



AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Contents
December 31, 2017 and 2016

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boston Community Capital, Inc. and Affiliates (collectively, the Corporation) (see Note 1), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, changes in net assets and 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 Boston Community Capital, Inc. and Affiliates as of December 31, 2017 and 2016, 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 58 through 61 as of and for the years ended December 31, 2017 and 2016, 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.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
April 10, 2018

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Consolidated Statements of Financial Position
 December 31, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 74,641,654	\$ 54,892,972
Cash and cash equivalents - escrow funds held for others	5,392,735	3,729,612
Cash and cash equivalents - loan loss reserves	5,166,281	6,181,982
Marketable securities	10,329	11,500,738
Current portion of loans and interest receivable, net	20,547,477	25,157,480
Current portion of affiliate fees receivable	1,690,545	1,917,539
Grants, rebates and other accounts receivable	3,344,865	6,370,310
Current portion of real estate owned	-	209,391
Other current assets	655,422	359,549
Total current assets	111,449,308	110,319,573
Restricted Cash	11,911,001	232,293
Loans and Interest Receivable, net of current portion and allowance for loan losses	195,740,176	144,215,092
Affiliate Fees Receivable, net of current portion	4,342,837	3,192,041
Investments in Affiliates	338,429	473,483
Property and Equipment, Interests in Real Property and Real Estate Owned, net	17,499,203	19,554,211
Total assets	\$ 341,280,954	\$ 277,986,693
Liabilities, Net Assets and Non-Controlling Interests		
Current Liabilities:		
Current portion of loans and bond payable	\$ 9,111,211	\$ 9,305,967
Current portion of permanent loan capital - subordinated loans payable	105,042	102,963
Interest and accounts payable	2,823,624	2,464,366
Escrow funds held for others	5,392,735	3,729,612
Total current liabilities	17,432,612	15,602,908
Loans and Bond Payable, net	188,668,639	145,369,249
Conditional Advances	2,105,000	-
Deferred Revenue	9,400,323	9,246,105
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	25,371,656	25,476,698
Total liabilities	242,978,230	195,694,960
Net Assets and Non-Controlling Interests:		
Unrestricted:		
General	64,382,850	55,936,127
Board designated for permanent loan capital and special programs	3,132,500	1,132,500
Board designated for loan loss reserves	5,453,280	7,136,043
Board designated for affiliate investments	338,429	473,483
Total unrestricted	73,307,059	64,678,153
Temporarily restricted:		
Revolving capital	11,283,751	883,321
Other purpose restrictions	902,306	2,902,306
Total temporarily restricted	12,186,057	3,785,627
Total net assets	85,493,116	68,463,780
Non-controlling interests	12,809,608	13,827,953
Total net assets and non-controlling interests	98,302,724	82,291,733
Total liabilities, net assets and non-controlling interests	\$ 341,280,954	\$ 277,986,693

* See accompanying supplemental Combining and Consolidating Statements of Financial Position on pages 58 and 59.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Consolidated Statements of Activities
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in Unrestricted Net Assets:		
Operating revenues:		
Financial and earned revenue:		
Program revenue and fees	\$ 12,894,055	\$ 11,672,268
Interest on loans, net	12,671,053	10,568,402
Net loan loss recoveries	3,383,539	2,778,042
Net gain on sale of real estate	2,493,126	148,183
Realized gain on sale of state tax credit notes	246,109	-
Investment income	155,125	113,127
Less - interest expense	<u>(6,172,750)</u>	<u>(5,506,586)</u>
Net financial and earned revenue	25,670,257	19,773,436
Grants and contributions	87,144	257,325
Net assets released from purpose restrictions	<u>-</u>	<u>179,691</u>
Total operating revenues	<u>25,757,401</u>	<u>20,210,452</u>
Operating expenses:		
Personnel	10,435,879	9,761,578
Office operations	2,481,480	2,443,691
Consultants	1,706,322	1,598,015
Marketing	942,913	972,588
Interest	521,378	425,450
Professional fees	496,400	460,192
Insurance and other	295,816	276,014
Program expenses	281,479	403,006
Management services	<u>162,815</u>	<u>125,444</u>
Total operating expenses before depreciation and amortization	17,324,482	16,465,978
Depreciation and amortization	<u>2,319,044</u>	<u>2,150,274</u>
Total operating expenses	<u>19,643,526</u>	<u>18,616,252</u>
Changes in unrestricted net assets from operations	6,113,875	1,594,200
Other changes in unrestricted net assets:		
Net assets released from restrictions for loan capital	2,000,000	-
Share of income of affiliate	50,046	61,239
Grants for loan capital	-	1,750,000
Write-off of expired debt issuance costs	<u>(683,222)</u>	<u>-</u>
Changes in unrestricted net assets	<u>7,480,699</u>	<u>3,405,439</u>
Changes in Temporarily Restricted Net Assets:		
Grants and contributions	10,395,000	2,000,875
Interest income	5,430	-
Net assets released from restrictions	<u>(2,000,000)</u>	<u>(179,691)</u>
Changes in temporarily restricted net assets	<u>8,400,430</u>	<u>1,821,184</u>
Changes in net assets	15,881,129	5,226,623
Changes in Net Assets Attributable to Non-Controlling Interests	<u>1,031,331</u>	<u>513,579</u>
Changes in net assets attributable to Boston Community Capital, Inc. and Affiliates	<u>\$ 16,912,460</u>	<u>\$ 5,740,202</u>

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Consolidated Statements of Changes in Net Assets and Non-Controlling Interests
 For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Unrestricted - Board Designated</u>			<u>Temporarily Restricted</u>		<u>Sub-Total Net Assets</u>	<u>Non- Controlling Interests</u>	<u>Total</u>
	<u>General</u>	<u>Permanent Loan Capital and Special Programs</u>	<u>Loan Loss Reserves</u>	<u>Affiliate Investments</u>	<u>Revolving Capital</u>	<u>Other Purpose Restrictions</u>			
Net Assets and Non-Controlling Interests, December 31, 2015	\$ 51,831,599	\$ 1,132,500	\$ 9,723,620	\$ 712,244	\$ 882,446	\$ 1,081,997	\$ 65,364,406	\$ 7,748,791	\$ 73,113,197
Capital contributions	-	-	-	-	-	-	-	3,852,956	3,852,956
Changes in net assets and non-controlling interests	3,857,779	-	-	61,239	875	1,820,309	5,740,202	(513,579)	5,226,623
Other adjustments	(45,832)	-	-	-	-	-	(45,832)	144,789	98,957
Adjustment to non-controlling interest for change in ownership	(2,594,996)	-	-	-	-	-	(2,594,996)	2,594,996	-
Transfers of unrestricted net assets	<u>2,887,577</u>	-	<u>(2,587,577)</u>	<u>(300,000)</u>	-	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2016	55,936,127	1,132,500	7,136,043	473,483	883,321	2,902,306	68,463,780	13,827,953	82,291,733
Changes in net assets and non-controlling interests	8,461,984	-	-	50,046	10,400,430	(2,000,000)	16,912,460	(1,031,331)	15,881,129
Other adjustments	116,876	-	-	-	-	-	116,876	12,986	129,862
Transfers of unrestricted net assets	<u>(132,137)</u>	<u>2,000,000</u>	<u>(1,682,763)</u>	<u>(185,100)</u>	-	-	-	-	-
Net Assets and Non-Controlling Interests, December 31, 2017	<u>\$ 64,382,850</u>	<u>\$ 3,132,500</u>	<u>\$ 5,453,280</u>	<u>\$ 338,429</u>	<u>\$ 11,283,751</u>	<u>\$ 902,306</u>	<u>\$ 85,493,116</u>	<u>\$ 12,809,608</u>	<u>\$ 98,302,724</u>

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Consolidated Statements of Cash Flows
 For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 15,881,129	\$ 5,226,623
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,319,044	2,150,274
Interest - amortization	86,962	74,192
Write-off of debt issuance costs	683,222	-
Net loan loss recoveries	(3,383,539)	(2,778,042)
Realized gain on sale of state tax credit notes	(246,109)	-
Share of income in affiliate	(50,046)	(61,239)
Gain on sale of real estate	-	(106,329)
Grants for loan capital, credit enhancement and investment uses	(10,395,000)	(2,000,875)
Other adjustments	129,862	98,957
Changes in operating assets and liabilities:		
Interest receivable	(239,701)	(117,277)
Affiliate loans, fees and interest receivable	(923,802)	3,185,293
Grants, rebates and other accounts receivable	(724,555)	(2,542,087)
Other current assets	(295,873)	(47,632)
Interest and accounts payable	359,258	472,016
Deferred revenue	154,218	(3,863,096)
Deferred loan fees	123,830	22,274
	<u>3,478,900</u>	<u>(286,948)</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Withdrawal from cash and cash equivalents - loan loss reserves, net	1,015,701	772,577
Decrease in restricted cash, net of conditional advances	(11,678,708)	(232,293)
Distribution from investment in affiliate	185,100	300,000
Issuance of loans receivable	(79,882,076)	(47,713,905)
Principal payments of loans receivable	36,466,405	35,865,439
Purchase of property and equipment, net of proceeds from grants and rebates for solar energy equipment	(467,431)	(16,349,694)
Proceeds from sale of property and equipment	412,786	10,852,367
Proceeds from sale of state tax credit notes	246,109	-
Sales (purchase) of marketable securities	11,490,409	(11,500,738)
	<u>(42,211,705)</u>	<u>(28,006,247)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Grants for revolving capital and investment uses	14,145,000	875
Proceeds from loans payable	29,993,538	48,881,558
Proceeds from bond payable	65,000,000	-
Proceeds from subordinated loans payable	-	2,000,000
Principal payments on loans payable	(51,906,347)	(16,692,986)
Principal payments on subordinated loans payable	(102,963)	(100,927)
Conditional advances	2,105,000	-
Cash paid for debt issuance costs	(752,741)	(269,464)
Capital contributions	-	3,852,956
	<u>58,481,487</u>	<u>37,672,012</u>
Net cash provided by financing activities		
Net Change in Cash and Cash Equivalents	19,748,682	9,378,817
Cash and Cash Equivalents:		
Beginning of year	<u>54,834,962</u>	<u>45,456,145</u>
End of year	<u>\$ 74,583,644</u>	<u>\$ 54,834,962</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 6,569,748</u>	<u>\$ 5,811,174</u>
Interest in real property held for sale acquired by foreclosure	<u>\$ -</u>	<u>\$ 729,121</u>

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. OPERATIONS AND RELATED ENTITIES

OPERATIONS

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:

- **Boston Community Loan Fund, Inc.** (the Loan Fund) was formed in 1984 to provide below market rate capital to community-based organizations for the development of affordable housing.
- **BCLF Managed Assets Corporation** d/b/a Boston Community 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 Boston Community 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 (see page 11) 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. As of December 31, 2017 and 2016, the Loan Fund has received permanent loan capital - subordinated loans payable (see Note 8) from the Treasury. The Loan Fund also has received grants from the Treasury totaling \$4,500,000 and \$3,750,000 in 2017 and 2016, respectively. During 2017, Aura Mortgage entered into a \$100 million loan under the CDFI Bond Guarantee Program (see Note 7).

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 January 2022. 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 whose activities are included with those of the Loan Fund in these consolidated financial statements. There was no activity in BCC REO as of December 31, 2017 or 2016.

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 13). 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 selling a web-based energy tracking tool for home and business owners. The Holding Company and Venture Fund hold a 91% controlling ownership interest in WegoWise as of December 31, 2017 and 2016 (see Note 3). WegoWise's capital shares are as follows at December 31, 2017 and 2016:

<u> Holders </u>	<u> Common </u> <u> Stock </u>	<u> Series A </u> <u> Preferred </u> <u> Stock </u>	<u> Series B </u> <u> Preferred </u> <u> Stock </u>
Holding Company	33,333	92,983	172,632
Venture Fund	-	-	487,417
Other investors	<u>74,767</u>	<u>-</u>	<u>-</u>
Total	<u>108,100</u>	<u>92,983</u>	<u>660,049</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs

The Corporation operates its solar energy programs as carried out by 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, 2017 and 2016, 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, the Holding Company also formed BCC SEA Fund Manager, LLC (SEA Fund Manager), a wholly-owned Massachusetts limited liability company, to administer aspects of its solar energy development programs.

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 13) 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. The 481 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 481 Investment Fund entered into an option agreement with the Loan Fund and the investor member of the 481 Investment Fund, whereby the investor member has the option to sell its investor interest in the 481 Investment Fund to the Loan Fund for a purchase price of \$128,500, reduced by all distributions made by the 481 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 2018. 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. The 481 Investment Fund is expected to dissolve in 2018.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

BCC NMTC CDE X, LLC (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% interest. CDE X made an equity qualified low-income community investment (QICI) to SEA QALICB in 2011 to fund construction of six solar energy projects in Massachusetts. Through the QICI, CDE X acquired a 99.99% interest in SEA QALICB.

The 481 Investment Fund is a disregarded entity of its investor and CDE X and SEA QALICB are partnerships for tax purposes.

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 13) 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 2019. 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 QICI to SEA QALICB II during 2013 to fund construction of nine solar energy projects located in Massachusetts. Through the QICI, CDE XVI acquired a 99.99% interest in SEA QALICB II.

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Solar Energy Programs (Continued)

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 13) 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. During 2016, the construction of these projects was completed and placed in service.

