN Financing and SUN Financing II

SUN Financing entered into a Note Purchase Agreement with the Loan Fund (see Note 4) as the original purchaser and with additional purchasers. The Loan Fund's purchased interest as of December 31, 2018 and 2017, was $10,000,000. The interest expense incurred on the Note Purchase Agreement with the Loan Fund was $430,903 in 2018 and 2017, which has been eliminated in consolidation. In addition, SUN Financing II had a similar agreement with certain other purchasers. Under these agreements, SUN Financing and SUN Financing II are able to sell notes representing the purchasers' commitments to make advances from time-to-time in the aggregate principal amount of $50,000,000 and $100,000,000, respectively. The principal amounts of the loans payable range from $5,000 to $5,000,000. During 2017, loans payable of SUN Financing II of $8,659,249 were assumed by SUN Financing in connection with the wind-down of SUN Financing II (see Note 1).

Loans payable under the Note Purchase Agreement issued by SUN Financing and those assumed from SUN Financing II bear interest at rates ranging from 3.00% to 4.25%, payable quarterly in arrears, and are set to mature in December 2020. 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, 2018 and 2017, SUN Financing was in compliance with these covenants.

7. LOANS AND BOND PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

SUN Financing and SUN Financing II (Continued)

The total amount outstanding under these note payable agreements, excluding the Loan Fund's $10,000,000 interest, was as follows as of December 31:

	2018	2017
SUN Financing	$ 37,110,825	$ 35,663,081

Interest expense under the loans payable, excluding the Loan Fund's interest, was as follows for the years ended December 31:

	2018	2017
SUN Financing	$ 1,504,624	$ 885,521
SUN Financing II	-	375,715
	$ 1,504,624	$ 1,261,236

Aura Mortgage

Note Payable to a Bank

Aura Mortgage had a note payable with a bank in the maximum amount of $75,000,000. Under the terms of the agreement, interest accrued at a rate of 4.25%. Interest-only payments were due on borrowings through November 2018, at which point monthly principal and interest payments were required to be made based upon a twenty-three-year amortization period on the outstanding balance at that time, plus any excess cash flow generated from collateral consisting of principal payments on pledged loans as defined in the agreement. All remaining unpaid principal and accrued interest were due and payable in August 2033. This note payable and accrued interest were paid off using the proceeds of the bond payable (see page 48) during 2017. Interest expense on the note payable totaled $1,825,847 for 2017 and is included in interest expense in the accompanying consolidated statement of activities. Interest - amortization of debt issuance costs on the note payable was $40,580 for 2017. The remaining unamortized debt issuance costs on the note payable of $683,222 were written off during 2017 and are reflected as write-off of expired debt issuance costs in the accompanying consolidated statement of activities.

7. LOANS AND BOND PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

Aura Mortgage (Continued)

Bond Payable

In September 2017, Aura Mortgage entered into a bond loan agreement with a nonprofit bond qualified issuer organization and bank as Trustee for a maximum amount of $100,000,000. Draws on the bond must be done in minimum increments of $10,000,000 with the last draw occurring by September 18, 2022. All draws must be substantiated by proper loan collateral. Under the promissory note issued incident to the bond loan agreement, interest accrued at a fixed rate on a given tranche, dependent upon the timing of the draw of the related payments. The $10,000,000 and $65,000,000 draws, which occurred during 2018 and 2017, respectively, are subject to fixed interest rates of 3.58% and 2.94%, respectively. Quarterly principal and interest payments of $830,171, plus applicable administrative and Trustee fees began on March 15, 2018. With the additional $10,000,000 draw occurring in 2018, the quarterly principal and interest payments increased to $969,684 as of December 31, 2018. 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, 2018 and 2017, was $74,054,556 and $65,633,015, respectively. The bond payable as of December 31, 2018 and 2017, is reported net of unamortized debt issuance costs of $727,006 and $752,741, respectively. Interest expense on the bond payable totaled $2,226,565 and $298,181 for 2018 and 2017, respectively, and is included in interest expense in the accompanying consolidated statements of activities. The bond is guaranteed under the CDFI Bond Guarantee program and a third party limited guarantee of $3,000,000 (see page 49).

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. Aura Mortgage was in compliance with these covenants as of December 31, 2018 and 2017.

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. Venture Fund contributed $1,000,000 for this purpose in each of 2018 and 2017, which is included in the accompanying consolidated statements of changes in net assets.

7. LOANS AND BOND PAYABLE (Continued)

Foreclosure and Home Mortgage Services (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 ongoing 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 loan 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 unspent proceeds of its borrowing from Aura, the pool of loans receivable issued by Aura Direct as well as certain restricted cash 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, divided by the outstanding obligation on the Aura Direct loan payable to Aura.

Guarantees

Aura Mortgage has entered into an agreement with a large 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.

