The Life Initiative

*The Massachusetts Life Insurance Community Investment Initiative*

**July 11, 2024**

**Kevin P Beagan**
**Acting Commissioner of Insurance**
**Division of Insurance**
**1000 Washington Street, Suite 810**
**Boston, MA 02118**

**The Honorable Michael D. Hurley**
**Clerk of the Senate**
**State House, Room 335**
**Boston, MA 02133**

**The Honorable Steven T. James**
**Clerk of the House**
**State House, Room 145**
**Boston, MA 02133**

**Enclosed please find the 2023 *Annual Report and Statement of Financial Condition of the Life Insurance Community Investment Initiative, LLC* as required by Section 2(e) of Chapter 259 of the Acts of 1998. As of December 31, 2023 The Life Initiative has committed more than $700 million to housing, community facilities and economic development throughout the Commonwealth of Massachusetts since our formation.**

**Should you require any additional information please do not hesitate to contact me.**

**Very truly yours,**

**Kristen Harol**
**President**

**Enclosure**

**REPORT**

**TO**

**COMMISSIONER OF INSURANCE**

**CLERK OF THE SENATE**

**CLERK OF THE HOUSE OF REPRESENTATIVES**

**July 11, 2024**

# ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION

of the

LIFE INSURANCE COMMUNITY INVESTMENT INTIATIVE, LLC

As of December 31, 2023

This annual report and statement of the financial condition of the Life Insurance Community Investment Initiative, LLC (the "Company") for the year ended December 31, 2023 is presented by the Company in conformity with the requirements of Section 2(e) of Chapter 259 of the Acts and Resolves of 1998 (the "Act").

1. List of Participating Life Insurance Companies and the amount of capital contributed by each for the 2023 taxable year and in aggregate are attached as EXHBIT A.

2. Qualified Investments. The Company committed a total of $49,318,465 in qualified investments, as defined by Section 2(b), in the fiscal year ended December 31, 2023. The total net aggregate cumulative investments of the Company through December 31, 2023 was $713,835.634. A list of all qualified investments committed in the year ended December 31, 2023, including the value and the type of each is attached as EXHIBIT B.

3. Qualified Interim Investments. The amount of qualified interim investments at December 31, 2023, as defined by Section 2(b), was $0.

4. Regional Meetings. The records of the public meetings held in each MOBD Region are attached as EXHIBIT C.

5. Certified Financial Statements. The financial statements of the Company for its fiscal year ended December 31, 2023 as certified by the Company's independent certified public accountants are attached as EXHIBIT D.

6. Certificate Required by Section 2(e)(3). The certificate pertaining to investments made by the Company in the five original MOBD regions as well as the current MOBD regions in the Commonwealth is attached as EXHIBIT E.

Executed this 11th day of July, 2024.

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC.

By: ______________________________

Kristen Harol
President

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

Then personally appeared the prior-named Kristen Harol, President of The Life Insurance Community Investment Initiative who did state that the information set forth in the foregoing Annual Report and Statement of Financial Condition is true and correct to the best of her knowledge, information and belief.

Before me,

______________________________

Notary Public Cara Devito
My commission expires: 6-1-29

Cara J. DeVito
Notary Public
COMMONWEALTH OF MASSACHUSETTS
My Commission Expires
June 1, 2029

**EXHIBIT A**

TO

ANNUAL REPORT AND STATEMENT OF FINANICAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2023

| Participating Life Insurance Company | 2023 Capital Contributed or Returned | Aggregate Capital Contributed |
|---|---|---|
| 1. John Hancock Life | $0 | $45,090,286 |
| 2. Massachusetts Mutual Life | 0 | 31,541,209 |
| 3. Paul Revere life Insurance | 0 | 4,141,114 |
| 4. Paul Revere Variable Annuity | 0 | 1,383,785 |
| 5. Savings Bank Life Insurance | 0 | 9,404,316 |
| 6. Liberty Life Assurance | (2,438,614) | 0 |
| 7. Berkshire Life | 0 | 2,464,406 |
| 8. Boston Mutual Life | 0 | 1,735,829 |
| 9. New England Life | 0 | 549,290 |
| 10. Monarch Life | (248,655) | 0 |
| 11. American Health & Life, Primerica | (240,319) | 0 |
| 12. Centre Life Insurance of New York | (24,224) | 0 |
| | **$(2,951,812)** | **$96,310,235** |

**EXHIBIT B**

TO

ANNUAL REPORT AND STATEMENT OF FINANICAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2023

**2023 Commitments**

**$49,318,465 in Qualified Investments**
**$44,819,225 in Net Commitments**

***Chinatown Community Land Trust (CCLT), Boston*** *Impact rating 8 (out of 10)*
$3,000,000 Acquisition line of credit renewal to support the creation of at least 7 permanently affordable rental and ownership housing units and to preserve historic row houses.

***New Hope, Inc., Attleboro*** *Impact rating 10*
$500,000 Revolving loan to bridge HUD grant funding during the construction of House of Hope, a new 14-room domestic violence shelter.

***Norfolk Design and Construction, Boston*** *Impact rating 8*
$3,000,000 revolving acquisition line of credit to Norfolk Design and Construction, a Black-owned development company, to facilitate preservation and the creation of 54 permanently affordable rental housing units.