The Investment Fund is a disregarded entity of its investor and 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 (the SUN Initiative). The goal of the SUN Initiative is to stop the displacement of families and the neighborhood destabilizing effects of home vacancies and abandonment by enabling homeowners with overleveraged properties to stay in their homes.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Foreclosure and Home Mortgage Services (Continued)

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

Aura Mortgage Advisors, LLC

The Corporation formed Aura Mortgage Advisors, LLC (Aura Mortgage), a Massachusetts limited liability company, with the Venture Fund as its sole member. Aura Mortgage has elected to be a disregarded entity for tax purposes. Aura Mortgage was formed for the purpose of acting as a mortgage broker for low-income people and communities. Aura Mortgage is licensed as a mortgage broker and lender in Massachusetts by the Massachusetts Division of Banks (the Division). Aura Mortgage's licenses as a mortgage broker and lender are subject to renewal annually and are scheduled for renewal by December 31, 2018. Aura Mortgage is approved as a Title II Federal Housing Administration lender by the U.S. Department of Housing and Urban Development (HUD). Aura Mortgage has registered to conduct business in several states outside of Massachusetts in order to expand the operation of the SUN Initiative.

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's broker bond for Massachusetts is for \$75,000 and its lender bond is for \$100,000 as of December 31, 2017 and 2016. Aura Mortgage met these requirements as of December 31, 2017 and 2016.

In addition, Aura Mortgage is required to have a mortgage lender surety bond in other states in which it operates. As of December 31, 2017, Aura Mortgage had the following surety bonds in each of the following states:

<u>State</u>	<u>Bond Amount</u>
Illinois	\$ 25,000
New Jersey	\$ 150,000
Wisconsin	\$ 300,000
Maryland	\$ 150,000
Pennsylvania	\$ 100,000

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 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 the SUN Initiative. NSP seeks to resell purchased 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.

SUN Initiative Financing, LLC

The Corporation formed SUN Initiative Financing, LLC (SUN Financing) as a Massachusetts limited liability company to finance the operations of the SUN Initiative. SUN Financing provides financing for activities of the SUN Initiative within the geographic areas surrounding Revere, Boston, and other surrounding areas in Massachusetts. SUN Financing received an initial 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 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

In October 2013, 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 are Massachusetts limited liability companies established to finance additional operations of the SUN Initiative. SUN Investor is the sole member of SUN Financing II and the Holding Company is the sole member of SUN Investor. SUN Investor and SUN Financing II have elected to be treated as disregarded entities for tax purposes. SUN Financing II received a \$1 million capital contribution in previous years that was repaid to the Holding Company during 2017 as SUN Financing II began contemplating a dissolution that is expected to occur in 2018.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 also 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 \$517 million of QEI's that have been syndicated as of December 31, 2017.

The Holding Company has formed a total of forty-three CDEs (collectively, the CDE LLCs), twenty nine of which were activated as of December 31, 2017:

BCC NMTC CDE I, LLC (closed in 2014)	BCC NMTC CDE XVI, LLC (see page 9)
BCC NMTC CDE II, LLC (closed in 2015)	BCC NMTC CDE XVII, LLC
BCC NMTC CDE III, LLC (closed in 2015)	BCC NMTC CDE XVIII, LLC
BCC NMTC CDE IV, LLC (closed in 2015)	BCC NMTC CDE XIX, LLC
BCC NMTC CDE V, LLC (closed in 2015)	BCC NMTC CDE XX, LLC
BCC NMTC CDE VI, LLC	BCC NMTC CDE XXI, LLC
BCC NMTC CDE VII, LLC (closed in 2015)	BCC NMTC CDE XXII, LLC (see page 10)
BCC NMTC CDE VIII, LLC	BCC NMTC CDE XXIII, LLC
BCC NMTC CDE IX, LLC	BCC NMTC CDE XXIV, LLC
BCC NMTC CDE X, LLC (see page 8)	BCC NMTC CDE XXV, LLC
BCC NMTC CDE XI, LLC	BCC NMTC CDE XXVI, LLC
BCC NMTC CDE XII, LLC	BCC NMTC CDE XXVIII, LLC
BCC NMTC CDE XIII, LLC	BCC NMTC CDE XXIX, LLC
BCC NMTC CDE XIV, LLC	BCC NMTC CDE XXXI, LLC
BCC NMTC CDE XV, LLC	

The 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 XXVII, LLC
BCC NMTC CDE XXX, LLC
BCC NMTC CDE XXXII, 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 a .01% interest and unrelated investors are admitted as regular members generally with a 99.99% interest.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation and Combination

The consolidated financial statements include the nonprofit affiliates under common control 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 elects to combine 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 control over activities of these entities which house a substantial portion of the Corporation's Solar Energy Programs. Therefore, the financial statements of CDE X, LLC, CDE XVI, LLC and CDE XXII, LLC and their related entities are included in the accompanying consolidated financial statements. All other CDEs are not required to be consolidated in the accompanying consolidated financial statements because of the financial interest and participating rights of the investor members.

The Corporation also elects to combine the financial statements of SUN Financing, which is an integral part of the Corporation's Foreclosure and Home Mortgage Services program (see page 10). 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 the SUN Initiative (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 approximately 91% of the outstanding stock of WegoWise and 100% of the outstanding stock of SEA (see Note 1), it is considered to maintain a controlling financial interest in both, and therefore, both WegoWise and SEA are included in the accompanying consolidated financial statements.

Estimates

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

Fair Value Measurements

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

Cash and Cash Equivalents and Concentration of Risk

For purposes of the 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 held for others or as loan loss reserves, as well as restricted cash (see page 16) balances.

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

The Corporation also held cash balances of \$5,392,735 and \$3,729,612 in escrow for outside parties as of December 31, 2017 and 2016, respectively. These amounts are escrowed for borrowers for various purposes, including deposits for purchases of properties, working capital reserves, replacement reserves, and construction fund escrows.

Cash and cash equivalents - loan loss reserves includes a variety of funds set aside in connection with the Corporation's Foreclosure and Home Mortgage Services business. Aura Mortgage received a \$750,000 CDFI grant from the Treasury and other contracted support from the Commonwealth of Massachusetts for use as loan loss reserves, which was released into operating cash in 2016. 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 the SUN Initiative in the event of mortgage loan losses (see Note 4).

Marketable Securities

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Credit Enhancement

Using the proceeds of a grant received in 2017 from the U.S. Department of Education (see page 19), 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 agreement, 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, then the lenders are entitled to the collateral to the extent of the default, not to exceed the designated credit enhancement reserve. All remaining collateral deposits and accrued income will be deposited back to the grant reserve funds at the expiration of the agreements and are then available for subsequent use in new credit enhancement transactions on a revolving basis. For accounting purposes, the Loan Fund accrues for losses against the credit enhancement reserves when losses are deemed probable. There were no losses incurred during 2017 (see Note 13).

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.

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 amounts outstanding.

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for loan losses is established through the provision for loan losses and 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 Corporation believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

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 2017, the Loan Fund received Federal grants totaling \$12,500,000. Due to timing of the awards, \$2,105,000 of the funds were not yet committed to qualifying projects as of December 31, 2017. Such amounts are expected to be reported as temporarily restricted revenue when deployed or committed for qualifying projects in future periods.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Affiliates

The Corporation maintains equity investments 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 funds. 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 unrestricted net assets in the accompanying consolidated statements of activities.

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

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

Property and Equipment, Interests in Real Property, Real Estate Owned and Depreciation

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 owned by SEA, SEA QALICB, SEA QALICB II and Solar III (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 the SUN Initiative. 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 the SUN Initiative (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, 2017 and 2016, the Corporation has not recognized any significant reduction in the carrying value of its property and equipment when considering these requirements.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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

Unrestricted net assets 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 19), special programs, loan loss reserves, and affiliate investments. The Corporation's Board of Directors designated \$1,000,000 of unrestricted net assets, the proceeds of two unrestricted grant awards from the Treasury (see Note 1), as permanent loan capital. The Corporation's Board of Directors also designated \$132,500 of unrestricted net assets 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 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, net of related debt, if any (see Note 3).

The Board of Directors may also authorize transfers of unrestricted net assets among the affiliates for working capital needs or to support new initiatives. 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. There were no such net asset transfers made during 2016.

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

	<u>2017</u>	<u>2016</u>
Revolving Capital:		
Permanent loan capital	\$ 883,321	\$ 883,321
ED Credit Enhancement	8,003,288	-
CDFI Capital Magnet	<u>2,397,142</u>	<u>-</u>
Subtotal revolving capital	<u>11,283,751</u>	<u>883,321</u>
Other Purpose Restrictions:		
Energy Advantage Program (EAP)	776,531	776,531
Special Program Collaborative	125,775	125,775
Other Financial Assistance	-	<u>2,000,000</u>
Subtotal other purposes restrictions	<u>902,306</u>	<u>2,902,306</u>
Total temporarily restricted	<u>\$ 12,186,057</u>	<u>\$ 3,785,627</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets and Non-Controlling Interests (Continued)

Revolving capital as of December 31, 2017, represented awards from the Department of Education (DOE) for credit enhancement (see Note 13), CDFI Capital Magnet awards (see Note 1) and other permanent loan capital from donors (see below). The ED credit enhancement grant is used to provide credit enhancement in the form of securable collateral in connection with the financing of charter school facilities (see page 16 and Note 13). The Capital Magnet award is 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 temporarily restricted net assets until depleted by losses or until the agreements expire. The ED credit enhancement grant expires in September 2040 and the Capital Magnet award expires in January 2022.

Permanent loan capital is the term the Corporation uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meeting debt covenants and providing for potential loan losses. The Corporation has three categories of permanent loan capital: net assets temporarily restricted by donors, net assets designated by the Board of Directors, and subordinated loans payable (see Note 8). No donor has imposed an obligation on the Corporation 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 temporarily restricted net assets in the accompanying consolidated statements of financial position.

EAP temporarily restricted net assets 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 temporarily restricted net assets 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.

As of December 31, 2016, other financial assistance grants consisted of an award from the Treasury (see Note 1) of \$2,000,000 for the Healthy Foods Financing Initiative to provide low-income neighborhoods with access to affordable and healthy foods.

Net assets released from restrictions include the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Financial assistance grants - loan capital	\$ 2,000,000	\$ -
Energy Advantage Program (EAP)	-	178,791
Special program collaborative	-	900
Total	<u>\$ 2,000,000</u>	<u>\$ 179,691</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Net Assets and Non-Controlling Interest (Continued)**

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

Non-controlling interest is comprised of the following activity:

	<u>SUN Financing</u>	<u>CDE X Entities</u>	<u>CDE XVI Entities</u>	<u>CDE XXII Entities</u>	<u>WegoWise</u>	<u>Total</u>
Non-controlling interests at December 31, 2015	\$ 2,483,936	\$ 2,492,469	\$ 3,962,141	\$ 1,431,650	\$ (2,621,405)	\$ 7,748,791
Equity investments	-	-	-	3,850,745	2,211	3,852,956
Changes in net assets	347,483	(243,596)	28,472	(175,696)	(470,242)	(513,579)
Other adjustments	-	-	-	-	144,789	144,789
Adjustment for change in ownership	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,594,996</u>	<u>2,594,996</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,986</u>	<u>12,986</u>
Non-controlling interests at December 31, 2017	<u>\$ 2,914,046</u>	<u>\$ 1,973,174</u>	<u>\$ 3,791,052</u>	<u>\$ 4,834,532</u>	<u>\$ (703,196)</u>	<u>\$ 12,809,608</u>

During 2016, the Holding Company and Venture Fund acquired additional equity in WegoWise (see Note 1) resulting in an adjustment to the non-controlling interest of other investors of \$2,594,996.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Financial and earned revenues are generally recognized as unrestricted revenue 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 temporarily restricted net assets. Interest on loans is presented net of interest of \$653,189 and \$1,221,159 collected on behalf of and paid to loan participants (see Note 4) in 2017 and 2016, respectively.

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)
- Fixed subscription fees from access to WegoWise energy tracking tool software
- 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 are included in deferred revenue and are recognized as services are delivered.

The Corporation 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).

Grants and contributions with no donor restrictions are recognized as unrestricted revenue when received or unconditionally pledged to the Corporation. Donor restricted grants and contributions with time or purpose restrictions are recognized as temporarily restricted net assets when received or unconditionally pledged (see page 19). Temporarily restricted net assets are transferred to unrestricted net assets 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 unrestricted net assets.

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.

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. 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Corporation and its operating affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The 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, 2017 and 2016. 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, 2018, which is the date the consolidated financial statements were available to be issued. Events that met the criteria for recognition or disclosure in the consolidated financial statement are included in Note 7.

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:

	<u>2017</u>	<u>2016</u>
CDE X	\$ 517	\$ 517
CDE XVI	753	753
CDE XXII	<u>600</u>	<u>600</u>
	<u>\$ 1,870</u>	<u>\$ 1,870</u>

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:

	<u>2017</u>	<u>2016</u>
Aura Mortgage	\$ 9,670,000	\$ 8,670,000
WegoWise	<u>5,371,511</u>	<u>5,371,511</u>
	<u>\$ 15,041,511</u>	<u>\$ 14,041,511</u>

The Holding Company's investments in NSP, WegoWise, SUN Financing II, 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:

	<u>2017</u>	<u>2016</u>
NSP	\$ 3,400,000	\$ 3,400,000
WegoWise	3,444,431	3,444,431
SUN Financing II	-	1,000,000
SEA	<u>800,000</u>	<u>800,000</u>
	<u>\$ 7,644,431</u>	<u>\$ 8,644,431</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

3. INVESTMENTS IN AFFILIATES (Continued)

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 XXIII (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.