The bond payable is also guaranteed by the Treasury under the terms of the CDFI Bond Guarantee program. In the event of insufficient cash flow, in order of priority, exceeds the limited $3 million foundation guarantee, 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. LOANS AND BOND PAYABLE (Continued)

Maturities

The below schedule of maturities includes only regularly scheduled principal payments for principal outstanding at December 31, 2018, 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, 2018 and 2017, are as follows:

2018

Year	Loan Fund	Solar Energy Programs	Foreclosure and Homes Mortgage Services	Total
2019	$ 6,735,751	$ 513,573	$ 1,681,125	$ 8,930,449
2020	21,937,417	464,738	1,725,361	24,127,516
2021	37,038,568	489,051	1,778,073	39,305,692
2022	26,286,857	514,635	1,832,389	28,633,881
2023	1,203,019	541,557	1,888,373	3,632,949
Thereafter	27,984,758	1,048,569	101,533,054	130,566,381
Total loans	121,186,370	3,572,123	110,438,375	235,196,868
Less - current portion	(6,735,751)	(513,573)	(1,681,125)	(8,930,449)
Less - unamortized debt issuance costs	(49,428)	-	(727,006)	(776,434)
Loans payable, net of current portion	$ 114,401,191	$ 3,058,550	$ 108,030,244	$ 225,489,985

2017

Year	Loan Fund	Solar Energy Programs	Foreclosure and Homes Mortgage Services	Total
Total loans	$ 87,142,390	$ 3,990,221	$ 100,543,355	$ 191,675,966
Less - current portion	(6,901,215)	(433,019)	(1,305,576)	(8,639,810)
Less - unamortized debt issuance costs	(34,892)	-	(752,741)	(787,633)
Loans payable, net of current portion	$ 80,206,283	$ 3,557,202	$ 98,485,038	$ 182,248,523

8. PERMANENT LOAN CAPITAL – SUBORDINATED LOANS PAYABLE

Permanent loan capital - subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (47 and 46 individual loans as of December 31, 2018 and 2017, respectively) from financial and other institutions, bearing simple interest at rates between 2% and 4%. These loans have substantially similar terms including annual interest-only payments until final maturity, occurring between 2019 and 2030. These loans are subordinate and junior to all other obligations of the Loan Fund. Only two notes with original principal of $500,000 each are currently amortizing. An additional note with principal of $2,000,000 requires interest only payments until February 2028, at which time the note requires additional quarterly principal payments of $250,000 until the balance is repaid.

8. PERMANENT LOAN CAPITAL – SUBORDINATED LOANS PAYABLE (Continued)

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

Permanent loan capital - subordinated loans payable also include a $4,410,000 Equity Equivalent Security (EQ2 Security) with the Treasury (see Note 1), which the Loan Fund entered into in 2011. Outstanding amounts under this agreement bear interest at 2% through the maturity date in September 2019. The Loan Fund is required to make quarterly interest payments until maturity. The Loan Fund can elect to extend the maturity date of the EQ2 Security through September 2021. If the Loan Fund elects to extend the maturity date, any interest payments occurring after September 2021, will be calculated at 9% of the outstanding principal balance.

Maturity of principal over the next five years as of December 31, 2018, are as follows:

2019	$ 4,517,162
2020	81,606
2021	22,889
2022	500,000
2023	-
Thereafter	22,250,000
Total loans	27,371,657
Less - current portion	(4,517,162)
	$ 22,854,495

2017	
Total loans	$ 25,476,698
Less - current portion	(105,042)
	$ 25,371,656

9. NEW MARKETS TAX CREDITS PROGRAM

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

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

Managed Assets entered into agreements with the CDE LLCs' Investor Members, who provided approximately $523 million of cumulative QEIs as of December 31, 2018, to make QLICIs of the active CDE LLCs. By making QLICIs, the CDE LLCs enable the Investor Members to claim approximately $204 million of NMTC over credit periods of seven years.

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

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. Fee earned in 2018 and 2017 were as follows:

	2018	2017
BCC NMTC CDE XXV, LLC	$ -	$ 250,000
BCC NMTC CDE XXVI, LLC	-	500,000
BCC NMTC CDE XXVII, LLC	500,000	-
BCC NMTC CDE XXVIII, LLC	-	400,000
BCC NMTC CDE XXIX, LLC	-	125,000
BCC NMTC CDE XXX, LLC	150,000	-
BCC NMTC CDE XXXI, LLC	-	400,000
BCC NMTC CDE XXXII, LLC	150,000	-
Total	$ 800,000	$ 1,675,000

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 receivable at the inception of the agreement because these fees are generally guaranteed to be paid by the respective CDE LLCs or their investors. The delayed portions not yet collected are included in affiliate fees receivable and deferred revenue in the accompanying consolidated statements of financial position. Delayed fees receivable are as follows at December 31:

	2018	2017	Quarterly Installments Payable Through
BCC NMTC CDE X, LLC *	$ -	$ 66,305	March 2018
BCC NMTC CDE XIV, LLC	838,417	1,116,123	March 2016
BCC NMTC CDE XV, LLC	112,708	444,681	December 2016
BCC NMTC CDE XVI, LLC *	243,757	376,715	January 2020
BCC NMTC CDE XVII, LLC	-	92,338	March 2017
BCC NMTC CDE XX, LLC	11,781	397,933	September 2019
BCC NMTC CDE XXI, LLC	405,929	681,347	March 2020
BCC NMTC CDE XXII, LLC *	400,000	500,000	December 2020
BCC NMTC CDE XXIII, LLC	338,682	369,471	December 2020
BCC NMTC CDE XXIV, LLC	660,000	660,000	Entire fee due in March 2024
BCC NMTC CDE XXV, LLC	269,393	320,392	June 2024
BCC NMTC CDE XXVI, LLC	599,444	674,444	September 2024
BCC NMTC CDE XXVII, LLC	606,453	-	June 2024
BCC NMTC CDE XXVIII, LLC	473,111	553,111	August 2024
BCC NMTC CDE XXIX, LLC	140,764	165,764	August 2024
BCC NMTC CDE XXX, LLC	190,000	-	June 2025
BCC NMTC CDE XXXI, LLC	477,778	557,778	December 2024
BCC NMTC CDE XXXII, LLC	187,500	-	March 2024
Total	5,955,717	6,976,402	
Less - eliminations (*)	(643,757)	(943,020)	
Less - current portion	(1,809,013)	(1,690,545)	
	$ 3,502,947	$ 4,342,837	