***Island Autism Group, Inc., West Tisbury*** *Impact Rating 8*
$1,500,000 Construction bridge loan for Island Autism Group, Inc. to construct the Hub House, a community facility, farmstand and barn on Martha's Vineyard.

***CEDAC, Statewide*** *Impact Rating 10*
$3,000,000 Line of credit renewal and increase to Community Economic Development Assistance Corporation (CEDAC) to support the predevelopment of 306 units of affordable housing across Massachusetts for the benefit of low- and moderate-income households.

***JPNDC, Boston*** *Impact Rating 8*
$1,500,000 Predevelopment line of credit renewal and increase to Neighborhood Development Corporation of Jamaica Plain (JPNDC) to support their pipeline of projects, specifically pre-development of 211 units of affordable rental and homeownership housing.

***Fenway Community Development Corporation, Boston*** *Impact Rating 8*
$3,154,580 ($1,415,580 net) Acquisition loan for Fenway Community Development Corporation to acquire a 6-unit, multifamily residential rental property to convert into 6 affordable homeownership units.

***JPNDC/Causeway Development, Boston*** *Impact Rating 8*
$5,290,000 Construction loan to Causeway Development and Neighborhood Development Corporation of Jamaica Plain (JPNDC) for the development of 45 affordable, and workforce condominiums.

***Somerville YMCA, Somerville*** *Impact Rating 9*
$3,037,500 ($2,537,500 net) Acquisition and predevelopment loan (50% participation of a $6,075,000 loan with PCI) to purchase a nine-unit rental property to expand the campus to provide programs, redevelop 43 units of existing SRO housing serving low and very low-income individuals, and create new affordable housing.

***DM Renaissance Development/Kavanagh Project, Springfield*** *Impact Rating 9*
$1,850,000 Construction loan for Black-owned development company DM Renaissance Development, LLC to convert the former Kavanaugh Furniture store into 35 units of affordable housing and 10,000 square feet of office and retail space.

***South Middlesex Opportunity Council, Inc., West, Central, MetroWest*** *Impact Rating 9*
$250,000 (fully decommitted) Predevelopment line of credit to support the development of 78 units of permanent supportive housing for the extremely low income and the creation of 60-100 shelter beds.

***Preservation of Affordable Housing, Inc. (POAH), Lynn*** *Impact Rating 8*
$5,000,000 Acquisition loan to acquire, renovate, and preserve the long-term affordability of an occupied 44-unit, senior apartment building known as Olympia Square Apartments.

***Eagle Mill Redevelopment, LLC, Lee*** *Impact Rating 8*
$4,010,000 contingent commitment, $2,000,000 final commitment. Predevelopment line of credit to support infrastructure and site work for 108 affordable rental housing units at Eagle Mill, a large historic paper mill.

***North Star Family Services, Journey Home, Leominster*** *Impact Rating 9*
$600,000 Construction / bridge financing to build 15 units of permanent, supportive rental housing.

***2Life Development, Inc., Greater Boston*** *Impact Rating 8*
$2,500,000 Predevelopment Line of Credit to facilitate completion of 2Life's robust development pipeline, which includes the development of 277 units of affordable, senior, rental housing in 2Llife's service area, including Lynn and Mattapan.

***Northeast Biodiesel Company, LLC, Greenfield*** *Impact Rating* 8
$50,000 Working Capital Loan Increase to support initial working capital needs including inventory purchases, payroll and other operational expenses as the plant begins activity.

***The Community Builders, Dorchester, Boston*** *Impact Rating 9*
$4,076,385 loan to acquire a former hotel at 900 Morrissey Blvd to be developed into 99 units of permanent supportive housing for formerly homeless people. Pine Street Inn will provide services.

***Benjamin Franklin Cummings Institute of Technology, Roxbury, Boston*** *Impact Rating 9*
Up to $7,000,000 participation in $25,000,000 subordinate bridge loan for construction of 68,000 square feet state of the art campus for the technical and vocational college.

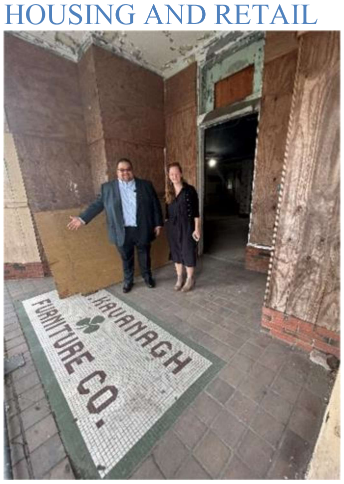
# FEATURED INVESTMENTS

## BENJAMIN FRANKLIN INSTITUTE
### COMMUNITY FACILITY

| | |
|---|---|
| **LOCATION** | Nubian Square, Boston |
| **PURPOSE** | Construction Bridge |
| **AMOUNT** | $7 million maximum |
| **TERM** | 24 months |
| **RATE** | 7.75% floor |
| **IMPACT** | 9/10 |

For more than 100 years BFI has provided affordable technical education to low-income students. BFI is building a state of the art, $87 million, 68,000 square foot campus in Nubian Square. TLI committed up to $7 million in subordinate debt to bridge the sale of the existing facility in a New Market Tax Credit transaction.