As of December 31, 2017 and 2016, Managed Assets had the following amounts invested in the unconsolidated CDE LLCs:

	<u>2017</u>	<u>2016</u>
BCC NMTC CDE I, LLC	\$ 2,844	\$ 2,844
BCC NMTC CDE II, LLC	892	892
BCC NMTC CDE III, LLC	575	575
BCC NMTC CDE IV, LLC	2,137	2,137
BCC NMTC CDE V, LLC	551	551
BCC NMTC CDE VI, LLC	4,421	4,421
BCC NMTC CDE VII, LLC	15,805	15,805
BCC NMTC CDE VIII, LLC	8,502	8,502
BCC NMTC CDE IX, LLC	7,500	7,500
BCC NMTC CDE XI, LLC	2,279	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	-
BCC NMTC CDE XXV, LLC	500	-
BCC NMTC CDE XXVI, LLC	1,000	-
BCC NMTC CDE XXVII, LLC	1,000	-
BCC NMTC CDE XXVIII, LLC	800	-
BCC NMTC CDE XXIX, LLC	250	-
BCC NMTC CDE XXXI, LLC	800	-
	<u>\$ 64,050</u>	<u>\$ 59,150</u>

Equity Investment in BCLF Ventures II, LLC

The Venture Fund accounts for its investment in Ventures II, LLC using the equity method of accounting. 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

3. INVESTMENTS IN AFFILIATES (Continued)

Equity Investments in BCLF Ventures, LLCs (Continued)

The Venture Fund's net investment in Venture II, LLC was \$274,379 and \$414,333, respectively, as of December 31, 2017 and 2016, as follows:

	<u>2017</u>	<u>2016</u>
Net investment, beginning of year	\$ 414,333	\$ 653,094
Share of income	50,046	61,239
Distributions	<u>(190,000)</u>	<u>(300,000)</u>
Net investment, end of year	<u>\$ 274,379</u>	<u>\$ 414,333</u>

Summarized financial information for Ventures II, LLC is as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Assets	<u>\$ 2,678,127</u>	<u>\$ 4,123,557</u>
Equity	<u>\$ 2,678,127</u>	<u>\$ 4,123,557</u>

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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

Portfolio Lending (Continued)

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 20% and 19% of the portfolio as of December 31, 2017 and 2016, respectively.

Loans receivable of the Loan Fund are presented net of third-party loan participations of \$14,654,407 and \$9,638,268 as of December 31, 2017 and 2016, respectively. All loan participations qualify as loan sales in accordance with the ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*.

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

Type	2017		2016	
	Number of Loans	Net Loan Amount	Number of Loans	Net Loan Amount
Construction	33	\$ 45,729,464	30	\$ 40,424,090
Organizational	9	9,377,667	8	3,048,700
Permanent	57	44,131,893	46	29,791,209
Predevelopment	2	1,547,251	6	1,147,473
Site acquisition	<u>23</u>	<u>20,170,913</u>	<u>20</u>	<u>11,865,623</u>
	<u>124</u>	120,957,189	<u>110</u>	86,277,095
Interest receivable on above loans		<u>999,590</u>		<u>759,889</u>
		<u>\$ 121,956,779</u>		<u>\$ 87,036,984</u>

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 state.

All borrowers with loans that are currently amortizing are current with their payments as of December 31, 2017 and 2016.

Commitments to Lend

The Loan Fund had committed approximately \$28,625,000 and \$37,259,000 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2017 and 2016, 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

Guarantee Agreement

The Loan Fund also has a non-expiring loan guarantee agreement with the United States Department of Agriculture (USDA). The guarantee is intended to strengthen the Loan Fund's ability to finance loans to businesses in rural areas and thus stimulate economic growth in these areas. As of December 31, 2017 and 2016, there was an original guarantee of \$4,600,000 for one loan receivable under this agreement. This loan is set to mature on September 1, 2042. During 2017 and 2016, the Loan Fund did not receive any cash payments under this agreement. The principal balance of this loan is \$4,234,569, of which \$4,022,824 has been participated out to a third party.

Special Tax-Credit Lending

As of December 31, 2017 and 2016, the Loan Fund has entered into ninety and sixty-five 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 a loan 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%, which the Loan Fund will receive on the maturity date. These loans have various maturity dates through December 2071. As part of the arrangement, the Loan Fund received fees up to .05% of the total loan, not to be less than \$15,000. These fees are included in loan fees and other in the accompanying consolidated statements of activities and totaled \$279,759 and \$185,146 for 2017 and 2016, respectively.

Total outstanding principal balances are \$404,760,094 and \$372,038,725 as of December 31, 2017 and 2016, 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, 2017 and 2016. The provision associated with these allowances is netted with the value of the tax credit donation. Interest earned on these loans, net of applicable allowances, totaled \$263,227 for the year ended December 31, 2017, and is included in interest on loans in the accompanying consolidated statements of activities. Interest earned for the year ended December 31, 2016, was fully reserved.

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 state tax credit notes in the accompanying 2017 consolidated statement of activities.

Intercompany Lending

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 from time-to-time 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 and \$432,083 for 2017 and 2016, respectively, and as been eliminated in the accompanying consolidated statements of activities.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

SUN Financing (Continued)

As of December 31, 2017 and 2016, 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 6) to finance a portion of certain investments of the Venture Fund. This intercompany loan bears interest at 3%, payable quarterly, is unsecured, and matures in 2027. Interest on this borrowing totaled \$49,500 in 2017 and 2016 and has been eliminated in the accompanying consolidated statements of activities. As of December 31, 2017 and 2016, the principal outstanding under this agreement totaled \$1,650,000 and is due in December 2027.

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, 2017 and 2016. This intercompany loan bears interest at 3%, payable quarterly, is unsecured, and matures in 2020. Interest on these borrowings totaled \$90,000 in 2017 and 2016 and has been eliminated in the accompanying consolidated statements of activities.

481 Investment Fund

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 installments within a new markets tax credit financing structure. Interest on this note accrues at 6%. On October 31st of each year, all accrued interest and unpaid principal, to the extent of cash flow as outlined in the agreement, are due. All remaining unpaid principal and interest are due on the maturity date of March 23, 2021. This loan may be prepaid without penalty. During 2017 and 2016, the 481 Investment Fund made payments of principal of \$116,190 and \$308,090, respectively. As of December 31, 2017 and 2016, the outstanding balance of the loan was \$579,343 and \$695,533, respectively. Total interest was \$40,051 and \$52,910 for 2017 and 2016, respectively, and has been eliminated in the accompanying consolidated financial statements.

USB Investment Fund

The Loan Fund entered into a leverage loan agreement with the USB Investment Fund in the amount of \$5,224,207, which was used in the finance of solar panel installments 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, shall be 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 2017 and 2016, USB Investment Fund made payments of principal of \$480,181 and \$901,135, respectively. As of December 31, 2017 and 2016, the principal outstanding under this agreement was \$1,530,841 and \$2,011,022, respectively. Total interest incurred was \$108,289 and \$151,316 for 2017 and 2016, respectively, and has been eliminated in the consolidated financial statements.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS AND INTEREST RECEIVABLE (Continued)

Foreclosure and Home Mortgage Services

Through the operations of the SUN Initiative, 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.

During 2017 and 2016, Aura Mortgage transferred to SUN Financing and SUN Financing II, its interest, at net book value, in 102 and 127, respectively, of newly issued mortgage loans originated by Aura Mortgage. The proceeds of the transfers received from SUN Financing and SUN Financing II were then used by Aura Mortgage to repay the amounts due to NSP for home sales financed by Aura Mortgage.

Below is a summary of newly issued mortgage loans and related loan loss allowance transferred during the years ended December 31:

	2017		2016	
	SUN Financing	SUN Financing II	SUN Financing	SUN Financing II
Loans receivable transferred	\$ 11,605,447	\$ 8,230,650	\$ 12,437,729	\$ 11,983,630
Loan loss allowance transferred	\$ 2,915,322	\$ 1,355,021	\$ 2,022,567	\$ 2,115,039

During 2017, Aura Mortgage transferred its interest in 20 existing loans receivable to SUN Financing and SUN Financing transferred its interest in 57 loans back to Aura Mortgage, a net loan increase in Aura Mortgage of \$9,082,808, as well as the related net loan loss allowance and loan loss reserve of \$922,467, in order to satisfy collateralization requirements associated with the bond payable (see Note 7). Also, SUN Financing II transferred its interest in 129 loans receivable of \$23,977,327, as well as the related loan loss allowance and loan loss reserve of \$4,067,161, respectively, back to Aura Mortgage.

During 2016, SUN Financing transferred its interest in 29 loans receivable, as well as the related loan loss allowance and loan loss reserve, back to Aura Mortgage in order to satisfy the collateral requirements associated with Aura Mortgage's note payable to a bank (see Note 8). The outstanding balance of the loans receivable at the time of transfer was \$7,769,721 and the related loan loss allowance was \$1,372,101. As partial consideration, Aura Mortgage transferred its interest in 27 loans receivable totaling \$5,782,349, as well as the related loan loss allowance totaling \$1,445,507 to SUN Financing.

Aura Mortgage, in collaboration with an outside management company, continues to service all loans held by SUN Financing and SUN Financing II. The total amounts charged for origination and servicing of the loans were \$450,192 and \$413,836, respectively, which are eliminated in the accompanying consolidated statements of activities.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**4. LOANS AND INTEREST RECEIVABLE (Continued)****Foreclosure and Home Mortgage Services (Continued)**

Loans receivable consists of mortgage loans receivable to low-income individuals in the states of Massachusetts, Maryland, Rhode Island and Illinois, New Jersey and Pennsylvania. Adverse real estate markets in these states could affect the value of the SUN Initiative's loans receivable. These loans are generally secured by a first priority mortgage on the property and mature at various dates through 2047. The allowance for loan losses reduces the reported loan values.

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

	<u>2017</u>			<u>2016</u>		
	<u>Number of Loans</u>	<u>Interest Rates</u>	<u>Monthly Payments</u>	<u>Number of Loans</u>	<u>Interest Rates</u>	<u>Monthly Payments</u>
Aura Mortgage	447	5.625% - 7.5%	\$172 - \$4,261	295	5.625% - 7.5%	\$180 - \$3,088
SUN Financing	134	5.75% - 6.375%	\$270 - \$3,367	117	5.75% - 6.375%	\$349 - \$4,186
SUN Financing II	-	- %	\$ -	115	6.375%	\$172 - \$4,261

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

	<u>2017</u>	<u>2016</u>
60 - 89 days	\$ 2,346,537	\$ 1,766,675
Greater than 90 days	<u>11,321,035</u>	<u>9,453,784</u>
Total past due	13,667,572	11,220,459
Current	<u>98,740,416</u>	<u>88,616,078</u>
	<u>\$ 112,407,988</u>	<u>\$ 99,836,537</u>

The SUN Initiative maintains certain cash held for loan loss reserves. 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. The SUN Initiative 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**4. LOANS AND INTEREST RECEIVABLE (Continued)****Foreclosure and Home Mortgage Services (Continued)**

Below is a reconciliation of cash and cash equivalents - loan loss reserves for 2017 and 2016:

	<u>Aura Mortgage</u>	<u>SUN Financing</u>	<u>SUN Financing II</u>	<u>Total</u>
Balance at December 31, 2015	\$ 2,437,470	\$ 3,500,000	\$ 1,017,089	\$ 6,954,559
Withdrawal of cash and accumulated interest	(775,055)	(32,307)	(26,497)	(833,859)
Interest earned on loan loss reserves	<u>-</u>	<u>47,514</u>	<u>13,768</u>	<u>61,282</u>
Balance at December 31, 2016	1,662,415	3,515,207	1,004,360	6,181,982
Withdrawals of accumulated interest	-	(56,941)	(15,921)	(72,862)
Distribution to the Holding Company	-	-	(1,000,000)	(1,000,000)
Interest earned on loan loss reserves	<u>-</u>	<u>45,600</u>	<u>11,561</u>	<u>57,161</u>
Balance at December 31, 2017	<u>\$ 1,662,415</u>	<u>\$ 3,503,866</u>	<u>\$ -</u>	<u>\$ 5,166,281</u>

Aura Mortgage was awarded two contracts from the Commonwealth of Massachusetts totaling \$1,662,415 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 SUN Initiative 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.
- \$1,000,000 received by SUN Financing II from the Holding Company (distributed to Holding Company in 2017).