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

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

For 2018 and 2017, Managed Assets and the Holding Company have reported $2,793,197 (Managed Assets: $1,543,197, Holding Company: $1,250,000) and $4,005,531 (Managed Assets: $2,755,531, Holding Company: $1,250,000), respectively, of these fees as revenue, which is 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:

	2018	**2017**
BCC NMTC CDE X, LLC *	$ -	$ 12,510
BCC NMTC CDE XI, LLC	-	162,718
BCC NMTC CDE XII, LLC	-	150,252
BCC NMTC CDE XIII, LLC	-	225,563
BCC NMTC CDE XIV, LLC	240,602	601,504
BCC NMTC CDE XV, LLC	245,470	540,033
BCC NMTC CDE XVI, LLC *	243,756	376,715
BCC NMTC CDE XVII, LLC	170,687	284,973
BCC NMTC CDE XVIII, LLC	322,444	537,407
BCC NMTC CDE XIX, LLC	96,286	144,428
BCC NMTC CDE XX, LLC	623,690	828,065
BCC NMTC CDE XXI, LLC	628,810	827,381
BCC NMTC CDE XXII, LLC *	335,715	421,429
BCC NMTC CDE XXIII, LLC	246,057	307,635
BCC NMTC CDE XXIV, LLC	660,000	660,000
BCC NMTC CDE XXV, LLC	270,833	320,833
BCC NMTC CDE XXVI, LLC	566,667	666,667
BCC NMTC CDE XXVII, LLC	616,667	-
BCC NMTC CDE XXVIII, LLC	446,667	526,667
BCC NMTC CDE XXIX, LLC	139,583	164,583
BCC NMTC CDE XXX, LLC	190,000	-
BCC NMTC CDE XXXI, LLC	480,000	560,000
BCC NMTC CDE XXXII, LLC	187,500	-
Total NMTC delayed fees	6,711,434	8,319,363
Less - eliminations *	(579,471)	(810,654)
Total deferred revenue	$ 6,131,963	$ 7,508,709

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, 2018 and 2017, 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 QEI.

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

Total fees earned by Managed Assets and the Holding Company related to the NMTC programs are as follows for the years ended December 31:

	2018	2017
Delayed sub-allocation fees (see page 53)	$ 2,793,197	$ 4,005,531
Upfront fees (see page 52)	800,000	1,675,000
Total	$ 3,593,197	$ 5,680,531

10. LEASES AND OTHER COMMITMENTS

Leases

The Corporation has a lease agreement to rent office space and parking in Roxbury, Massachusetts through June 2019, with an option to extend for an additional five-year period. Monthly base rent under this lease is $23,067, with additional rent of $11,075 per month as set forth in the lease agreement. The Corporation is also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreement. Total rent expense under these facility leases was $424,185 and $420,712 for 2018 and 2017, respectively, and is included in office operations in the accompanying consolidated statements of activities.

The Corporation also has lease commitments for office equipment and telecommunications and information technology services. These agreements require aggregate monthly operating payments of approximately $1,600 and expire at various dates through July 2021.

Future minimum payments under all lease and other agreements are as follows:

	Facilities	Equipment
2019	$ 204,852	$ 19,176
2020	$ -	$ 19,176
2021	$ -	$ 11,186

WegoWise also had two lease agreements to rent office space in Boston, Massachusetts through October 21, 2021. Monthly base rent under these leases totaled $18,040 and increased as defined in the agreements. WegoWise was also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreements. The expense under these leases , net of sublease income was $111,084 and $232,768 for the years ended December 31, 2018 and 2017, respectively, and is included in changes in net assets from discontinued operations (see Note 1) in the accompanying consolidated statements of activities. These leases were assumed by the buyer of WegoWise's assets in 2018.

Servicing Agreement

In September 2015, Aura Mortgage entered into a loan servicing agreement with a company to service and maintain a portion of BlueHub SUN's loan portfolio, effective January 1, 2016. The initial term of the agreement is through December 2020 and will automatically renew for one-year terms 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 $102,110 and $57,081 for the years ended December 31, 2018 and 2017, respectively, and is included in program expenses in the accompanying consolidated statements of activities.

11. RETIREMENT PLAN

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 4% 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 2018 and 2017 was $159,806 and $144,302, respectively, and is included in personnel in the accompanying consolidated statements of activities.

12. INCOME TAXES

Significant balances with differences in accounting and tax basis consist primarily of net operating loss carryforwards of SEA. At December 31, 2018 and 2017, SEA had the following net operating loss (NOL) carryforwards available to offset future taxable income:

	2018	2017
SEA:		
Federal NOL	$ 5,753,700	$ 5,300,800
State NOL	$ 3,889,100	$ 3,438,900

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, 2018 and 2017.

As of December 31, 2018 and 2017, the components of SEA's net deferred tax asset are as follows:

	2018	2017
Net operating loss carryforwards	$ 1,454,000	$ 1,330,000
Less - valuation allowance	1,454,000	1,330,000
	$ -	$ -

13. CREDIT ENHANCEMENT

During 2017, the Loan Fund received proceeds of an $8 million conditional grant from the Department of Education (ED) (see Note 2). The Loan Fund collaborates with Nonprofit Finance Fund to use the grant proceeds plus interest earned to provide credit enhancement for twenty-five charter schools or 7,150 student slots. Under the agreement, the Loan Fund facilitates additional security to lenders and investors by using the ED grant funds for the fulfillment of debt service reserve requirements on behalf of the charter school bond holders and lenders, as well as provide loan guarantees and collateral funds. Un-deployed funds must be returned to and are refundable to ED in the case of default. The ED agreement expires in September 2040.