## KAVANAUGH BUILDING
### HOUSING AND RETAIL




| | |
|---|---|
| **LOCATION** | 443 State St, Springfield |
| **PURPOSE** | Construction |
| **AMOUNT** | $1.85 million |
| **TERM** | 24 months |
| **RATE** | 6% |
| **IMPACT SCORE** | 9/10 |

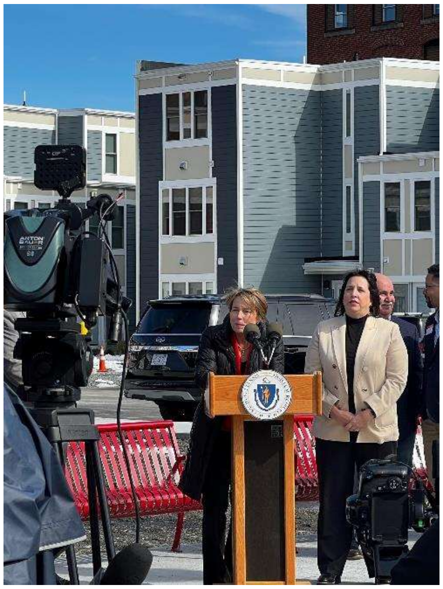
DM Renaissance, a Black-owned developer, is transforming the prominent, vacant, Kavanaugh building into 35 units of supportive housing and commercial space. TLI plans to provide 2 phases of construction financing.

## NEW HOPE
### SUPPORTIVE HOUSING

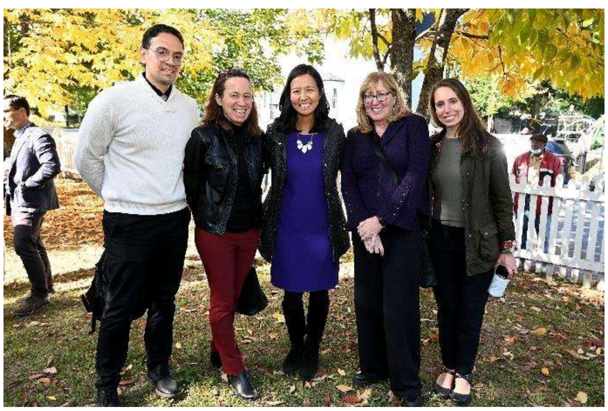
| | |
|---|---|
| **LOCATION** | Attleboro |
| **PURPOSE** | Construction Bridge |
| **AMOUNT** | $500,000 |
| **TERM** | 24 months |
| **RATE** | 5% |
| **IMPACT SCORE** | 9/10 |

New Hope is building a new 14 room, fully ADA accessible, domestic violence shelter in Attleboro. TLI is bridging a reimbursable grant from HUD.

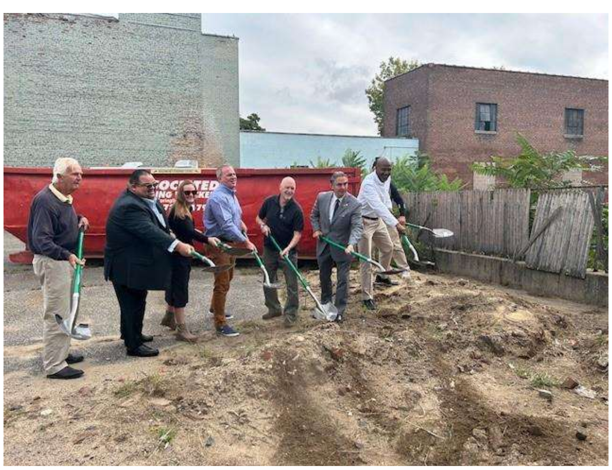
## A FEW VISIBILITY EVENTS IN 2023



*GOVERNOR HEALEY AT WORCESTER RIBBON CUTTING.*
*TLI provided acquisition and construction financing to long term borrower Main South CDC.*



*MAYOR WU ANNOUNCEMENT IN MATTAPAN.*
*TLI provides predevelopment funding to emerging developers building homeownership units on city owned lots.*



*MAYOR SARNO AT SPRINGFIELD GROUNDBREAKING.*
*TLI is the construction lender for the long vacant Kavanaugh Building.*

**EXHIBIT C**

To

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE

As of December 31, 2023

*Information regarding the annual meetings held in each of the MOBD regions:*

| **REGION** | **DATE** | **Place represented** | **HOST** |
|---|---|---|---|
| Central | 3/6 | Worcester | Main South Community Development Corporation |
| North | 6/22 | Everett | The Neighborhood Developers (TND) |
| South | 9/19 | Bridgewater | CCMPZ |
| Western | 10/4 | Springfield | Wayfinders |
| MetroWest | 1/11 | Lowell | Lowell House |
| Gr. Boston | 9/18 | Braintree and Randolph | Lamour Community Health Center |

**EXHIBIT D**

CERTIFIED FINANCIAL STATEMENT

Of The

LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE

As of December 31, 2023

# LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

**FINANCIAL STATEMENTS**
**DECEMBER 31, 2023 AND 2022**

**LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

Contents
December 31, 2023 and 2022

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

# Independent Auditor's Report

To the Audit Committee and Members of
Life Insurance Community Investment Initiative, LLC:

## Opinion

We have audited the financial statements of Life Insurance Community Investment Initiative, LLC (a Massachusetts limited liability company) (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and other comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Life Insurance Community Investment Initiative, LLC as of December 31, 2023 and 2022, and the results of its operations and other comprehensive income and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

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

## Emphasis of Matter - Adoption of New Accounting Standard

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

## Responsibilities of Management for the Financial Statements

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

AAFCPAs, Inc.