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Notes to Consolidated Financial Statements
 December 31, 2017 and 2016

4. LOANS AND INTEREST RECEIVABLE (Continued)
Maturities

Maturities of the loans and interest receivable as of December 31, 2017, are as follows:

<u>Year</u>	<u>Loan Fund</u>	<u>Foreclosure and Home Mortgage Services</u>		<u>Total</u>
		<u>Aura Mortgage</u>	<u>SUN Financing</u>	
2018	\$ 19,058,000	\$ 1,339,598	\$ 375,949	\$ 20,773,547
2019	17,343,913	1,313,495	374,790	19,032,198
2020	8,807,113	1,396,792	398,589	10,602,494
2021	11,771,986	1,485,374	423,900	13,681,260
2022	6,204,968	1,579,575	450,818	8,235,361
Thereafter	<u>58,770,799</u>	<u>75,732,968</u>	<u>27,536,140</u>	<u>162,039,907</u>
	121,956,779	82,847,802	29,560,186	234,364,767
Adjustment for deferred loan fees (see Note 2)	(489,089)	-	-	(489,089)
Less - current portion	(18,831,930)	(1,339,598)	(375,949)	(20,547,477)
Less - allowance for loan losses (see Note 5)	<u>(2,813,234)</u>	<u>(9,206,218)</u>	<u>(5,568,573)</u>	<u>(17,588,025)</u>
Net long-term portion	<u>\$ 99,822,526</u>	<u>\$ 72,301,986</u>	<u>\$ 23,615,664</u>	<u>\$ 195,740,176</u>

Loans receivable are as follow as of December 31, 2016:

	<u>Loan Fund</u>	<u>Foreclosure and Home Mortgage Services</u>			<u>Total</u>
		<u>Aura Mortgage</u>	<u>SUN Financing</u>	<u>SUN Financing II</u>	
Gross loans receivable	\$ 87,036,984	\$ 52,315,006	\$ 25,885,112	\$ 21,636,419	\$ 186,873,521
Adjustment for deferred loan fees (see Note 2)	(365,259)	-	-	-	(365,259)
Less - current portion	(23,644,507)	(900,534)	(353,204)	(259,235)	(25,157,480)
Less - allowance for loan losses (see Note 5)	<u>(3,220,340)</u>	<u>(6,856,864)</u>	<u>(3,623,898)</u>	<u>(3,434,588)</u>	<u>(17,135,690)</u>
Net long-term portion	<u>\$ 59,806,878</u>	<u>\$ 44,557,608</u>	<u>\$ 21,908,010</u>	<u>\$ 17,942,596</u>	<u>\$ 144,215,092</u>

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 on page 32. All intercompany borrowings with affiliates are eliminated in the consolidation.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**4. LOANS AND INTEREST RECEIVABLE (Continued)****Affiliate Loans (Continued)**

The Corporation and its affiliates have entered into various intercompany loans. These intercompany loans bear interest at 4.25% to 5%, payable quarterly, are unsecured, and mature between 2016 and 2023. Interest on these borrowings totaled \$719,989 and \$821,196 in 2017 and 2016, respectively, which has been eliminated from the accompanying consolidated financial statements.

Affiliate loans and interest receivable in the accompanying consolidated statements of financial position consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Intercompany Borrowings (see pages 26 - 31):		
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	1,530,841	2,011,022
Loan Fund receivable from Venture Fund	1,650,000	1,650,000
Loan Fund receivable from the 481 Investment Fund	<u>579,343</u>	<u>695,533</u>
Sub-total affiliate loans receivable	16,760,184	17,356,555
Affiliate loan receivables eliminated in consolidation	<u>(16,760,184)</u>	<u>(17,356,555)</u>
Total net affiliate loans receivables	<u>\$ -</u>	<u>\$ -</u>

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 unrestricted net assets which have been designated by the Board of Directors as a hedge against potential loan losses. Covenants with certain significant investors require the Loan Fund to maintain loan loss reserves equal to at least 5% of loans receivable of the Loan Fund.

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

	<u>2017</u>	<u>2016</u>
Allowance for loan losses (see page 34)	<u>\$ 2,813,234</u>	<u>\$ 3,220,340</u>
Board designated net assets for loan loss reserves (see Note 2):		
General loan loss reserves	5,453,280	3,654,550
CDFI funds released from restrictions for specified loans	<u>-</u>	<u>3,481,493</u>
Subtotal - Board designated net assets for loan loss reserves	<u>5,453,280</u>	<u>7,136,043</u>
	<u>\$ 8,266,514</u>	<u>\$ 10,356,383</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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

Loan Fund (Continued)

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 unrestricted net assets 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 Loan Fund also received CDFI financial assistance grants that required a matching component. This component required the Loan Fund to set aside additional reserves that are specific to certain types of loans. The loans that fall under these grants are for a community facility project where the project has a low collateral value or for predevelopment loans that support early feasibility and planning activities. The CDFI funds were matched with an equivalent amount of unrestricted funds which were also transferred to Board designated net assets. Board-designated net assets related to qualifying loan commitments were:

CDFI Board Designated balance as of December 31, 2015	\$ 5,601,612
Additions	37,108
Releases	<u>(2,157,227)</u>
CDFI Board Designated balance as of December 31, 2016	3,481,493
Releases	<u>(3,481,493)</u>
CDFI Board Designated balance as of December 31, 2017	<u>\$ -</u>

Releases are made from the Board designated balance when related loans have repaid and the respective grant compliance period has lapsed.

The allowance for loan losses consists of the following at December 31, 2017 and 2016:

<u>2017</u>	<u>Construction</u>	<u>Organiza- tional</u>	<u>Permanent</u>	<u>Predevelop- ment</u>	<u>Site Acquisition</u>	<u>Total</u>
Allowance for loan losses, December 31, 2016	\$ 22,988	\$ 2,755	\$ 2,218,945	\$ 822,076	\$ 153,576	\$ 3,220,340
Charge-offs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(407,106)</u>	<u>-</u>	<u>(407,106)</u>
Allowance for loan losses, December 31, 2017	<u>\$ 22,988</u>	<u>\$ 2,755</u>	<u>\$ 2,218,945</u>	<u>\$ 414,970</u>	<u>\$ 153,576</u>	<u>\$ 2,813,234</u>
Ending balance: Individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,955,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,955,869</u>
Troubled debt restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,955,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,955,869</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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

Loan Fund (Continued)

<u>2016</u>	<u>Construction</u>	<u>Organiza- tional</u>	<u>Permanent</u>	<u>Predevelop- ment</u>	<u>Site Acquisition</u>	<u>Total</u>
Allowance for loan losses, December 31, 2015	\$ 1,022,988	\$ 2,755	\$ 1,767,399	\$ 412,428	\$ 829,111	\$ 4,034,681
Charge-offs	(674,061)	-	-	-	-	(674,061)
Recoveries	(325,939)	-	(174,347)	(104,481)	(675,535)	(1,280,302)
Provision	-	-	625,893	514,129	-	1,140,022
Allowance for loan losses, December 31, 2016	<u>\$ 22,988</u>	<u>\$ 2,755</u>	<u>\$ 2,218,945</u>	<u>\$ 822,076</u>	<u>\$ 153,576</u>	<u>\$ 3,220,340</u>
Ending balance: Individually evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839,561</u>	<u>\$ 514,129</u>	<u>\$ -</u>	<u>\$ 2,353,690</u>
Troubled debt restructuring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,839,561</u>	<u>\$ 514,129</u>	<u>\$ -</u>	<u>\$ 2,353,690</u>

The loan loss allowance is allocated between the current and long-term portions of the loan portfolio based upon the maturities of the underlying reserved loan balances.

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:

<u>Category</u>	<u>Risk Rating</u>	<u>2017</u>		<u>2016</u>	
		<u>Loan Balance</u>	<u>Loan Loss Allowance</u>	<u>Loan Balance</u>	<u>Loan Loss Allowance</u>
Pass	1 - 4	\$ 112,345,459	\$ -	\$ 76,679,831	\$ -
Special Mention	5 - 6	7,799,662	1,875,108	8,246,368	1,780,336
Substandard	7 - 8	812,068	812,068	1,350,896	1,350,896
General Reserve		-	126,058	-	89,108
		<u>\$ 120,957,189</u>	<u>\$ 2,813,234</u>	<u>\$ 86,277,095</u>	<u>\$ 3,220,340</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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

Loan Fund (Continued)

Impaired Loans – Loan Fund

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.

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

<u>Loan Category</u>	<u>2017</u>		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Related Allowance for Loan Loss</u>
Permanent	<u>4</u>	<u>\$ 3,099,670</u>	<u>\$ 1,955,869</u>
<u>Loan Category</u>	<u>2016</u>		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Related Allowance for Loan Loss</u>
Permanent	4	\$ 3,224,370	\$ 1,839,561
Construction	<u>2</u>	<u>514,129</u>	<u>514,129</u>
Total impaired loans	<u>6</u>	<u>\$ 3,738,499</u>	<u>\$ 2,353,690</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**5. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES (Continued)****Loan Fund (Continued)*****Troubled Debt Restructurings***

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

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

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

As of December 31, 2017 and 2016, loans that were impaired and classified as TDRs were as follows:

<u>Troubled Debt Restructuring</u>	2017		
	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Related Allowance for Loan Loss</u>
Multiple extensions resulting from financial difficulty	<u>4</u>	<u>\$ 3,099,670</u>	<u>\$ 1,955,869</u>
<u>Troubled Debt Restructuring</u>	2016		
	<u>Number of Loans Restructured</u>	<u>Amount of Restructured Loans</u>	<u>Related Allowance for Loan Loss</u>
Multiple extensions resulting from financial difficulty	<u>4</u>	<u>\$ 3,224,370</u>	<u>\$ 1,839,561</u>
Extended under forbearance	<u>2</u>	<u>514,129</u>	<u>514,129</u>
Total TDRs	<u>6</u>	<u>\$ 3,738,499</u>	<u>\$ 2,353,690</u>

The above loans are all on "non-accrual" basis. During 2016, the one loan that was extended under forbearance as of 2015 was paid off. During 2017, two loans that were extended under forbearance as of 2016 were paid off.

Foreclosure and Home Mortgage Services

The SUN Initiative 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

 Notes to Consolidated Financial Statements
 December 31, 2017 and 2016

5. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES (Continued)
Foreclosure and Home Mortgage Services (Continued)

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

<u>Category</u>	<u>Risk Rating</u>	<u>2017</u>		<u>2016</u>	
		<u>Loan Balance</u>	<u>Loan Loss Allowance</u>	<u>Loan Balance</u>	<u>Loan Loss Allowance</u>
Pass	1 - 2	\$ 79,932,426	\$ 2,466,767	\$ 70,854,819	\$ 2,096,207
Special Mention	3 - 6	18,807,990	2,105,662	17,761,260	1,981,147
Substandard	7 - 8	13,667,572	3,409,230	11,220,458	2,754,076
General Reserve		-	6,793,132	-	7,083,920
		<u>\$ 112,407,988</u>	<u>\$ 14,774,791</u>	<u>\$ 99,836,537</u>	<u>\$ 13,915,350</u>

The loan loss allowance consists of the following:

	<u>Aura Mortgage</u>	<u>SUN Financing</u>	<u>SUN Financing II</u>	<u>Total</u>
December 31, 2015	\$ 8,741,519	\$ 2,038,827	\$ 1,774,682	\$ 12,555,028
Loan loss allowance established with mortgage origination (see Note 2)	4,137,606	-	-	4,137,606
Portion transferred to SUN Financing	(2,022,567)	2,022,567	-	-
Portion transferred to SUN Financing II	(2,115,039)	-	2,115,039	-
Portion transferred from SUN Financing to Aura Mortgage	1,372,101	(1,372,101)	-	-
Recovery from loans repaid	(977,749)	(104,880)	(105,133)	(1,187,762)
Loan loss allowance transferred from Aura Mortgage to SUN Financing	(1,445,587)	1,445,587	-	-
Reduction for loans converted to real estate owned	(83,420)	(56,102)	-	(139,522)
Loan loss recoveries	<u>(750,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>(1,450,000)</u>
December 31, 2016	6,856,864	3,623,898	3,434,588	13,915,350
Loan loss allowance established with mortgage origination (see Note 2)	4,270,343	-	-	4,270,343
Loan loss allowance transferred to SUN Financing - mortgage origination	(2,915,322)	2,915,322	-	-
Loan loss allowance transferred to SUN Financing II - mortgage origination	(1,355,021)	-	1,355,021	-
Loan loss allowance transferred from SUN Financing	2,879,740	(2,879,740)	-	-
Loan loss allowance transferred to SUN Financing	(1,957,273)	1,957,273	-	-
Loan loss allowance transferred from SUN Financing II	4,067,161	357,395	(4,424,556)	-
Reduction for loans converted to real estate owned	-	(27,363)	-	(27,363)
Recovery from loans repaid	(2,040,274)	(273,212)	(165,053)	(2,478,539)
Loan loss recoveries	<u>(600,000)</u>	<u>(105,000)</u>	<u>(200,000)</u>	<u>(905,000)</u>
December 31, 2017	<u>\$ 9,206,218</u>	<u>\$ 5,568,573</u>	<u>\$ -</u>	<u>\$ 14,774,791</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**5. ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES (Continued)****Foreclosure and Home Mortgage Services (Continued)**

The SUN Initiative had no write-offs of loan principal during 2017 and 2016. The SUN Initiative's loans receivable are secured by real estate holdings in Massachusetts, Maryland, Illinois, New Jersey, Rhode Island, and Pennsylvania and could be affected by adverse real estate markets in those states.

Impaired loans (see page 36) as of December 31, 2017 and 2016, are set forth in the table below:

	2017		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Related Allowance for Loan Loss</u>
SUN Financing	31	\$ 7,132,689	\$ 1,783,172
	2016		
	<u>Number of Impaired Loans</u>	<u>Amount of Impaired Loans</u>	<u>Related Allowance for Loan Loss</u>
SUN Financing	23	\$ 5,036,584	\$ 1,259,146
SUN Financing II	4	\$ 995,228	\$ 248,807

6. PROPERTY AND EQUIPMENT, INTERESTS IN REAL PROPERTY AND REAL ESTATE OWNED**Holding Company**

Property and equipment are as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 184,528	\$ 156,969
Office equipment	47,923	47,923
Leasehold improvements	<u>1,138,555</u>	<u>1,138,555</u>
	1,371,006	1,343,447
Less - accumulated depreciation	<u>519,806</u>	<u>350,529</u>
	<u>\$ 851,200</u>	<u>\$ 992,918</u>

Depreciation expense of the Holding Company for 2017 and 2016 was \$169,277 and \$164,703, 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**6. PROPERTY AND EQUIPMENT, INTERESTS IN REAL PROPERTY AND REAL ESTATE OWNED**
(Continued)**Solar Energy Programs** (Continued)

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, 2017 and 2016. Management maintained compliance throughout the five-year recapture period applicable to these projects which expired through June 2016.