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

13. CREDIT ENHANCEMENT (Continued)

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

	2018	2017
Cash collateral (eleven and seven active arrangements as of December 31, 2018 and 2017, respectively)	$ 6,777,795	$ 4,584,797
Grant reserve funds	1,246,879	3,418,491
	$ 8,024,674	$ 8,003,288

Approximately $3,418,769 of the cash collateral escrowed secures loans receivable of the Loan Fund as of December 31, 2018 (see Note 4).

Maturity dates of the active arrangements as of December 31, 2018 and 2017, range from February 1, 2022 through February 28, 2037. Interest income reinvested for grant reserve funds totaled $21,387 and $3,287 in 2018 and 2017, respectively.

14. RESTRICTED CASH AND LOAN LOSS RESERVES

Restricted Cash

Restricted cash is comprised of the following as of December 31:

	2018	2017
BlueHub SUN:		
CDFI bond risk share pool account	$ 2,497,590	$ 1,966,001
Pledged loan payment account *	446,840	279,044
Restricted cash account *	3,991,841	1,612,919
Subtotal BlueHub SUN	6,936,271	3,857,964
WegoWise:		
Indemnity escrow *	2,003,000	-
Loan Fund:		
Credit enhancement reserves (see Note 13)	8,024,674	8,003,288
	16,963,945	11,861,252
Less - current portion *	(6,441,489)	(1,891,963)
Net long-term portion	$ 10,522,456	$ 9,969,289

14. RESTRICTED CASH AND LOAN LOSS RESERVES (Continued)

Restricted Cash (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) are 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.

Pledged Loan Payments

Aura Mortgage is obligated to maintain an account with an escrow agent for the purpose of depositing incoming loan payments from borrowers of the loan pool 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 ROCA account (see below).

Required Overcollateralization Cash

Aura Mortgage is obligated to maintain an account with an escrow agent for additional bond loan collateral in the event there is insufficient collateral as calculated by the Trustee. Funds are only to be withdrawn from the Required Overcollateralization Cash Account (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. The funds will be transferred to the bank serving as the Trustee. Any excess amount of cash above and beyond the calculated amount is deposited into the restricted cash account (see below). There was no required balance in this account as of December 31, 2018 and 2017, as the account is only to be funded based on a finding of insufficient collateral by the Trustee.

Restricted Cash Account

Aura Mortgage is obligated to maintain an account with an escrow agent that holds cash collateral from the pool of loans held by Aura Direct. Any excess amount above and beyond the required overcollateralization (see above) can be distributed to Aura Mortgage's operating cash account upon written request of Aura Mortgage.

WegoWise

Indemnity Escrow

In connection with the sale of WegoWise, approximately $2,000,000 of the sales proceeds are held in an escrow account (see Note 14) as recourse for indemnity claims that may arise under the sale agreement. Release and payment of these funds is expected to occur in August 2019.

14. RESTRICTED CASH 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 2018 and 2017:

	Aura Mortgage	SUN Financing	SUN Financing II	Total
Balance at December 31, 2016	$ 1,662,415	$ 3,515,207	$ 1,004,360	$ 6,181,982
Interest earned on loan loss reserves	-	45,600	11,561	57,161
Distribution to the Holding Company	-	-	(1,000,000)	(1,000,000)
Withdrawals of accumulated interest	-	(56,941)	(15,921)	(72,862)
Balance at December 31, 2017	1,662,415	3,503,866	-	5,166,281
Payment made for program return of funds	(82,585)	-	-	(82,585)
Interest earned on loan loss reserves	-	45,554	-	45,554
Withdrawals of accumulated interest	-	(45,554)	-	(45,554)
Balance at December 31, 2018	$ 1,579,830	$ 3,503,866	$ -	$ 5,083,696

Aura Mortgage was awarded two contracts from the Commonwealth of Massachusetts to support loan loss reserves 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 following:

- $3,500,000 received by SUN Financing from its investor member (see Note 1).
- $1,000,000 received by SUN Financing II as an original capital contribution from the Holding Company. This balance was transferred out in 2017 and distributed to the Holding Company in 2017 as part of the contemplated unwind of SUN Financing II (see Note 1).

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's financial assets available within one year from December 31, 2018, for general operating purposes are as follows:

Cash and cash equivalents	$ 64,233,948
Current portion of restricted cash	6,441,489
Short-term investments	6,568,057
Current portion of loans and interest receivable	37,653,267
Current portion of affiliate fees receivable	1,809,013
Grants and other accounts receivable	2,714,187
Total financial assets	119,419,961
Board designated reserves (see Note 2)	11,301,292
Financial assets available to meet cash needs for general expenditures within one year	$ 108,118,669

The current portion of restricted cash has been included above as the funds are generally available for operations of BlueHub SUN (see Note 14).

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. To supplement liquidity for mission-related financing, the Corporation also utilizes participation strategies and other co-lending agreements with mission-related partners.

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

16. RECLASSIFICATION

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform with the 2018 presentation. These include reclassifications to the 2017 consolidated financial statements required for the comparative presentation of discontinued operations related to the sale of WegoWise's assets (see Note 1).