Boston, Massachusetts
June 24, 2024

**LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

Balance Sheets
December 31, 2023 and 2022

| **Assets** | **2023** | **2022** |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents | $ 15,057,649 | $ 18,446,477 |
| Short-term investments | 21,552 | 48,048 |
| Interest receivable on loans and other receivables | 637,638 | 688,062 |
| Subtotal | 15,716,839 | 19,182,587 |
| Current portion of loans receivable | 33,594,904 | 35,338,769 |
| Allowance for credit losses as of December 31, 2023, and allowance for loan losses as of December 31, 2022 | (1,417,983) | (3,096,863) |
| Net current portion of loans receivable | 32,176,921 | 32,241,906 |
| Total current assets | 47,893,760 | 51,424,493 |
| Loans Receivable, net | 58,399,056 | 55,631,972 |
| Allowance for credit losses as of December 31, 2023, and allowance for loan losses as of December 31, 2022 | (4,316,539) | (4,875,228) |
| Net loans receivable | 54,082,517 | 50,756,744 |
| Investments in Limited Partnership and Others, net of allowance for impairment | 188,549 | 221,258 |
| Total assets | $ 102,164,826 | $ 102,402,495 |
| **Liabilities and Members' Equity** | | |
| Current Liability: | | |
| Accounts payable and accrued expenses | $ 663,704 | $ 668,902 |
| Credit Loss Liability - Unfunded Commitments | 1,095,721 | - |
| Total liabilities | 1,759,425 | 668,902 |
| Members' Equity: | | |
| Members' capital contributions | 96,310,236 | 99,262,048 |
| Retained earnings - distributable income | 2,952,649 | 2,471,087 |
| Board restricted credit loss reserve | 1,141,848 | - |
| Accumulated other comprehensive income | 668 | 458 |
| Total members' equity | 100,405,401 | 101,733,593 |
| Total liabilities and members' equity | $ 102,164,826 | $ 102,402,495 |

The accompanying notes are an integral part of these statements.

**LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

Statements of Operations and Other Comprehensive Income
For the Years Ended December 31, 2023 and 2022

| | **2023** | **2022** |
|---|---|---|
| **Operating Revenues:** | | |
| Interest on loans | $ 4,670,012 | $ 4,462,943 |
| Investment income (loss) | 485,553 | (581,150) |
| Loan fees and other | 238,894 | 336,500 |
| Total operating revenues | 5,394,459 | 4,218,293 |
| Add - recovery of credit losses - unfunded commitments | 355,473 | - |
| Less - provision for credit losses | (20,244) | - |
| Add - recovery of loan losses | - | 504,952 |
| Net operating revenues | 5,729,688 | 4,723,245 |
| **Operating Expenses:** | | |
| Salaries, payroll taxes and fringe benefits | 1,982,043 | 1,827,046 |
| Operating expenses | 334,543 | 326,182 |
| Professional fees | 98,102 | 68,497 |
| Miscellaneous | 27,122 | 31,222 |
| Total operating expenses | 2,441,810 | 2,252,947 |
| Net income | 3,287,878 | 2,470,298 |
| **Other Comprehensive Income (Loss):** | | |
| Unrealized gain (loss) on short-term investments | 210 | (2,410) |
| Total comprehensive income | $ 3,288,088 | $ 2,467,888 |

**LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

Statements of Changes in Members' Equity
For the Years Ended December 31, 2023 and 2022

| | Members' Capital Contributions | Retained Earnings - Distributable Income | Board Restricted Credit Loss Reserve | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|
| **Balance,** December 31, 2021 | $ 99,446,536 | $ 3,342,084 | $ - | $ 2,868 | $ 102,791,488 |
| Net income | - | 2,470,298 | - | - | 2,470,298 |
| Other comprehensive loss | - | - | - | (2,410) | (2,410) |
| Distributions to members | (184,488) | (3,341,295) | - | - | (3,525,783) |
| **Balance,** December 31, 2022 | 99,262,048 | 2,471,087 | - | 458 | 101,733,593 |
| Cumulative adjustment from adoption of new credit loss standard | - | - | 806,619 | - | 806,619 |
| Net income | - | 2,952,649 | 335,229 | - | 3,287,878 |
| Other comprehensive gain | - | - | - | 210 | 210 |
| Distributions to members | (2,951,812) | (2,471,087) | - | - | (5,422,899) |
| **Balance,** December 31, 2023 | $ 96,310,236 | $ 2,952,649 | $ 1,141,848 | $ 668 | $ 100,405,401 |

The accompanying notes are an integral part of these statements.

**LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC**

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

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Net income | $ 3,287,878 | $ 2,470,298 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 20,244 | - |
| Credit loss liability - unfunded commitments | (355,473) | - |
| Recovery of loan losses | - | (504,952) |
| Amortization, net | 5,024 | 4,800 |
| Interest and other amounts paid in-kind | (952,263) | (1,195,155) |
| Unrealized/realized loss in limited partnership and others | 32,709 | 678,785 |
| Changes in operating assets and liabilities: | | |
| Interest receivable on loans and other receivables | 50,424 | 546,679 |
| Accounts payable and accrued expenses | (5,198) | (131,242) |
| Net cash provided by operating activities | 2,083,345 | 1,869,213 |
| **Cash Flows from Investing Activities:** | | |
| Issuance of loans receivable | (43,741,587) | (40,635,683) |
| Principal payments on loans receivable | 43,670,631 | 48,089,641 |
| Return of short-term investments | 21,682 | - |
| Return on investments in limited partnership and others | - | 701,466 |
| Net cash provided by (used in) investing activities | (49,274) | 8,155,424 |
| **Cash Flows from Financing Activities:** | | |
| Distributions to members | (5,422,899) | (3,525,783) |
| **Net Change in Cash and Cash Equivalents** | (3,388,828) | 6,498,854 |
| **Cash and Cash Equivalents:** | | |
| Beginning of year | 18,446,477 | 11,947,623 |
| End of year | $ 15,057,649 | $ 18,446,477 |

The accompanying notes are an integral part of these statements.

## 1. OPERATIONS AND TAX STATUS

### Operations

Life Insurance Community Investment Initiative, LLC (the Company) was organized on December 30, 1998, as authorized by the Act Insuring Community Investment and the Equitable Taxation of Insurance Companies in Massachusetts, 1998 Massachusetts Acts, Chapter 259 (Chapter 259), in accordance with the provisions of the Massachusetts Limited Liability Company Act. The Company is a privately owned limited liability company engaged in the business of making investments in qualified Massachusetts community enterprises to the extent permitted by Chapter 259. The original term of the Company was twenty-five years from the date of organization and was set to expire on December 30, 2023, subject to earlier termination or extensions. The term of the Company has been extended to December 30, 2033 (see Note 10). The Company received initial cumulative contributions of capital from its members of $100,000,000, representing maximum contributions required under Chapter 259 from each of its participating members. During 2019, four of the Company's members elected to no longer receive what would otherwise be their share of the annual undistributed net earnings of the Company and to begin being paid out through distributions of their initial capital contributions to the Company. Therefore, the cumulative contributions of capital continue to decrease each year and were $96,310,236 and $99,262,048 as of December 31, 2023 and 2022, respectively (see Note 10).

### Tax Status

The Company is a Massachusetts limited liability company and has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from the Company are reported by the members on their respective income tax returns as allocated in accordance with the Operating Agreement. Accordingly, the accompanying financial statements do not reflect any provisions or credits for income taxes.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### Recently Issued Accounting Pronouncement

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

The Company adopted the standard effective January 1, 2023, using the modified retrospective method and elected to exclude interest receivable from the measurement of credit losses. Results for reporting periods beginning after January 1, 2023, are presented under ASC Topic 326.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Recently Issued Accounting Pronouncement** (Continued)

The impact of adoption of ASC Topic 326 on the Company's balance sheet as of January 1, 2023, was as follows:

| | As Previously Reported | Effect of Adoption | As Adjusted |
|---|---|---|---|
| Allowance for credit losses | $ - | $ 5,714,278 | $ 5,714,278 |
| Allowance for loan losses | $ 7,972,091 | $ (7,972,091) | $ - |
| Credit loss liability - unfunded commitments | $ - | $ 1,451,194 | $ 1,451,194 |
| Members' Equity | $ 101,733,593 | $ 806,619 | $ 102,540,212 |

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

**Estimates**

The preparation of 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking, money market and savings accounts.

**Short-Term Investments**

Short-term investments consist solely of collateralized mortgage obligations and U.S. Treasury securities with original maturities of more than three months, but less than one year. The Company's investments in these debt securities are classified as available-for-sale and valued at fair value.

The Company's methodology for assessing other-than-temporary impairments is based on security specific facts and circumstances as of the balance sheet date, as well as the Company's intent to sell or ability to hold debt securities to recovery of its cost basis or maturity.

Temporary gains (losses) on investment securities are recorded as unrealized gains (losses) as a component of other comprehensive income.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Loans and Interest Receivable and Allowance for Credit Losses

*General*

Loans receivable are stated net of loan participations qualifying as loan sales under ASC Topic 860, *Accounting for Transfers and Servicing of Assets and Liabilities,* and an allowance for credit losses (see Notes 4 and 5). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

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

In connection with the adoption of ASU 2016-13, the Company made an accounting policy election to exclude interest receivable from the measurement of the ACL and follows a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. The Company considers the length of time without payment from the borrower and other triggering events when determining that the loans should be moved to non-accrual status and no longer recognize interest revenue on the loan. Loans are generally considered delinquent when the borrower is late paying beyond the terms of their loan agreement and non-accrual status occurs after three months on non-payment, unless there is a clear plan or agreement to obtain payment.

Determination of the appropriateness of the ACL is inherently complex and requires the use of significant and highly subjective estimates. The reasonableness of the allowance is reviewed periodically by the management.

*Loans Under Snapshot/Open Pool Method*

The Company's ACL process involves procedures to appropriately consider the unique risk characteristics of its financial assets. The Company determined the ACL using the snapshot/open pool method by pooling their loan portfolio into two main segments: Housing and Commercial and Economic Development (CED). These pooled segments were determined based on similar characteristics, contract terms, collateral types, types of associated industries, and business purpose of the loans.