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

<u>2017</u>	<u>SEA</u>	<u>SEA QALICB</u>	<u>SEA QALICB II</u>	<u>Solar III</u>	<u>Total</u>
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	<u>(2,307,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,307,684)</u>
Depreciable cost basis	2,980,636	4,875,514	6,906,911	9,718,284	24,481,345
Less - accumulated depreciation	<u>(1,919,149)</u>	<u>(2,423,338)</u>	<u>(2,087,035)</u>	<u>(1,691,301)</u>	<u>(8,120,823)</u>
Net book value of projects	<u>\$ 1,061,487</u>	<u>\$ 2,452,176</u>	<u>\$ 4,819,876</u>	<u>\$ 8,026,983</u>	16,360,522
Less - elimination of developer fee profit earned by SEA					<u>(507,673)</u>
Net book value of projects after elimination					<u>\$ 15,852,849</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**6. PROPERTY AND EQUIPMENT, INTERESTS IN REAL PROPERTY AND REAL ESTATE OWNED**
(Continued)**Solar Energy Programs (Continued)**

<u>2016</u>	<u>SEA</u>	<u>SEA QALICB</u>	<u>SEA QALICB II</u>	<u>Solar III</u>	<u>Total</u>
Solar energy panels and installation	\$ 10,366,847	\$ 5,091,403	\$ 6,903,719	\$ 9,718,284	\$ 32,080,253
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	<u>(2,307,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,307,684)</u>
Depreciable cost basis	2,917,975	4,875,514	6,903,719	9,718,284	24,415,492
Less - accumulated depreciation	<u>(1,675,387)</u>	<u>(2,016,375)</u>	<u>(1,509,519)</u>	<u>(719,882)</u>	<u>(5,921,163)</u>
Net book value of projects	<u>\$ 1,242,588</u>	<u>\$ 2,859,139</u>	<u>\$ 5,394,200</u>	<u>\$ 8,998,402</u>	18,494,329
Less - elimination of developer fee profit earned by SEA					<u>(569,183)</u>
Net book value of projects after elimination					<u>\$ 17,925,146</u>

For the years ended December 31, 2017 and 2016, depreciation expense related to SEA, SEA QALICB, SEA QALICB II and Solar III totaled \$2,199,660 and \$1,944,655, respectively. During 2016, SEA sold one of its fully depreciated solar panels for \$38,000, which is included in net loss on disposal of property and equipment in the accompanying 2016 consolidated statement of activities.

The Holding Company and SEA are the developers of the solar projects on behalf of the affiliates which own them. Developer fees were accounted for using the completed-contract method, as the developer fee agreements are short-term contracts. The portion of any developer fee that is considered intercompany profit has been eliminated from the consolidated financial statements (see page 45).

During 2016, Solar III paid a developer fee to SEA in the amount of \$1,174,884 for overseeing the development, installation, and construction of its projects. The developer fee has been capitalized and included in property and equipment.

SEA, SEA QALICB, SEA QALICB II and Solar III have power purchase and host agreements 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**6. PROPERTY AND EQUIPMENT, INTERESTS IN REAL PROPERTY AND REAL ESTATE OWNED**
(Continued)**Solar Energy Programs** (Continued)

The related power purchase agreement revenue (PPA) is as follows for 2017 and 2016 and is included in program revenue and fees in the accompanying consolidated statements of activities:

	<u>2017</u>	<u>2016</u>
SEA PPA	\$ 219,929	\$ 240,496
SEA QALICB PPA	91,413	90,212
SEA QALICB II PPA	238,498	264,891
Solar III PPA	<u>385,753</u>	<u>328,266</u>
Total PPA revenue	<u>\$ 935,593</u>	<u>\$ 923,865</u>

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.

The related REC and SREC revenue are as follows for 2017 and 2016 and are included in program revenue and fees in the accompanying consolidated statements of activities:

	<u>2017</u>	<u>2016</u>
SEA REC	<u>\$ 59,981</u>	<u>\$ 65,237</u>
SEA SREC	\$ 131,757	\$ 170,650
SEA QALICB SREC	283,677	331,213
SEA QALICB II SREC	605,681	840,322
Solar III SREC	<u>955,115</u>	<u>835,790</u>
Total SREC revenue	<u>\$ 1,976,230</u>	<u>\$ 2,177,975</u>

WegoWise, Inc.

WegoWise held office equipment with a cost of \$175,949 and \$165,800 and accumulated depreciation of \$144,920 and \$113,836 as of December 31, 2017 and 2016, respectively. Depreciation expense for WegoWise for 2017 and 2016 was \$31,084 and \$30,810, respectively.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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

Foreclosure and Home Mortgage Services

NSP

In connection with activities of the SUN Initiative, 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.

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 sales of interests in real property are earned upon sale of interests in real properties to mortgage lenders other than Aura Mortgage and represent the difference between sale price and net book value of interests in real property at time of sale. Income received by NSP associated with shared appreciation notes is recognized upon full repayment of loans receivable within the SUN Initiative. For the years ended December 31, 2017 and 2016, NSP recognized gains totaling \$2,297,173 and \$488,717, respectively, resulting from the sale of properties, which is included in net gain on sale of real estate in the accompanying consolidated statements of activities.

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 was \$44,863 and \$50,813 for 2017 and 2016, respectively, which is included in program revenue and fees in the accompanying consolidated statements of activities. NSP transferred rental income totaling \$20,702 and \$30,042 to SUN Financing during 2017 and 2016, 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, they have been classified as long-term assets in the accompanying consolidated statements of financial position.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

6. PROPERTY AND EQUIPMENT, INTERESTS IN REAL PROPERTY AND REAL ESTATE OWNED
(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 the SUN Initiative is as follows as of December 31:

	<u>SUN Financing</u>	<u>SUN Financing II</u>	<u>Total</u>
Balance at December 31, 2015	\$ 293,511	\$ -	\$ 293,511
Purchase of interests in real properties	20,460,436	-	20,460,436
Cost basis of interests in real property transferred to SUN Financing II	(9,937,063)	9,937,063	-
Cost basis of interests in real property converted to interests in loans receivable (see Note 4)	<u>(10,650,533)</u>	<u>(9,937,063)</u>	<u>(20,587,596)</u>
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)	<u>(22,349,674)</u>	<u>(6,718,996)</u>	<u>(29,068,670)</u>
Balance at December 31, 2017	<u>\$ 257,869</u>	<u>\$ -</u>	<u>\$ 257,869</u>

Real Estate Owned

Aura Mortgage and SUN Financing have foreclosed on various residential real estate properties which each had financed and in which each had an interest in the loan receivable. Aura Mortgage and SUN Financing acquired ownership of the residential real estate properties and canceled the respective mortgage loans. There were no such properties acquired through foreclosure in 2017 or 2016. The last property under Aura Mortgage was sold in 2017. There are three properties remaining under SUN Financing as of December 31, 2017.

A reconciliation of real estate owned is as follows as of December 31:

	<u>Aura Mortgage</u>	<u>SUN Financing</u>	<u>Total</u>
Balance at December 31, 2015	\$ 941,154	\$ 572,163	\$ 1,513,317
Release of reserve against property owned	(41,854)	-	(41,854)
Improvements to the properties	39,212	3,760	42,972
Sales of real estate owned	<u>(729,121)</u>	<u>-</u>	<u>(729,121)</u>
Balance at December 31, 2016	209,391	575,923	785,314
Improvements to the properties	-	274,975	274,975
Sales of real estate owned	<u>(209,391)</u>	<u>(203,395)</u>	<u>(412,786)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 647,503</u>	<u>\$ 647,503</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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

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

Real Estate Owned (Continued)

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, which is included in realized gains from sales of interests in real property and shared appreciation notes in the accompanying consolidated statements of activities. During 2016, Aura Mortgage sold three residential real estate properties, yielding proceeds of \$877,304, and recognized gain on the sale of these residential real estate properties for \$148,183, which is included in realized gains from sales of interests in real estate notes in the accompanying consolidated statements of activities.

During 2017, SUN Financing sold one property, yielding proceeds of \$265,492, and recognized a gain of \$62,097, which is included in realized gains from sales of interests in 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:

	<u>2017</u>	<u>2016</u>
Holding Company property and equipment	\$ 851,200	\$ 992,918
SEA - Solar energy equipment	15,852,849	17,925,146
WegoWise office equipment	31,029	51,964
Foreclosure and Home Mortgage Services:		
Aura Mortgage foreclosed property	-	209,391
SUN Financing - foreclosed property	647,503	575,923
SUN Financing - properties held for sale	<u>257,869</u>	<u>166,351</u>
	17,640,450	19,921,693
Less - eliminations	<u>(141,247)</u>	<u>(158,091)</u>
	17,499,203	19,763,602
Portion reported as current asset	<u>-</u>	<u>(209,391)</u>
Portion reported as non-current	<u>\$ 17,499,203</u>	<u>\$ 19,554,211</u>

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

Loans payable of the Loan Fund represent loans by approximately 350 lenders ("investors") in principal amounts ranging from \$1,000 to \$15,000,000. Loans payable bear interest at rates ranging from 0% to 4.3%, payable at various dates through 2028. As of December 31, 2017 and 2016, total loan balances were \$37,142,390 and \$33,473,637, respectively.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

7. LOANS AND BOND PAYABLE

Loan Fund (Continued)

Lines of Credit

The Loan Fund has a \$15,000,000 unsecured revolving line of credit with a financial institution, which originally expired in September 2017. During 2017, this line of credit was extended until September 30, 2019, under the same terms. The interest rate on this line of credit is a thirty-day London Interbank Offered Rate (LIBOR) (1.4925% and 0.7164% as of December 31, 2017 and 2016, 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 and 2016.

The Loan Fund has a \$15,000,000 unsecured non-revolving line of credit agreement with a financial institution, which expires on June 30, 2018. Outstanding advances under this line of credit bear 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 are to be used only to finance qualifying New Markets Tax Credit loans in certain states. As of December 31, 2017 and 2016, \$5,000,000 was outstanding on this line of credit. Funds advanced under these draws bear interest at rates ranging from 3.24% to 3.73%. The interest rates are locked-in on the specific date of each draw. There was no available credit as of December 31, 2017 and 2016, as \$10,000,000 of the note was paid in previous years.

The Loan Fund has a \$2,500,000 unsecured revolving line of credit with a financial institution, which expires on August 31, 2019. The interest rate on this line of credit is a thirty-day LIBOR (1.425% and 0.7164% as of December 31, 2017 and 2016, respectively), plus 1.5%. There was no balance on this line of credit as of December 31, 2017 and 2016. The Loan Fund also has an additional \$10,000,000 unsecured non-revolving line of credit with this financial institution, which expires on December 21, 2021. The interest rate on this line of credit is based on the applicable Federal Home Loan Bank of Boston (FHLBB) Rate at the time of the borrowings. The interest rates are locked-in on the specific date of each draw. During 2017 and 2016, the line of credit was drawn in full at an interest rate of 4%. As of December 31, 2017 and 2016, \$10,000,000 was outstanding on this line of credit.

The Loan Fund has a \$10,000,000 unsecured revolving line of credit with a financial institution, which expires on December 31, 2022. The interest rate on this line of credit is 1.34% and interest is due in quarterly payments. As of December 31, 2017 and 2016, \$10,000,000 was outstanding on this line of credit.

The Loan Fund has a \$15,000,000 unsecured revolving line of credit with a financial institution, which expires on December 31, 2022. The interest rate on this line of credit is 2.5% and interest is due in quarterly payments. As of December 31, 2017, \$15,000,000 was outstanding on this line of credit. There was no outstanding balance on this line of credit as of December 31, 2016.

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 quarter. As of December 31, 2017 and 2016, \$10,000,000 was outstanding on this line of credit.

The Loan Fund has a \$5,000,000 unsecured revolving line of credit with a financial institution, which expires on May 31, 2018. The interest rate on this line of credit is a thirty-day LIBOR (1.4925% and 0.7164% as of December 31, 2017 and 2016, respectively), plus 2.5%. There was no outstanding balance on this line of credit as of December 31, 2017 and 2016.

The above loans payable and lines of credit require the Loan Fund to maintain certain financial ratios and other covenants as specified in the agreements. As of December 31, 2017 and 2016, the Loan Fund was in compliance with these covenants. As of December 31, 2017 and 2016, the Loan Fund had \$22,500,000 and \$37,500,000, respectively, available on lines of credit.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**7. LOANS AND BOND PAYABLE (Continued)****Loan Fund (Continued)**

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

	<u>2017</u>	<u>2016</u>
Lines of credit	\$ 50,000,000	\$ 35,000,000
Other loans payable	<u>37,142,390</u>	<u>33,473,637</u>
	<u>\$ 87,142,390</u>	<u>\$ 68,473,637</u>

In the ordinary course of operations, the Loan Fund may negotiate extensions of maturity with many investors. The current maturities as of December 31, 2017, include approximately \$554,000 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, 2017, also include approximately \$1,442,000 considered due on demand.

Solar Energy Programs***The Investment Fund***

The Investment Fund entered into a leverage loan (leverage loan) agreement with a bank in the amount of \$4,163,819, which was used to partially fund the QEI (see Note 1). Outstanding amounts bore interest at 4.24% per annum, compounded annually. Interest-only payments were due each month commencing on January 1, 2016 through December 31, 2016. During 2016, the leverage loan was partially prepaid without penalty in the amount of \$3,852,005. During 2017, the remaining balance of \$311,814 was paid in full based on available cash flow of the Investment Fund as determined in the loan agreement.