Combining and Consolidating Statement of Financial Position
December 31, 2018

	BlueHub Capital, Inc. and Affiliates								
Assets	**Loan Fund**	**Managed Assets**	**Venture Fund**	**Holding Company**	**WegoWise, Inc.**	**Solar Energy Programs**	**Foreclosure and Home Mortgage Services**	**Eliminations**	**Total**
Current Assets:									
Cash and cash equivalents	$ 20,641,096	$ 12,491,498	$ 1,496,828	$ 2,139,723	$ 8,544	$ 1,241,739	$ 26,214,520	$ -	$ 64,233,948
Cash and cash equivalents - escrow funds and other	3,471,687	-	-	4,830,087	-	-	101,560	-	8,403,334
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	5,083,696	-	5,083,696
Current portion of restricted cash	-	-	-	-	2,003,000	-	4,438,489	-	6,441,489
Short-term investments	461,773	6,106,284	-	-	-	-	-	-	6,568,057
Current portion of loans and interest receivable, net	35,800,098	-	-	-	-	-	1,853,169	-	37,653,267
Current portion of affiliate fees receivable	-	2,097,553	-	-	-	-	-	(288,540)	1,809,013
Current portion of investments in affiliates	-	-	894,310	820,000	-	-	-	(1,714,310)	-
Grants and other accounts receivable	-	-	-	5,049	-	1,130,558	1,578,580	-	2,714,187
Other current assets	-	85,003	-	109,017	-	174,683	27,572	-	396,275
Current portion of due from affiliates	-	650,000	-	3,263,167	-	-	-	(3,913,167)	-
Total current assets	60,374,654	21,430,338	2,391,138	11,167,043	2,011,544	2,546,980	39,297,586	(5,916,017)	133,303,266
Restricted Cash, net of current portion	8,024,674	-	-	-	-	-	2,497,782	-	10,522,456
Loans Receivable, net	133,768,061	-	-	-	-	-	107,197,632	-	240,965,693
Affiliate Fees Receivable, net of current portion	14,380,286	3,858,164	-	-	-	-	-	(14,735,503)	3,502,947
Origination Costs - Sub-Allocation Fee, net of accumulated amortization	-	-	-	-	-	845,937	-	(845,937)	-
Investments in Affiliates, net of current portion	-	33,362	10,999,784	4,200,000	-	-	-	(14,871,353)	361,793
Due from Affiliates, net of current portion	-	3,350,000	-	-	-	-	-	(3,350,000)	-
Property, Equipment and Interests in Real Property, net	-	-	-	709,976	-	13,734,344	1,244,028	(124,403)	15,563,945
Total assets	$ 216,547,675	$ 28,671,864	$ 13,390,922	$ 16,077,019	$ 2,011,544	$ 17,127,261	$ 150,237,028	$ (39,843,213)	$ 404,220,100
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of loans and bond payable	$ 6,735,751	$ -	$ -	$ -	$ -	$ 513,573	$ 1,681,125	$ -	$ 8,930,449
Current portion of permanent loan capital - subordinated loans payable	4,517,162	-	-	-	-	-	-	-	4,517,162
Interest and accounts payable	453,045	102,377	-	762,515	-	96,113	391,616	-	1,805,666
Current portion of affiliate loans and interest payable	-	-	-	-	-	288,540	-	(288,540)	-
Escrow funds and other	3,471,687	-	-	4,830,087	-	-	101,560	-	8,403,334
Liabilities related to discontinued operations	-	-	-	-	285,690	-	-	(30,000)	255,690
Conditional advances	3,313,000	-	-	-	-	-	-	-	3,313,000
Current portion of due to affiliates	261,278	89,051	6,784	609,811	-	33,405	2,882,838	(3,883,167)	-
Total current liabilities	18,751,923	191,428	6,784	6,202,413	285,690	931,631	5,057,139	(4,201,707)	27,225,301
Loans and Bond Payable, net	114,401,191	-	-	-	-	3,058,550	108,030,244	-	225,489,985
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	1,735,503	10,000,000	(11,735,503)	-
Deferred Revenue	-	6,711,434	-	-	-	-	-	(579,471)	6,131,963
Due to Affiliates, net of current portion	-	-	-	3,350,000	-	-	-	(3,350,000)	-
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	22,854,495	-	-	-	-	3,000,000	-	(3,000,000)	22,854,495
Total liabilities	156,007,609	6,902,862	6,784	9,552,413	285,690	8,725,684	123,087,383	(22,866,681)	281,701,744
Net Assets and Non-Controlling Interests:									
Without donor restrictions:									
General	36,225,963	21,769,002	13,384,138	6,048,075	-	-	-	7,418,946	84,846,124
Board designated for permanent loan capital and special programs	1,132,500	-	-	-	-	-	-	2,000,000	3,132,500
Board designated for loan loss reserves	8,168,792	-	-	-	-	-	-	-	8,168,792
Total without donor restrictions	45,527,255	21,769,002	13,384,138	6,048,075	-	-	-	9,418,946	96,147,416
With donor restrictions:									
Revolving loan capital	14,012,811	-	-	-	-	-	-	-	14,012,811
Other purpose restrictions	1,000,000	-	-	476,531	-	-	-	-	1,476,531
Total with donor restrictions	15,012,811	-	-	476,531	-	-	-	-	15,489,342
Total net assets	60,540,066	21,769,002	13,384,138	6,524,606	-	-	-	9,418,946	111,636,758
Stockholder's equity and members' investment:									
Stockholder's equity - Solar Energy Advantage, Inc.	-	-	-	-	-	115,036	-	(115,036)	-
Stockholder's equity - WegoWise, Inc.	-	-	-	-	1,725,854	-	-	(1,725,854)	-
Members' investment - NSP Residential, LLC	-	-	-	-	-	-	5,768,582	(5,768,582)	-
Members' investment - Aura Mortgage Advisors, LLC	-	-	-	-	-	-	18,784,653	(18,784,653)	-
Total stockholder's equity and members' investment	-	-	-	-	1,725,854	115,036	24,553,235	(26,394,125)	-
Non-controlling interests:									
SUN Initiative Financing, LLC	-	-	-	-	-	-	2,596,410	-	2,596,410
Solar Energy Programs	-	-	-	-	-	8,286,541	-	(1,353)	8,285,188
Total non-controlling interests	-	-	-	-	-	8,286,541	2,596,410	(1,353)	10,881,598
Total net assets and non-controlling interests	60,540,066	21,769,002	13,384,138	6,524,606	1,725,854	8,401,577	27,149,645	(16,976,532)	122,518,356
Total liabilities, net assets and non-controlling interests	$ 216,547,675	$ 28,671,864	$ 13,390,922	$ 16,077,019	$ 2,011,544	$ 17,127,261	$ 150,237,028	$ (39,843,213)	$ 404,220,100