Management reviewed the Company's loss history and determined one lookback period for both pools of loans. This lookback period aligns with the most accurate depiction of management's assessment of history of loss and available quality data information in their systems. The lookback period was determined to be fifteen years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Loans and Interest Receivable and Allowance for Credit Losses** (Continued)

*Loans Under Snapshot/Open Pool Method* (Continued)

Management also evaluated qualitative adjustment factors that increase the credit risk exposure of the Company upon originating a loan. Management monitors and assesses the qualitative factors (see page 13) to determine if they continue to be the most predictive indicator of losses with the Company's loan portfolio and may adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the ACL on loans and impact the future result of operations and financial condition. General qualitative factor characteristics include geographical market conditions, concentrations of credit risk, volume of lending and collateral consideration.

The reasonable and supportable forecast period represents a two-year economic outlook (through December 31, 2024) for the applicable economic variables. At the end of the two-year reasonable and supportable forecast period, assumption variables start to revert to the loss rate of the loans. Management of the Company considered significant factors that could affect the expected future collectability of the amortized cost basis of the portfolio and determined that the primary factors are increased volume of lending and leverage, general geographic market conditions and concentration of credit risk.

*Individually Assessed Loans*

Loans that do not share risk characteristics of a pool are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that the borrower is experiencing financial difficulty or collateral value is at risk at the reporting date, management determines that expected credit losses should be based on a blended rate determined from a multitude of qualitative factors. There were three loans evaluated on an individual basis as of the adoption date (January 1, 2023) and December 31, 2023 (see Note 5).

*Below-Market Rate Loans*

U.S. GAAP requires recording 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 receivable are disclosed in Note 4.

The Company 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 its portfolios. Consequently, no adjustments have been made to the accompanying financial statements to reflect rate differentials.

*Unfunded Commitments - Closed Loans*

Unfunded loan commitments are reviewed to determine if they are considered unconditionally cancellable. The Company establishes reserves for unfunded commitments that do not meet that criteria and are for closed loans the Company is legally obligated to fund that are not fully drawn as a liability in the balance sheet (see Note 5). The allowance for credit losses for unfunded lending commitments is estimated using the same methodologies as portfolio loans, taking into consideration management's assumption of the likelihood that funding will occur.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Loans and Interest Receivable and Allowance for Credit Losses** (Continued)

*Legacy Disclosure - Allowance for Loan Losses*

Prior to the adoption of ASU 2016-13, management established an allowance for loan losses through a provision for loan losses charged to operations. The allowance was an amount that management believed would be adequate to absorb losses on existing loans that may become uncollectible. Management evaluated loan collectability through consideration of factors, such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that have affected the borrower's ability to repay in accordance with the requirements of ASC Topic, *Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures* standard under U.S. GAAP. This was done through the Company's loan rating system (see Note 5).

**Investments in Limited Partnership and Others**

Investments in limited partnership consist of the Company's non-marketable interest in a local investment fund for which there is no readily determinable market value. The Company's interest in these investments is reported at the net asset value (NAV) reported by the investment fund managers, which is used as a practical expedient to estimate the fair value.

Dividends from this investment, which represent distributions of partnership earnings, if any, are recorded as investment income. Other distributions are recorded as return of capital and reduce investment cost. In the event of impairment, the investment is written down through an allowance for impairment to estimated net realizable value and the loss is charged to operations.

Investments in other include investments in marketable securities that are recorded in the financial statements at fair value. If an investment is directly held by the Company and an active market with quoted prices exist, the market price of the security is used to report fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period (see Note 8).

**Revenue Recognition**

Revenues include interest on loans, cash and investments in debt securities, as well as loan fees and other. All revenues are recognized as earned on the accrual basis of accounting. Premium or discount on debt securities and loans receivable is amortized over the remaining term to maturity, using the straight-line method which approximates the effective yield method.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising expense for 2023 and 2022, was $31,128 and $5,675, respectively, and is included in professional fees in the accompanying statements of operations and other comprehensive income.

**Fair Value Measurements**

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fair Value Measurements** (Continued)

The Company 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 Company. 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.

The only assets held by the Company that are carried at fair value are cash equivalents in the form of money market accounts and short-term investments (see Note 3). Investments in limited partnership and others are reported at NAV (see Note 8 and page 9). Cash equivalents are considered Level 1 in the fair value hierarchy. The Company held $11,126,678 and $16,111,488 in money market accounts as of December 31, 2023 and 2022, respectively, which is included in cash and cash equivalents in the accompanying balance sheets.

**Subsequent Events**

Subsequent events have been evaluated through June 24, 2024, which is the date the financial statements were available to be issued. No events met the criteria for recognition or disclosure in the financial statements.

## 3. SHORT-TERM INVESTMENTS

Short-term investments consist of debt securities and are carried at fair value on a recurring basis based on quoted market prices which are considered Level 1 inputs in the fair value hierarchy (see Note 2).

The amortized cost of short-term investments and their approximate fair values are as follows as of December 31:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Collateralized Mortgage Obligations | $ 20,889 | $ 21,552 | $ 47,590 | $ 48,048 |

## 3. SHORT-TERM INVESTMENTS (Continued)

Unrealized gains and losses are recorded within accumulated other comprehensive income, a component of members' equity. There was an unrealized gain (loss) of $210 and ($2,410) for the years ended December 31, 2023 and 2022, respectively.