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. Beginning on January 1, 2016, Solar III is required to make interest-only payments through October 1, 2016. Beginning on January 1, 2017, 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, 2017, there is an additional principal payment of \$13,339 due based on 2017 surplus cash flow. As of December 31, 2016, there was an additional principal payment of \$698,330 due based on 2016 surplus cash flow. The additional principal payment of \$698,330 was waived by the bank subsequent to year-end. SEA has unconditionally guaranteed the loan which is also secured by all assets of Solar III. The balance of the loan was \$3,990,221 as of December 31, 2017.

The balance of loans payable of Solar Energy Programs were as follows as of December 31:

	<u>2017</u>	<u>2016</u>
The Investment Fund	\$ -	\$ 311,814
Solar III	<u>3,990,221</u>	<u>4,387,255</u>
	<u>\$ 3,990,221</u>	<u>\$ 4,699,069</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**7. LOANS AND BOND PAYABLE (Continued)****Foreclosure and Home Mortgage Services*****SUN Financing and SUN Financing II***

SUN Financing entered into a Note Purchase Agreement with the Loan Fund as the original purchaser and with additional purchasers. The Loan Fund's purchased interest as of December 31, 2017 and 2016, was \$10,000,000 and is eliminated from the accompanying consolidated statements of financial position. In addition, SUN Financing II has 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 amounts of \$50,000,000 and \$100,000,000, respectively. The principal amounts of the loans payable range from \$5,000 to \$5,000,000. The interest expense incurred on the Note Purchase Agreement with the Loan Fund was \$430,903 and \$432,083 in 2017 and 2016, respectively, which has been eliminated from the accompanying consolidated statements of activities.

Loans payable under the Note Purchase Agreement issued by SUN Financing bear interest at rates ranging from 3.0% to 4.25%, payable quarterly in arrears, and were set to mature in May 2015. During 2017, a portion of these notes were extended for an additional term through December 2020. Nineteen holders of the notes payable elected not to renew their agreement with SUN Financing.

Loans payable under the Note Purchase Agreement issued by SUN Financing II (SUN Financing as of December 31, 2017) bore interest at 4.25%, payable quarterly in arrears, and originally set to mature in December 2020. All loans payable may be prepaid without penalty. As of December 31, 2017, all of SUN Financing II's loans payable have been assumed by SUN Financing and Aura Mortgage. The Note Purchase Agreements require SUN Financing to maintain certain covenants as specified in the agreements. As of December 31, 2017 and 2016, SUN Financing was in compliance with these covenants.

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

	<u>2017</u>	<u>2016</u>
SUN Financing	\$ 885,521	\$ 662,506
SUN Financing II	<u>375,715</u>	<u>366,052</u>
	<u>\$ 1,261,236</u>	<u>\$ 1,028,558</u>

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:

	<u>2017</u>	<u>2016</u>
SUN Financing	\$ 35,663,081	\$ 18,787,820
SUN Financing II	<u>-</u>	<u>8,626,104</u>
	<u>\$ 35,663,081</u>	<u>\$ 27,413,924</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

7. LOANS AND BOND PAYABLE (Continued)

Foreclosure and Home Mortgage Services (Continued)

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% (as amended from 4.75% in October 2016) through August 2023, at which point the interest rate would have adjusted to the *Federal Home Loan Bank* rate plus 2.25%. 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 below) during the year ended December 31, 2017. The principal balance at December 31, 2016, was \$50,000,000. Interest expense on the note payable totaled \$1,825,847 and \$1,953,202 for 2017 and 2016, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Accrued interest on this note payable was \$94,504 as of December 31, 2016, and is included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. The note payable as of December 31, 2016, is shown net of unamortized debt issuance costs of \$723,802. Interest - amortization of debt issuance costs on the note payable were amortized at \$40,580 and \$39,629 for the years ended December 31, 2017 and 2016, respectively. The remaining unamortized debt issuance costs on the note payable of \$683,222 were written during 2017 and are reflected as write-off of expired debt issuance costs in the accompanying consolidated statements of activities.

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. Under the promissory note issued incident to the bond loan agreement, interest accrues at a rate of 2.94%. Principal and interest payments of \$830,171, plus applicable administrative and Trustee fees are due starting on March 15, 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, 2017, was \$65,000,000. Interest expense on the bond payable totaled \$298,181 for 2017 and is included in interest expense in the accompanying consolidated statement of activities. The bond payable as of December 31, 2017, is shown net of unamortized debt issuance costs of \$752,741 as of December 31, 2017. The bond is guaranteed under the CDFI Bond Guarantee program and a third party limited guarantee of \$3,000,000.

Aura Mortgage is also required to comply with certain financial and non-financial covenants associated with the bond payable. Among these covenants 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 unrestricted net assets. Second, Aura Mortgage must also meet a defined unrestricted net asset ratio where unrestricted net assets divided by total assets is greater than or equal to 18% for any two consecutive fiscal quarters. Aura Mortgage was in compliance with these covenants as of December 31, 2017 and 2016.

In connection with the net asset covenant, 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 unrestricted net asset ratio covenant. Venture Fund contributed \$1,000,000 for this purpose in 2017, which is included in the accompanying consolidated statements of changes in net assets and non-controlling interests.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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. The latter include bond facilitation fees, program administrator and servicing fees, and loan collateral fees. The amounts noted above are calculated as defined in the bond loan agreement. These fees totaled \$36,400 for 2017 and are included in interest expense in the accompanying consolidated statements of activities. The Trustee has also been assigned without recourse rights, title and interest in the collateral of the mortgages.

Proceeds advanced to Aura Mortgage under the bond loan agreement are subsequently loaned to Aura Direct which uses the proceeds to make qualifying mortgage loans receivable of the SUN Initiative. 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 Mortgage, 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 Mortgage and Aura Direct is to be not less than 125%, calculated as outstanding principal on the loans with Aura Direct, plus the restricted cash account (see Note 14) less the outstanding obligation on the Aura Direct loan payable to Aura Mortgage.

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 U.S. 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 7) 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.

WegoWise

In February 2016, WegoWise entered into a loan agreement with a bank for borrowing 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, 2017 and 2016, the outstanding balance on the note payable was \$7,000,000 and \$5,000,000, respectively. Beginning in March 2016, WegoWise began to make monthly payments of accrued and unpaid interest on the outstanding principal owed on this loan. Subsequent to December 31, 2017, the loan agreement was amended to require monthly payments of principal and interest beginning in September 2018 to fully repay the outstanding principal amount of this loan over a fifty-four month amortization period ending in February 2023. This loan is unconditionally guaranteed by BCC and partially secured by a restricted cash account held by WegoWise (see Note 2). The loan agreement contains various covenants with which WegoWise must comply. WegoWise was in compliance with these covenants at December 31, 2017 and 2016.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**7. LOANS AND BOND PAYABLE (Continued)**

The above schedule of maturities includes only regularly scheduled principal payments for principal outstanding at December 31, 2017, 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

Maturities of all loans payable, as adjusted for commitments to refinance current maturities, as of December 31, 2017 and 2016, are as follows:

<u>Year</u>	<u>2017</u>				
	<u>Loan Fund</u>	<u>Solar Energy Programs</u>	<u>Foreclosure and Homes Mortgage Services</u>	<u>WegoWise</u>	<u>Total</u>
2018	\$ 6,901,215	\$ 433,019	\$ 1,305,576	\$ 471,401	\$ 9,111,211
2019	3,150,946	441,635	1,467,671	1,457,299	6,517,551
2020	6,668,080	464,738	37,174,379	1,524,247	45,831,444
2021	41,190,112	489,051	1,556,223	1,594,270	44,829,656
2022	16,099,036	514,635	1,602,482	1,667,511	19,883,664
Thereafter	<u>13,133,001</u>	<u>1,647,143</u>	<u>57,437,024</u>	<u>285,272</u>	<u>72,502,440</u>
Total loans	87,142,390	3,990,221	100,543,355	7,000,000	198,675,966
Less - current portion	(6,901,215)	(433,019)	(1,305,576)	(471,401)	(9,111,211)
Less - unamortized debt issuance costs	<u>(34,892)</u>	<u>-</u>	<u>(752,741)</u>	<u>(108,483)</u>	<u>(896,116)</u>
Loans payable, net of current portion	<u>\$ 80,206,283</u>	<u>\$ 3,557,202</u>	<u>\$ 98,485,038</u>	<u>\$ 6,420,116</u>	<u>\$ 188,668,639</u>
<u>Year</u>	<u>2016</u>				
	<u>Loan Fund</u>	<u>Solar Energy Programs</u>	<u>Foreclosure and Homes Mortgage Services</u>	<u>WegoWise</u>	<u>Total</u>
Total loans	\$ 68,473,637	\$ 4,699,069	\$ 77,413,924	\$ 5,000,000	\$ 155,586,630
Less - current portion	(7,267,784)	(297,164)	(1,741,019)	-	(9,305,967)
Less - unamortized debt issuance costs	<u>(58,132)</u>	<u>-</u>	<u>(723,802)</u>	<u>(129,480)</u>	<u>(911,414)</u>
Loans payable, net of current portion	<u>\$ 61,147,721</u>	<u>\$ 4,401,905</u>	<u>\$ 74,949,103</u>	<u>\$ 4,870,520</u>	<u>\$ 145,369,249</u>

8. PERMANENT LOAN CAPITAL – SUBORDINATED LOANS PAYABLE

Permanent loan capital – subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (46 individual loans as of December 31, 2017 and 2016) 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 2028. 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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, 2017, are as follows:

2018	\$ 105,042
2019	4,517,162
2020	81,606
2021	22,889
2022	500,000
Thereafter	<u>20,249,999</u>
Total loans	25,476,698
Less - current portion	<u>(105,042)</u>
	<u>\$ 25,371,656</u>
<hr/>	
2016	
Total loans	\$ 25,579,661
Less - current portion	<u>(102,963)</u>
	<u>\$ 25,476,698</u>

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 \$517 million of cumulative QEIs as of December 31, 2017, to make QLICs of the active CDE LLCs. By making QLICs, the CDE LLCs enable the Investor Members to claim approximately \$198 million of NMTC over credit periods of seven years.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

9. NEW MARKETS TAX CREDITS PROGRAM (Continued)

For Managed Assets' participation in establishing the CDE LLCs and underwriting the QLICs 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 2017 were as follows:

	<u>2017</u>
BCC NMTC CDE XXV, LLC	\$ 250,000
BCC NMTC CDE XXVI, LLC	500,000
BCC NMTC CDE XXVIII, LLC	400,000
BCC NMTC CDE XXIX, LLC	125,000
BCC NMTC CDE XXXI, LLC	<u>400,000</u>
Total	<u>\$ 1,675,000</u>

There were no such fees earned in 2016 as there were no new CDEs activated during 2016.

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 loans and fees receivable.

Delayed fees receivable are as follows at December 31:

	<u>2017</u>	<u>2016</u>	<u>Quarterly Installments Payable Through</u>
BCC NMTC CDE VIII, LLC	\$ -	\$ 283,334	May 2017
BCC NMTC CDE X, LLC *	66,305	243,119	March 2018
BCC NMTC CDE XIV, LLC	1,116,123	1,388,703	March 2016
BCC NMTC CDE XV, LLC	444,681	771,530	December 2016
BCC NMTC CDE XVI, LLC *	376,715	509,673	January 2020
BCC NMTC CDE XVII, LLC	92,338	256,591	March 2017
BCC NMTC CDE XVIII, LLC	-	200,141	March 2017
BCC NMTC CDE XIX, LLC	-	84,319	November 2017
BCC NMTC CDE XX, LLC	397,933	776,155	September 2019
BCC NMTC CDE XXI, LLC	681,347	948,547	March 2020
BCC NMTC CDE XXII, LLC *	500,000	600,000	December 2020
BCC NMTC CDE XXIII, LLC	369,471	400,260	December 2020
BCC NMTC CDE XXIV, LLC	660,000	-	Entire fee due in March 2024
BCC NMTC CDE XXV, LLC	320,392	-	June 2024
BCC NMTC CDE XXVI, LLC	674,444	-	September 2024
BCC NMTC CDE XXVIII, LLC	553,111	-	August 2024
BCC NMTC CDE XXIX, LLC	165,764	-	August 2024
BCC NMTC CDE XXXI, LLC	<u>557,778</u>	<u>-</u>	December 2024
Total	6,976,402	6,462,372	
Less - eliminations (*)	(943,020)	(1,352,792)	
Less - current portion	<u>(1,690,545)</u>	<u>(1,917,539)</u>	
	<u>\$ 4,342,837</u>	<u>\$ 3,192,041</u>	

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**9. NEW MARKETS TAX CREDITS PROGRAM (Continued)**

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

For 2017 and 2016, Managed Assets and the Holding Company have reported \$4,005,531 (Managed Assets: \$2,755,531, Holding Company: \$1,250,000) and \$4,487,831 (Managed Assets: \$3,237,831, 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:

	<u>2017</u>	<u>2016</u>
BCC NMTC CDE VIII, LLC	\$ -	\$ 283,333
BCC NMTC CDE IX, LLC	-	933,610
BCC NMTC CDE X, LLC *	12,510	100,917
BCC NMTC CDE XI, LLC	162,718	488,281
BCC NMTC CDE XII, LLC	150,252	356,267
BCC NMTC CDE XIII, LLC	225,563	451,127
BCC NMTC CDE XIV, LLC	601,504	962,406
BCC NMTC CDE XV, LLC	540,033	834,597
BCC NMTC CDE XVI, LLC *	376,715	509,673
BCC NMTC CDE XVII, LLC	284,973	399,259
BCC NMTC CDE XVIII, LLC	537,407	752,369
BCC NMTC CDE XIX, LLC	144,428	192,571
BCC NMTC CDE XX, LLC	828,065	1,052,630
BCC NMTC CDE XXI, LLC	827,381	1,026,952
BCC NMTC CDE XXII, LLC *	421,429	507,143
BCC NMTC CDE XXIII, LLC	307,635	369,214
BCC NMTC CDE XXIV, LLC	660,000	-
BCC NMTC CDE XXV, LLC	320,833	-
BCC NMTC CDE XXVI, LLC	666,667	-
BCC NMTC CDE XXVIII, LLC	526,667	-
BCC NMTC CDE XXIX, LLC	164,583	-
BCC NMTC CDE XXXI, LLC	560,000	-
	<u>8,319,363</u>	<u>9,220,349</u>
Total NMTC delayed fees	8,319,363	9,220,349
WegoWise subscriptions (see Note 2)	1,891,614	1,143,489
Less - eliminations *	<u>(810,654)</u>	<u>(1,117,733)</u>
Total deferred revenue	<u>\$ 9,400,323</u>	<u>\$ 9,246,105</u>

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, 2017 and 2016, Managed Assets was in compliance with all such covenants and management expects to maintain compliance throughout the expected seven-year NMTC credit period of each of QEI.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2017 and 2016**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:

	<u>2017</u>	<u>2016</u>
Delayed sub-allocation fees	\$ 4,005,531	\$ 4,487,831
Upfront fees (see page 52)	<u>1,675,000</u>	<u>-</u>
Total	<u>\$ 5,680,531</u>	<u>\$ 4,487,831</u>

10. LEASE AND OTHER COMMITMENTS

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 \$429,712 and \$421,601 for 2017 and 2016, 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:

	<u>Facilities</u>	<u>Equipment</u>
2018	\$ 409,704	\$ 19,176
2019	\$ 204,852	\$ 19,176
2020	\$ -	\$ 19,176
2021	\$ -	\$ 11,186

WegoWise has two lease agreements to rent office space in Boston, Massachusetts through October 21, 2021. Monthly base rent under these leases is \$18,040 and increased as defined in the agreement. WegoWise is also responsible for its proportionate share of property taxes and certain operating expenses, as defined in the agreement. The expense under these lease were \$232,768 and \$107,373 for the years ended December 31, 2017 and 2016, respectively, and is included in office operations in the accompanying consolidated statements of activities.

Future minimum lease payments under these agreements for WegoWise are as follow:

2018	\$ 172,736
2019	\$ 166,509
2020	\$ 170,806
2021	\$ 130,521

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

11. PENSION PLANS

The Holding Company has adopted an IRC Section 401(k) plan managed by an investment manager, which includes a Roth option. Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. The Corporation provides a 100% match for all employee contributions up to 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 2017 and 2016 was \$144,302 and \$135,958, respectively, and is included in personnel in the accompanying consolidated statements of activities.

WegoWise has a salary reduction plan (an Internal Revenue Code (IRC) Section 401(k) plan) whereby employees may make elective tax deferred contributions to the plan. All employees are eligible to participate in the plan. Under the plan, employees can defer a portion of their salary up to limits established under the IRC. WegoWise may make a discretionary matching contribution equal to a percentage of an employee's salary. WegoWise made no contributions to the plan during 2017 and 2016.

12. INCOME TAXES

At December 31, 2017 and 2016, WegoWise and SEA had the following net operating loss (NOL) carryforwards available to offset future taxable income:

	<u>2017</u>	<u>2016</u>
SEA:		
Federal NOL	\$ 5,300,800	\$ 5,049,821
State NOL	\$ 3,438,900	\$ 3,187,859
WegoWise:		
Federal NOL	\$ 16,982,000	\$ 13,437,000
State NOL	\$ 17,048,000	\$ 13,503,000

These Federal and state NOLs may be carried forward for twenty years following the year of loss. These carryforwards expire at various times through 2037. 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, 2017 and 2016. The decrease in the deferred tax assets and valuation allowance from 2016 is \$1,272,000, and is net of a \$2,706,000 decrease attributable to a reduction of the expected Federal corporate income tax rate under the Tax Cuts and Jobs Act of 2017.

As of December 31, 2017 and 2016, the components of the Corporation's net deferred tax asset are as follows:

	<u>2017</u>	<u>2016</u>
Net operating loss carryforwards - WegoWise	\$ 4,505,000	\$ 5,210,000
Net operating loss carryforwards - SEA	1,330,000	1,935,000
Accrued expenses and other - WegoWise	<u>47,000</u>	<u>9,000</u>
	5,882,000	7,154,000
Less - valuation allowance	<u>5,882,000</u>	<u>7,154,000</u>
	<u>\$ -</u>	<u>\$ -</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 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 are refundable to ED in the case of default. The ED agreement expires in September 2040.

Restricted cash activity (see Note 14) consisted of the following as of December 31, 2017:

Cash collateral (7 active arrangements)	\$ 4,584,797
Reinvested interest income	<u>3,288</u>
	4,588,084
Loans committed not yet financed	<u>3,415,204</u>
	<u>\$ 8,003,288</u>

Maturity dates of the seven active arrangements as of December 31, 2017, range from February 1, 2022 through February 28, 2037.

14. RESTRICTED CASH

Restricted cash is made up of the following as of December 31:

	<u>2017</u>	<u>2016</u>
SUN Initiative:		
CDFI bond risk share pool account	\$ 1,950,000	\$ -
Pledged loan payment account	279,044	-
Restricted cash account	<u>1,612,919</u>	-
Subtotal SUN Initiative	3,841,963	-
WegoWise:		
Interest reserve and security deposit	65,750	232,293
Loan Fund:		
Credit enhancement reserves (see Note 13)	<u>8,003,288</u>	-
	<u>\$ 11,911,001</u>	<u>\$ 232,293</u>

SUN Initiative

Aura Mortgage is required to maintain several accounts as part of the new bond loan agreement (see Note 7). These accounts are included in restricted cash on the accompanying consolidated statement of financial position.

CDFI Bond Risk Share Pool

This account is held by Aura Mortgage and maintained by the Trustee for the purpose of protecting against a payment default on the bond loan before the Treasury Guarantee (see Note 7) is exercised. The deposits into the account must be equal to 3% of the total amount advanced on the bond and must be funded by Aura Mortgage from sources other than the proceeds of the bond. Deposits into this account must be funded at each advance under the terms of the bond loan agreement.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

14. RESTRICTED CASH (Continued)

SUN Initiative (Continued)

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 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, 2017, as the account is only to be funded based on insufficient collateral.

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 can be distributed to Aura Mortgage's operating cash account.

WegoWise

Interest Reserve and Security Deposit

WegoWise was required to establish a restricted cash reserve account in the amount of \$325,000 funded from the initial advance of the note payable (see Note 7) to pay required interest payments during the draw period. The balance of this account was \$7,740 and \$174,283 as of December 31, 2017 and 2016, respectively. Also included in WegoWise restricted cash is \$58,010 of security deposits as of December 31, 2017 and 2016.

15. RECLASSIFICATION

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform with the 2017 presentation.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2017

Boston Community 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 Operations
Current Assets:									
Cash and cash equivalents	\$ 23,912,012	\$ 17,464,732	\$ 1,322,532	\$ 2,295,396	\$ 186,953	\$ 1,331,354	\$ 28,128,675	\$ -	\$ 74,641,654
Cash and cash equivalents - escrow funds held for others	1,203,590	-	-	3,935,058	-	-	254,087	-	5,392,735
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	5,166,281	-	5,166,281
Marketable securities	10,329	-	-	-	-	-	-	-	10,329
Current portion of loans and interest receivable, net	18,831,930	-	-	-	-	-	1,715,547	-	20,547,477
Current portion of affiliate fees receivable	-	2,023,329	-	-	-	-	-	(332,784)	1,690,545
Grants, rebates and other accounts receivable	-	-	-	5,308	858,855	1,212,545	1,268,157	-	3,344,865
Other current assets	303,336	39,673	-	84,612	-	196,047	31,754	-	655,422
Current portion of due from affiliates	-	2,232,721	-	3,301,508	-	160,526	-	(5,694,755)	-
Total current assets	44,261,197	21,760,455	1,322,532	9,621,882	1,045,808	2,900,472	36,564,501	(6,027,539)	111,449,308
Restricted Cash	8,003,288	-	-	-	65,750	-	3,841,963	-	11,911,001
Loans and Interest Receivable, net	99,822,526	-	-	-	-	-	95,917,650	-	195,740,176
Affiliate Fees 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	-	65,920	15,315,890	7,644,431	-	-	-	(22,687,812)	338,429
Due from Affiliates, net of current portion	-	3,350,000	-	-	-	-	-	(3,350,000)	-
Property and Equipment, Interests in Real Property and Real Estate Owned, net	-	-	-	851,200	31,029	15,852,849	905,372	(141,247)	17,499,203
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 and bond payable	\$ 6,901,215	\$ -	\$ -	\$ -	\$ 471,401	\$ 433,019	\$ 1,305,576	\$ -	\$ 9,111,211
Current portion of permanent loan capital - subordinated loans payable	105,042	-	-	-	-	-	-	-	105,042
Interest and accounts payable	904,687	194,374	-	780,925	308,034	167,124	468,480	-	2,823,624
Current portion of affiliate loans and interest payable	-	-	-	-	-	332,784	-	(332,784)	-
Escrow funds held for others	1,203,590	-	-	3,935,058	-	-	254,087	-	5,392,735
Current portion of due to affiliates	255,586	110,033	16,552	2,201,758	432,313	174,937	2,503,576	(5,694,755)	-
Total current liabilities	9,370,120	304,407	16,552	6,917,741	1,211,748	1,107,864	4,531,719	(6,027,539)	17,432,612
Loans and Bond Payable, net	80,206,283	-	-	-	6,420,116	3,557,202	98,485,038	-	188,668,639
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	2,720,420	10,000,000	(12,720,420)	-
Conditional Advances	2,105,000	-	-	-	-	-	-	-	2,105,000
Deferred Revenue	-	8,319,363	-	-	1,891,614	-	-	(810,654)	9,400,323
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)	242,978,230
Net Assets and Non-Controlling Interests:									
Unrestricted:									
General	33,924,605	18,089,758	1,305,980	2,653,035	-	-	-	8,409,472	64,382,850
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
Board designated for affiliate investments	-	3,415,920	13,665,890	4,294,431	-	-	-	(21,037,812)	338,429
Total unrestricted	40,510,385	21,505,678	14,971,870	6,947,466	-	-	-	(10,628,340)	73,307,059
Temporarily restricted:									
Revolving capital	11,283,751	-	-	-	-	-	-	-	11,283,751
Other purpose restrictions	-	-	-	902,306	-	-	-	-	902,306
Total temporarily restricted	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 in:									
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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Financial Position
December 31, 2016