BLUEHUB CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2017

	BlueHub Capital, Inc. and Affiliates								
Assets	**Loan Fund**	**Managed Assets**	**Venture Fund**	**Holding Company**	**WegoWise, Inc.**	**Solar Energy Programs**	**Foreclosure and Home Mortgage Services**	**Eliminations**	**Total**
Current Assets:									
Cash and cash equivalents	$ 23,912,012	$ 17,464,732	$ 1,322,532	$ 2,295,396	$ 186,953	$ 1,331,354	$ 28,112,674	$ -	$ 74,625,653
Cash and cash equivalents - escrow funds	1,203,590	-	-	3,935,058	-	-	254,087	-	5,392,735
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	5,166,281	-	5,166,281
Current portion of restricted cash	-	-	-	-	-	-	1,891,963	-	1,891,963
Short-term investments	10,329	-	-	-	-	-	-	-	10,329
Current portion of loans and interest receivable, net	19,090,266	-	-	-	-	-	1,715,547	-	20,805,813
Current portion of affiliate loans, fees and interest receivable	-	2,023,329	-	-	-	-	-	(332,784)	1,690,545
Grants and other accounts receivable	-	-	-	5,308	-	1,212,545	1,268,157	-	2,486,010
Assets related to discontinued operations	-	-	-	-	955,634	-	-	-	955,634
Other current assets	-	37,803	-	84,612	-	196,047	31,754	-	350,216
Current portion of due from affiliates	-	2,232,721	-	3,301,508	-	160,526	-	(5,694,755)	-
Total current assets	44,216,197	21,758,585	1,322,532	9,621,882	1,142,587	2,900,472	38,440,463	(6,027,539)	113,375,179
Restricted Cash, net of current portion	8,003,288	-	-	-	-	-	1,966,001	-	9,969,289
Loans Receivable, net	99,867,526	-	-	-	-	-	95,917,650	-	195,785,176
Affiliate Loans, Fees and Interest Receivable, net of current portion	16,760,184	4,953,073	-	-	-	-	-	(17,370,420)	4,342,837
Origination Costs - Sub-Allocation Fee, net of accumulated amortization	-	-	-	-	-	1,213,475	-	(1,213,475)	-
Investments in Affiliates	-	67,790	15,315,890	7,644,431	-	-	-	(22,687,812)	340,299
Due from Affiliates, net of current portion	-	3,350,000	-	-	-	-	-	(3,350,000)	-
Property, Equipment and Interests in Real Property, net	-	-	-	851,200	-	15,852,849	905,372	(141,247)	17,468,174
Total assets	$ 168,847,195	$ 30,129,448	$ 16,638,422	$ 18,117,513	$ 1,142,587	$ 19,966,796	$ 137,229,486	$ (50,790,493)	$ 341,280,954
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of loans payable	$ 6,901,215	$ -	$ -	$ -	$ -	$ 433,019	$ 1,305,576	$ -	$ 8,639,810
Current portion of permanent loan capital - subordinated loans payable	105,042	-	-	-	-	-	-	-	105,042
Interest and accounts payable	904,687	194,374	-	780,925	-	167,124	468,480	-	2,515,590
Current portion of affiliate loans and interest payable	-	-	-	-	-	332,784	-	(332,784)	-
Escrow funds	1,203,590	-	-	3,935,058	-	-	254,087	-	5,392,735
Liabilities related to discontinued operations	-	-	-	-	9,523,478	-	-	(432,313)	9,091,165
Conditional advances	2,105,000	-	-	-	-	-	-	-	2,105,000
Current portion of due to affiliates	255,586	110,033	16,552	2,201,758	-	174,937	2,503,576	(5,262,442)	-
Total current liabilities	11,475,120	304,407	16,552	6,917,741	9,523,478	1,107,864	4,531,719	(6,027,539)	27,849,342
Loans Payable, net	80,206,283	-	-	-	-	3,557,202	98,485,038	-	182,248,523
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	2,720,420	10,000,000	(12,720,420)	-
Deferred Revenue	-	8,319,363	-	-	-	-	-	(810,654)	7,508,709
Due to Affiliates, net of current portion	-	-	-	3,350,000	-	-	-	(3,350,000)	-
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	25,371,656	-	1,650,000	-	-	3,000,000	-	(4,650,000)	25,371,656
Total liabilities	117,053,059	8,623,770	1,666,552	10,267,741	9,523,478	10,385,486	113,016,757	(27,558,613)	245,083,230
Net Assets and Non-Controlling Interest:									
Without donor restrictions:									
General	33,924,605	21,505,678	14,971,870	6,947,466	-	-	-	(12,628,340)	64,721,279
Board designated for permanent loan capital and special programs	1,132,500	-	-	-	-	-	-	2,000,000	3,132,500
Board designated for loan loss reserves	5,453,280	-	-	-	-	-	-	-	5,453,280
Total without donor restrictions	40,510,385	21,505,678	14,971,870	6,947,466	-	-	-	(10,628,340)	73,307,059
With donor restrictions:									
Revolving loan capital	11,283,751	-	-	-	-	-	-	-	11,283,751
Other purpose restrictions	-	-	-	902,306	-	-	-	-	902,306
Total with donor restrictions	11,283,751	-	-	902,306	-	-	-	-	12,186,057
Total net assets	51,794,136	21,505,678	14,971,870	7,849,772	-	-	-	(10,628,340)	85,493,116
Stockholder's equity and members' investment:									
Stockholder's equity - Solar Energy Advantage, Inc.	-	-	-	-	-	(1,019,318)	-	1,019,318	-
Stockholder's equity - WegoWise, Inc.	-	-	-	-	(7,677,695)	-	-	7,677,695	-
Members' investment - NSP Residential, LLC	-	-	-	-	-	-	4,782,073	(4,782,073)	-
Members' investment - Aura Mortgage Advisors, LLC	-	-	-	-	-	-	16,054,552	(16,054,552)	-
Members' investment - SUN Initiative Financing II, LLC	-	-	-	-	-	-	462,058	(462,058)	-
Total stockholder's equity and members' investment	-	-	-	-	(7,677,695)	(1,019,318)	21,298,683	(12,601,670)	-
Non-controlling interests:									
SUN Initiative Financing, LLC	-	-	-	-	-	-	2,914,046	-	2,914,046
Solar Energy Programs	-	-	-	-	-	10,600,628	-	(1,870)	10,598,758
WegoWise, Inc.	-	-	-	-	(703,196)	-	-	-	(703,196)
Total non-controlling interests	-	-	-	-	(703,196)	10,600,628	2,914,046	(1,870)	12,809,608
Total net assets and non-controlling interests	51,794,136	21,505,678	14,971,870	7,849,772	(8,380,891)	9,581,310	24,212,729	(23,231,880)	98,302,724
Total liabilities, net assets and non-controlling interests	$ 168,847,195	$ 30,129,448	$ 16,638,422	$ 18,117,513	$ 1,142,587	$ 19,966,796	$ 137,229,486	$ (50,790,493)	$ 341,280,954