## 4. LOANS RECEIVABLE

The Company offers the following loan products:

**Housing** - Made to organizations that increase the availability of housing to low and moderate-income households. These loans are generally used to acquire or develop residential real properties. Housing loans receivable bear interest at rates ranging from 4% to 8.42% and mature at various dates through 2037. Principal balances range from $13,358 to $5,780,083. More than half of these loans are secured by mortgages on the properties and borrowers are required to adhere to certain affordability restrictions. The Company's five largest outstanding housing loans receivable were approximately 38% and 40% of the housing portfolio as of December 31, 2023 and 2022, respectively.

**Commercial and Economic Development** (CED) - Made to support the development and/or expansion of minority or women-owned businesses, small businesses, job creation activities, and community health centers, within low and moderate-income areas that result in job creation or retainage in Massachusetts. The Company also provides financing to small and mid-sized companies with an emphasis on companies relocating to Massachusetts and creating jobs for residents in economic target areas. The CED loans receivable bear interest at rates ranging from 4% to 7% and mature at various dates through 2036. Principal balances range from $104,594 to $5,600,000. These loans are generally secured by the borrowers' business assets. The Company's five largest outstanding CED loans receivable were approximately 57% and 54% of the CED portfolio as of December 31, 2023 and 2022, respectively.

**Individually Assessed** - Loans that no longer fall into the categories of housing or CED due to various factors, specifically declining collateral value. As of December 31, 2023, there were three loans in this category bearing interest at rates ranging from 6% to 7% and maturing at various dates through 2028. Principal balances range from $82,322 to $3,645,000.

Loans receivable, net of participations, consist of the following at December 31:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number of Loans | Outstanding Principal | Number of Loans | Outstanding Principal |
| Housing | 48 | $ 53,329,473 | 53 | $ 57,930,111 |
| CED | 23 | 33,187,514 | 22 | 27,563,657 |
| Individually assessed loans (see page 13) | 3 | 5,476,973 | 3 | 5,476,973 |
| Total loans receivable | 74 | 91,993,960 | 78 | 90,970,741 |
| Less - allowance for credit/loan losses (see Note 5) | | (5,734,522) | | (7,972,091) |
| Less - current portion, net of ACL | | (32,176,921) | | (32,241,906) |
| Net loans receivable | | $ 54,082,517 | | $ 50,756,744 |

**4. LOANS RECEIVABLE** (Continued)

As of December 31, 2023 and 2022, total participation loans outstanding were $8,980,599 and $8,720,520, respectively. Given the lack of repurchase rights reserved by the Company with respect to the third-party's interest in the underlying loans receivable, the participations meet the requirements for treatment as a loan sale in accordance with the U.S. GAAP criteria for ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Accordingly, loans receivable are presented net of participations in the accompanying balance sheets.

Future payments of principal of loans receivable for the next five years are due as follows:

| | |
|---|---|
| 2024 | $ 33,594,904 |
| 2025 | $ 25,162,017 |
| 2026 | $ 16,918,284 |
| 2027 | $ 3,450,277 |
| 2028 | $ 7,443,140 |

**5. ALLOWANCE FOR CREDIT LOSSES**

As disclosed in Note 2, the Company follows ASC Topic 326 to estimate the ACL effective January 1, 2023. Loans are evaluated within a collective pool basis for similar loan types, given the unique nature of each loan. Management believes that calculating the allowance for credit losses on these collective pools provides the most estimate for potential credit losses over the lifetime of the loans. Any historical losses at the collective pool level are the basis of the ACL determination which then is driven by additional qualitative factors as noted in Note 2.

The Company's historical loss rates for each pool and their respective look back periods (see Note 2) applied to the amortized cost basis of loans receivable are as follows below as of the adoption date, January 1, 2023 and December 31, 2023. These historical rates were also adjusted for management's determination of qualitative adjustment factors (see Note 2).

| | Housing | CED |
|---|---|---|
| Historical loss rate | 3.47% | 4.47% |
| Qualitative factor adjustment | 0.23 | 0.23 |
| Total loss rate under Topic 326 | 3.70% | 4.70% |

The Company monitors credit quality indicators on an on-going basis to determine if any of their loans need to be evaluated separately. Once collection from traditional methods is deemed unlikely, each asset is assessed individually under the practical expedient for collateral dependent financial assets. The credit quality indicators assessed by management include security of the loan and collateral coverage.

As of January 1, 2023 and December 31, 2023, there were three loans with collective balances totaling $5,476,973 that were evaluated on an individual basis. These are commercial loans on office buildings with high vacancies and declining collateral value. Management considered these loans as distressed commercial office loans. These loans were assigned an allowance for credit losses amount based on a blended rate of the original loan pool they were in and certain qualitative factors ranging from 25% - 40%. The total blended rate applied to these loans was 39.68% as of January 1, 2023 and December 31, 2023, in order to correctly present these loans at the value that the Company anticipates that they will recover. The Company will continue to assess the need for additional allowance for credit losses related to these collateral dependent financial assets.