Boston Community 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 Operations
Current Assets:									
Cash and cash equivalents	\$ 17,450,344	\$ 16,821,457	\$ 1,338,014	\$ 840,054	\$ 860,320	\$ 1,436,719	\$ 16,146,064	\$ -	\$ 54,892,972
Cash and cash equivalents - escrow funds held for others	1,232,693	-	-	2,095,313	-	-	401,606	-	3,729,612
Cash and cash equivalents - loan loss reserves	-	-	-	-	-	-	6,181,982	-	6,181,982
Marketable securities	11,500,738	-	-	-	-	-	-	-	11,500,738
Current portion of loans and interest receivable, net	23,644,507	-	-	-	-	-	1,512,973	-	25,157,480
Current portion of affiliate loans, fees and interest receivable	-	2,316,569	-	-	-	-	-	(399,030)	1,917,539
Grants, rebates and other accounts receivable	3,750,000	-	-	5,558	410,112	1,298,132	906,508	-	6,370,310
Real estate owned	-	-	-	-	-	-	209,391	-	209,391
Other current assets	50,811	21,991	-	97,076	16,041	143,764	29,866	-	359,549
Current portion of due from affiliates	-	2,232,721	467	3,726,829	-	160,526	-	(6,120,543)	-
Total current assets	<u>57,629,093</u>	<u>21,392,738</u>	<u>1,338,481</u>	<u>6,764,830</u>	<u>1,286,473</u>	<u>3,039,141</u>	<u>25,388,390</u>	<u>(6,519,573)</u>	<u>110,319,573</u>
Restricted Cash	-	-	-	-	232,293	-	-	-	232,293
Loans and Interest Receivable, net	59,806,878	-	-	-	-	-	84,408,214	-	144,215,092
Affiliate Loans, Fees and Interest Receivable, net of current portion	17,356,555	4,145,803	-	-	-	-	-	(18,310,317)	3,192,041
Origination Costs - Sub-Allocation Fee, net of accumulated amortization	-	-	-	-	-	1,654,126	-	(1,654,126)	-
Investments in Affiliates	-	61,020	14,455,844	8,644,431	-	-	-	(22,687,812)	473,483
Due from Affiliates, net of current portion	-	3,350,000	-	-	-	-	-	(3,350,000)	-
Property and Equipment, Interests in Real Property and Real Estate Owned, net	-	-	-	992,918	51,964	17,925,146	742,274	(158,091)	19,554,211
Total assets	<u>\$ 134,792,526</u>	<u>\$ 28,949,561</u>	<u>\$ 15,794,325</u>	<u>\$ 16,402,179</u>	<u>\$ 1,570,730</u>	<u>\$ 22,618,413</u>	<u>\$ 110,538,878</u>	<u>\$ (52,679,919)</u>	<u>\$ 277,986,693</u>
Liabilities, Net Assets and Non-Controlling Interests									
Current Liabilities:									
Current portion of loans payable	\$ 7,267,784	\$ -	\$ -	\$ -	\$ -	\$ 297,164	\$ 1,741,019	\$ -	\$ 9,305,967
Current portion of permanent loan capital - subordinated loans payable	102,963	-	-	-	-	-	-	-	102,963
Interest and accounts payable	899,511	-	-	715,923	401,493	98,332	349,107	-	2,464,366
Current portion of affiliate loans and interest payable	-	-	-	-	-	399,030	-	(399,030)	-
Escrow funds held for others	1,232,693	-	-	2,095,313	-	-	401,606	-	3,729,612
Current portion of due to affiliates	152,916	74,701	4,204	2,393,714	669	-	3,494,339	(6,120,543)	-
Total current liabilities	<u>9,655,867</u>	<u>74,701</u>	<u>4,204</u>	<u>5,204,950</u>	<u>402,162</u>	<u>794,526</u>	<u>5,986,071</u>	<u>(6,519,573)</u>	<u>15,602,908</u>
Loans Payable, net	61,147,721	-	-	-	4,870,520	4,401,905	74,949,103	-	145,369,249
Affiliate Loans and Interest Payable, net of current portion	-	-	-	-	-	3,660,317	10,000,000	(13,660,317)	-
Deferred Revenue	-	9,220,349	-	-	1,143,489	-	-	(1,117,733)	9,246,105
Due to Affiliates, net of current portion	-	-	-	3,350,000	-	-	-	(3,350,000)	-
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	25,476,698	-	1,650,000	-	-	3,000,000	-	(4,650,000)	25,476,698
Total liabilities	<u>96,280,286</u>	<u>9,295,050</u>	<u>1,654,204</u>	<u>8,554,950</u>	<u>6,416,171</u>	<u>11,856,748</u>	<u>90,935,174</u>	<u>(29,297,623)</u>	<u>195,694,960</u>
Net Assets and Non-Controller Interest:									
Unrestricted:									
General	27,360,376	16,243,491	1,334,277	1,650,492	-	-	-	9,347,491	55,936,127
Board designated for permanent loan capital and special programs	1,132,500	-	-	-	-	-	-	-	1,132,500
Board designated for loan loss reserves	7,136,043	-	-	-	-	-	-	-	7,136,043
Board designated for affiliate investments	-	3,411,020	12,805,844	5,294,431	-	-	-	(21,037,812)	473,483
Total unrestricted	<u>35,628,919</u>	<u>19,654,511</u>	<u>14,140,121</u>	<u>6,944,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,690,321)</u>	<u>64,678,153</u>
Temporarily restricted:									
Permanent loan capital	883,321	-	-	-	-	-	-	-	883,321
Other purpose restrictions	2,000,000	-	-	902,306	-	-	-	-	2,902,306
Total temporarily restricted	<u>2,883,321</u>	<u>-</u>	<u>-</u>	<u>902,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,785,627</u>
Total net assets	<u>38,512,240</u>	<u>19,654,511</u>	<u>14,140,121</u>	<u>7,847,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,690,321)</u>	<u>68,463,780</u>
Stockholder's equity and members' investment:									
Stockholder's equity - Solar Energy Advantage, Inc.	-	-	-	-	-	(586,390)	-	586,390	-
Stockholder's equity - WegoWise, Inc.	-	-	-	-	(4,495,790)	-	-	4,495,790	-
Members' investment - NSP Residential, LLC	-	-	-	-	-	-	2,600,841	(2,600,841)	-
Members' investment - Aura Mortgage Advisors, LLC	-	-	-	-	-	-	13,057,612	(13,057,612)	-
Members' investment - SUN Initiative Financing II, LLC	-	-	-	-	-	-	1,113,832	(1,113,832)	-
Total stockholder's equity and members' investment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,495,790)</u>	<u>(586,390)</u>	<u>16,772,285</u>	<u>(11,690,105)</u>	<u>-</u>
Non-controlling interests in:									
SUN Initiative Financing, LLC	-	-	-	-	-	-	2,831,419	-	2,831,419
Solar Energy Programs	-	-	-	-	-	11,348,055	-	(1,870)	11,346,185
WegoWise, Inc.	-	-	-	-	(349,651)	-	-	-	(349,651)
Total non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(349,651)</u>	<u>11,348,055</u>	<u>2,831,419</u>	<u>(1,870)</u>	<u>13,827,953</u>
Total net assets and non-controlling interests	<u>38,512,240</u>	<u>19,654,511</u>	<u>14,140,121</u>	<u>7,847,229</u>	<u>(4,845,441)</u>	<u>10,761,665</u>	<u>19,603,704</u>	<u>(23,382,296)</u>	<u>82,291,733</u>
Total liabilities, net assets and non-controlling interests	<u>\$ 134,792,526</u>	<u>\$ 28,949,561</u>	<u>\$ 15,794,325</u>	<u>\$ 16,402,179</u>	<u>\$ 1,570,730</u>	<u>\$ 22,618,413</u>	<u>\$ 110,538,878</u>	<u>\$ (52,679,919)</u>	<u>\$ 277,986,693</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

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

	Boston Community Capital, Inc. and Affiliates								
	Loan Fund	Managed Assets	Venture Fund	Holding Company	WegoWise, Inc.	Solar Energy Programs	Foreclosure and Home Mortgage Services	Eliminations	Total Operations
Changes in Unrestricted Net Assets:									
Operating revenues:									
Financial and earned revenue:									
Program revenue and fees	\$ 1,003,897	\$ 4,430,531	\$ 43,500	\$ 1,250,081	\$ 3,058,404	\$ 3,007,268	\$ 407,453	\$ (307,079)	\$ 12,894,055
Interest on loans, net	7,104,218	-	-	-	-	-	6,286,824	(719,989)	12,671,053
Net loan loss recoveries	-	-	-	-	-	-	3,383,539	-	3,383,539
Net gain on sale of real estate	-	-	-	-	-	-	2,493,126	-	2,493,126
Realized gain on sale of historic tax credits notes	246,109	-	-	-	-	-	-	-	246,109
Investment income	-	91,242	-	2,710	-	81	61,092	-	155,125
Less - interest expense - affiliate	-	-	-	-	-	-	(430,903)	430,903	-
Less - interest expense	(2,744,761)	-	-	-	-	-	(3,427,989)	-	(6,172,750)
Net financial and earned revenue	5,609,463	4,521,773	43,500	1,252,791	3,058,404	3,007,349	8,773,142	(596,165)	25,670,257
Grants and contributions	-	-	-	87,144	-	-	-	-	87,144
Total operating revenues	5,609,463	4,521,773	43,500	1,339,935	3,058,404	3,007,349	8,773,142	(596,165)	25,757,401
Operating expenses:									
Personnel	1,804,704	1,128,683	135,869	546,109	4,640,462	137,695	2,042,357	-	10,435,879
Office operations	639,427	342,895	42,199	16,220	304,998	250,234	885,507	-	2,481,480
Consultants	107,050	308,379	-	48,695	751,620	310,532	180,046	-	1,706,322
Marketing	145,305	5,589	22,355	340,908	336,893	11,277	80,586	-	942,913
Interest	-	-	49,500	-	294,921	466,043	-	(289,086)	521,378
Professional fees	-	18,864	98	22,769	298,115	156,554	-	-	496,400
Insurance and other	31,511	32,196	11,776	16,300	32,885	80,387	90,761	-	295,816
Program expenses	-	-	-	13,737	32,738	196,181	38,823	-	281,479
Management services	-	-	-	-	-	-	162,815	-	162,815
Total operating expenses before depreciation and amortization	2,727,997	1,836,606	261,797	1,004,738	6,692,632	1,608,903	3,480,895	(289,086)	17,324,482
Depreciation and amortization	-	-	-	166,654	31,084	2,578,801	-	(457,495)	2,319,044
Total operating expenses	2,727,997	1,836,606	261,797	1,171,392	6,723,716	4,187,704	3,480,895	(746,581)	19,643,526
Changes in unrestricted net assets from operations	2,881,466	2,685,167	(218,297)	168,543	(3,665,312)	(1,180,355)	5,292,247	150,416	6,113,875
Other changes in unrestricted net assets:									
Net assets released from restrictions for loan capital	2,000,000	-	-	-	-	-	-	-	2,000,000
Share of income of 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 unrestricted net assets	4,881,466	1,851,167	831,749	2,543	(3,665,312)	(1,180,355)	4,609,025	150,416	7,480,699
Changes in Temporarily Restricted Net Assets:									
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 temporarily restricted net assets	8,400,430	-	-	-	-	-	-	-	8,400,430
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 Boston Community Capital, Inc. and operating affiliates	<u>\$ 13,281,896</u>	<u>\$ 1,851,167</u>	<u>\$ 831,749</u>	<u>\$ 2,543</u>	<u>\$ (3,298,781)</u>	<u>\$ (432,928)</u>	<u>\$ 4,526,398</u>	<u>\$ 150,416</u>	<u>\$ 16,912,460</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

Combining and Consolidating Statement of Activities
For the Year Ended December 31, 2016

	Boston Community Capital, Inc. and Affiliates								
	Loan Fund	Managed Assets	Venture Fund	Holding Company	WegoWise, Inc.	Solar Energy Programs	Foreclosure and Home Mortgage Services	Eliminations	Total Operations
Changes in Unrestricted Net Assets:									
Operating revenues:									
Financial and earned revenue:									
Program revenue and fees	\$ 654,446	\$ 3,237,831	\$ 108,891	\$ 1,250,086	\$ 2,073,830	\$ 3,773,551	\$ 880,712	\$ (307,079)	\$ 11,672,268
Interest on loans, net	6,065,020	-	23,139	7,695	-	-	5,293,744	(821,196)	10,568,402
Net loan loss recoveries	140,280	-	-	-	-	-	2,637,762	-	2,778,042
Net gain (loss) on sale of real estate	-	-	-	-	-	-	148,183	-	148,183
Investment income	-	36,666	-	3,186	-	409	72,866	-	113,127
Less - interest expense - affiliate	-	-	-	-	-	-	(432,083)	432,083	-
Less - interest expense	(2,485,197)	-	-	-	-	-	(3,021,389)	-	(5,506,586)
Net financial and earned revenue	4,374,549	3,274,497	132,030	1,260,967	2,073,830	3,773,960	5,579,795	(696,192)	19,773,436
Grants and contributions	-	-	-	73,535	-	178,790	5,000	-	257,325
Net assets released from restrictions	-	-	-	179,691	-	-	-	-	179,691
Total operating revenues	4,374,549	3,274,497	132,030	1,514,193	2,073,830	3,952,750	5,584,795	(696,192)	20,210,452
Operating expenses:									
Personnel	1,612,361	980,139	215,412	532,602	4,551,356	144,069	1,725,639	-	9,761,578
Office operations	576,257	292,373	81,036	34,161	332,610	172,572	954,682	-	2,443,691
Consultants	99,872	-	-	48,188	1,008,953	314,000	127,002	-	1,598,015
Marketing	127,801	4,915	19,662	301,594	315,864	9,896	192,856	-	972,588
Interest	-	-	49,500	-	178,385	586,678	-	(389,113)	425,450
Professional fees	-	32,392	-	16,835	286,686	124,279	-	-	460,192
Insurance and other	31,627	13,648	12,976	17,065	52,346	70,417	77,935	-	276,014
Program expenses	-	-	-	192,975	19,243	125,771	65,017	-	403,006
Management services	-	-	-	-	-	-	125,444	-	125,444
Total operating expenses before depreciation and amortization	2,447,918	1,323,467	378,586	1,143,420	6,745,443	1,547,682	3,268,575	(389,113)	16,465,978
Depreciation and amortization	-	-	-	164,703	30,810	2,412,254	-	(457,493)	2,150,274
Total operating expenses	2,447,918	1,323,467	378,586	1,308,123	6,776,253	3,959,936	3,268,575	(846,606)	18,616,252
Changes in unrestricted net assets from operations	1,926,631	1,951,030	(246,556)	206,070	(4,702,423)	(7,186)	2,316,220	150,414	1,594,200
Other changes in unrestricted net assets:									
Grants for loan capital	1,750,000	-	-	-	-	-	-	-	1,750,000
Share of income in affiliate	-	-	61,239	-	-	-	-	-	61,239
Changes in unrestricted net assets	3,676,631	1,951,030	(185,317)	206,070	(4,702,423)	(7,186)	2,316,220	150,414	3,405,439
Changes in Temporarily Restricted Net Assets:									
Grants and contributions	2,000,875	-	-	-	-	-	-	-	2,000,875
Net assets released from restrictions	-	-	-	(179,691)	-	-	-	-	(179,691)
Changes in temporarily restricted net assets	2,000,875	-	-	(179,691)	-	-	-	-	1,821,184
Changes in net assets	5,677,506	1,951,030	(185,317)	26,379	(4,702,423)	(7,186)	2,316,220	150,414	5,226,623
Changes in Net Assets Attributable to Non-Controlling Interests									
Changes in net assets attributable to Boston Community Capital, Inc. and operating affiliates	\$ 5,677,506	\$ 1,951,030	\$ (185,317)	\$ 26,379	\$ (4,232,181)	\$ 383,634	\$ 1,968,737	\$ 150,414	\$ 5,740,202