Combining and Consolidating Statement of Activities
For the Year Ended December 31, 2018

	BlueHub Capital, Inc. and Affiliates								
	Loan Fund	Managed Assets	Venture Fund	Holding Company	WegoWise, Inc.	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	$ 9,057,030	$ -	$ -	$ -	$ -	$ -	$ 7,220,010	$ (666,048)	$ 15,610,992
Program revenue and fees	1,037,330	2,343,197	25,000	1,249,195	-	3,065,131	339,304	(231,182)	7,827,975
Net loan loss recoveries	-	-	-	-	-	-	2,648,022	-	2,648,022
Net gains on shared appreciation agreements and sales of real estate and tax credit notes	-	-	-	-	-	-	1,137,172	-	1,137,172
Investment income	-	318,880	-	3,381	-	951	92,991	-	416,203
Less - interest expense	(3,188,350)	-	-	-	-	-	(4,187,827)	430,903	(6,945,274)
Net financial and earned revenue	6,906,010	2,662,077	25,000	1,252,576	-	3,066,082	7,249,672	(466,327)	20,695,090
Grants and contributions	-	-	-	490,936	-	-	-	-	490,936
Total operating revenues	6,906,010	2,662,077	25,000	1,743,512	-	3,066,082	7,249,672	(466,327)	21,186,026
Operating expenses:									
Personnel	2,132,801	861,566	63,067	729,555	-	203,729	2,737,292	-	6,728,010
Office operations	790,273	258,337	17,908	47,446	-	345,707	963,657	-	2,423,328
Program expenses	-	-	-	16,416	-	156,720	830,096	-	1,003,232
Consultants	247,913	131,024	-	89,341	-	221,786	180,509	-	870,573
Marketing	168,978	19,209	-	390,582	-	32,285	85,537	-	696,591
Professional fees	-	109,612	-	175,097	-	233,060	-	-	517,769
Insurance and other	56,680	19,005	11,697	13,557	-	71,413	53,607	-	225,959
Interest	-	-	32,955	-	-	406,662	-	(235,145)	204,472
Total operating expenses before depreciation and amortization	3,396,645	1,398,753	125,627	1,461,994	-	1,671,362	4,850,698	(235,145)	12,669,934
Depreciation and amortization	-	-	-	145,541	-	2,572,967	-	(384,382)	2,334,126
Total operating expenses	3,396,645	1,398,753	125,627	1,607,535	-	4,244,329	4,850,698	(619,527)	15,004,060
Changes in net assets without donor restrictions from operations	3,509,365	1,263,324	(100,627)	135,977	-	(1,178,247)	2,398,974	153,200	6,181,966
Other changes in net assets without donor restrictions:									
Grants for loan capital	1,507,505	-	-	-	-	-	-	-	1,507,505
Share of income of affiliate	-	-	55,404	-	-	-	-	-	55,404
Grants from (to) affiliate for support of new initiatives	-	(1,000,000)	1,000,000	-	-	-	-	-	-
Changes in net assets without donor restrictions	5,016,870	263,324	954,777	135,977	-	(1,178,247)	2,398,974	153,200	7,744,875
Changes in Net Assets With Donor Restrictions:									
Grants and contributions	3,692,000	-	-	(425,775)	-	-	-	-	3,266,225
Interest income	37,060	-	-	-	-	-	-	-	37,060
Changes in net assets with donor restrictions	3,729,060	-	-	(425,775)	-	-	-	-	3,303,285
Changes in net assets before discontinued operations	8,745,930	263,324	954,777	(289,798)	-	(1,178,247)	2,398,974	153,200	11,048,160
Changes in Net Assets from Discontinued Operations	-	-	(2,542,509)	(1,498,306)	13,283,780	-	-	3,925,113	13,168,078
Changes in net assets	8,745,930	263,324	(1,587,732)	(1,788,104)	13,283,780	(1,178,247)	2,398,974	4,078,313	24,216,238
Changes in Net Assets Attributable to Non-Controlling Interests	-	-	-	-	(703,196)	543,425	317,636	-	157,865
Changes in net assets attributable to BlueHub Capital, Inc. and operating affiliates	$ 8,745,930	$ 263,324	$ (1,587,732)	$ (1,788,104)	$ 12,580,584	$ (634,822)	$ 2,716,610	$ 4,078,313	$ 24,374,103

Combining and Consolidating Statement of Activities
For the Year Ended December 31, 2017

	BlueHub Capital, Inc. and Affiliates								
	Loan Fund	Managed Assets	Venture Fund	Holding Company	WegoWise, Inc.	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	$ 7,104,218	$ -	$ -	$ -	$ -	$ -	$ 6,620,857	$ (719,989)	$ 13,005,086
Program revenue and fees	1,003,897	4,430,531	43,500	1,250,081	-	3,007,268	407,453	(307,079)	9,835,651
Net loan loss recoveries	-	-	-	-	-	-	3,383,539	-	3,383,539
Net gains on shared appreciation agreements and sales of real estate and tax credit notes	246,109	-	-	-	-	-	2,493,126	-	2,739,235
Investment income	-	91,242	-	2,710	-	81	61,092	-	155,125
Less - interest expense	(2,744,761)	-	-	-	-	-	(4,192,925)	430,903	(6,506,783)
Net financial and earned revenue	5,609,463	4,521,773	43,500	1,252,791	-	3,007,349	8,773,142	(596,165)	22,611,853
Grants and contributions	-	-	-	87,144	-	-	-	-	87,144
Total operating revenues	5,609,463	4,521,773	43,500	1,339,935	-	3,007,349	8,773,142	(596,165)	22,698,997
Operating expenses:									
Personnel	1,804,704	1,128,683	135,869	546,109	-	137,695	2,042,357	-	5,795,417
Office operations	639,427	342,895	42,199	16,220	-	250,234	722,881	-	2,013,856
Program expenses	-	-	-	13,737	-	196,181	450,712	-	660,630
Consultants	107,050	308,379	-	48,695	-	310,532	95,094	-	869,750
Marketing	145,305	5,589	22,355	340,908	-	11,277	91,763	-	617,197
Professional fees	-	18,864	98	22,769	-	156,554	18,514	-	216,799
Insurance and other	31,511	32,196	11,776	16,300	-	80,387	59,574	-	231,744
Interest	-	-	49,500	-	-	466,043	-	(289,086)	226,457
Total operating expenses before depreciation and amortization	2,727,997	1,836,606	261,797	1,004,738	-	1,608,903	3,480,895	(289,086)	10,631,850
Depreciation and amortization	-	-	-	166,654	-	2,578,801	-	(457,495)	2,287,960
Total operating expenses	2,727,997	1,836,606	261,797	1,171,392	-	4,187,704	3,480,895	(746,581)	12,919,810
Changes in net assets without donor restrictions from operations	2,881,466	2,685,167	(218,297)	168,543	-	(1,180,355)	5,292,247	150,416	9,779,187
Other changes in net assets without donor restrictions:									
Grants for loan capital	2,000,000	-	-	-	-	-	-	-	2,000,000
Share of income in affiliate	-	-	50,046	-	-	-	-	-	50,046
Grants from (to) affiliate for support of new initiatives	-	(834,000)	1,000,000	(166,000)	-	-	-	-	-
Write-off of expired debt issuance costs	-	-	-	-	-	-	(683,222)	-	(683,222)
Changes in net assets without donor restrictions	4,881,466	1,851,167	831,749	2,543	-	(1,180,355)	4,609,025	150,416	11,146,011
Changes in Net Assets With Donor Restrictions:									
Grants and contributions	10,395,000	-	-	-	-	-	-	-	10,395,000
Interest income	5,430	-	-	-	-	-	-	-	5,430
Net assets released from restrictions	(2,000,000)	-	-	-	-	-	-	-	(2,000,000)
Changes in net assets with donor restrictions	8,400,430	-	-	-	-	-	-	-	8,400,430
Changes in net assets before discontinued operations	13,281,896	1,851,167	831,749	2,543	-	(1,180,355)	4,609,025	150,416	19,546,441
Changes in Net Assets from Discontinued Operations	-	-	-	-	(3,665,312)	-	-	-	(3,665,312)
Changes in net assets	13,281,896	1,851,167	831,749	2,543	(3,665,312)	(1,180,355)	4,609,025	150,416	15,881,129
Changes in Net Assets Attributable to Non-Controlling Interests	-	-	-	-	366,531	747,427	(82,627)	-	1,031,331
Changes in net assets attributable to BlueHub Capital, Inc. and operating affiliates	$ 13,281,896	$ 1,851,167	$ 831,749	$ 2,543	$ (3,298,781)	$ (432,928)	$ 4,526,398	$ 150,416	$ 16,912,460