**5. ALLOWANCE FOR CREDIT LOSSES** (Continued)

A summary of the activity within the allowance for credit losses is as follows for the year ended December 31, 2023:

| | Housing | CED | Individually Assessed | Total |
|---|---|---|---|---|
| Allowance at December 31, 2022, prior to adoption of ASC Topic 326 | $ 4,469,261 | $ 2,133,587 | $ 1,369,243 | $ 7,972,091 |
| Cumulative adjustment from adoption of ASC Topic 326 | (2,341,102) | (831,989) | 915,278 | (2,257,813) |
| Provision for credit losses | 10,961 | 9,283 | - | 20,244 |
| Allowance at December 31, 2023 | $ 2,139,120 | $ 1,310,881 | $ 2,284,521 | $ 5,734,522 |

At December 31, 2023 and 2022, the Company was committed to fund loans receivable of approximately $31,099,000 and $39,996,000, respectively. Among the tools available to manage liquidity are participation loans and the line of credit (see Note 6). In accordance with Topic 326, the Company has recorded a credit loss liability for unfunded loan commitments (see Note 4) based on the same loss rate used on the loan portfolio as noted on page 13, which are summarized below:

| | |
|---|---|
| Credit loss liability - unfunded commitments, December 31, 2022 | $ - |
| Cumulative adjustment from new credit loss standard (see Note 2) | 1,451,194 |
| Recovery of credit losses - unfunded commitments | (355,473) |
| Credit loss liability - unfunded commitments, December 31, 2023 | $ 1,095,721 |

Prior to the adoption of ASU 2016-13, the Company estimated loan losses using an internally developed risk rating system. Loans were rated on a scale of A to E. Loans rated A were considered exceptional and no loan loss was assigned to them. Loans rated B to C were considered performing loans and an initial loan loss allowance was assigned to them. This allowance was adjusted each year, as necessary, based on analysis of each borrower's operating performance.

Loans rated D and E had a specific reserve percentage. These loans had a higher probability of loss of interest income and principal and were considered substandard. For these loans, the major risk factors that drove the loan loss allocation decision were:

- Borrower had a weak balance sheet and has shown consistent losses;
- Cash flow may have been inadequate to service the debt;
- Collateral may have been less than 100% of outstanding loan;
- Weak management;
- Credit history showed sporadic delinquencies; and
- Guarantor had minimal and illiquid net worth.

## 5. ALLOWANCE FOR CREDIT LOSSES (Continued)

The loan loss allowance according to the Company's risk rating policy was as follows as of December 31, 2022:

| Category | Risk Rating | Loan Balance | Loan Loss Allowance |
|---|---|---|---|
| Exceptional | A | $ 2,279,433 | $ - |
| Performing | B - C | 84,712,856 | 6,977,478 |
| Substandard | D - E | 3,978,452 | 994,613 |
| | | $ 90,970,741 | $ 7,972,091 |

The loan loss allowance, which had been allocated proportionally to the long-term and current portions of the loan portfolio in the accompanying balance sheets, consisted of the following at December 31, 2022:

| | Commercial and Economic Development | Affordable Housing | Total |
|---|---|---|---|
| **Balance,** December 31, 2021 | $ 2,958,781 | $ 5,546,171 | $ 8,504,952 |
| Write-off of uncollectable loans previously reserved | (27,909) | - | (27,909) |
| Provision for (recovery of) loan losses | 351,314 | (856,266) | (504,952) |
| **Balance,** December 31, 2022 | $ 3,282,186 | $ 4,689,905 | $ 7,972,091 |

## 6. LINE OF CREDIT

The Company maintains a $15,000,000 revolving line of credit agreement with a bank, renewable annually in June. The interest rate is based on the bank's floating base rate (7.19% and 4.47% at December 31, 2023 and 2022, respectively), plus 1.75%. There was no outstanding balance under this line of credit at December 31, 2023 and 2022. The line of credit is secured by substantially all assets of the Company and has certain covenants with which the Company must comply. The Company was in compliance with these covenants as of December 31, 2023 and 2022.

## 7. MANAGEMENT AGREEMENT

Massachusetts Capital Resource Company (MCRC) provides management and administrative services to the Company, the cost of which is charged to the Company. Salaries and other benefits, including both a defined benefit and defined contribution pension plan for employees of MCRC who work solely on the Company's activities, are charged directly to the Company. Other expenses, such as rent and overhead costs, are allocated between MCRC and the Company based on relative levels of capital. This expense allocation method, which is in accordance with the Operating Agreement, has been approved by the Audit Committees of both the Company and MCRC.

## 7. MANAGEMENT AGREEMENT (Continued)

The amount of expense recognized by the Company related to these management and administrative services provided by MCRC during 2023 and 2022 was $2,265,357 and $2,074,085, respectively. The amount payable to MCRC for management fees and other reimbursable expenses at December 31, 2023 and 2022, was $55,053 and $119,152, respectively, and is included in accounts payable and accrued expenses in the accompanying balance sheets.

## 8. INVESTMENTS IN LIMITED PARTNERSHIP AND OTHERS

Investment in limited partnership (see Note 2) represents a non-controlling interest in one limited partnership, which meets the requirement of a qualified investment in accordance with Chapter 259 of the Massachusetts Acts of 1988. The investments are measured at fair value using the NAV per share. The Company's investment represents less than 20% limited partner interest, and the Company does not exercise control or significant influence over the partnership. Investments in others include shares of common stock.

The balance of investments in limited partnership and others was as follows:

| | 2023 | 2022 |
|---|---|---|
| **Beginning Balance** | $ 193,636 | $ 1,917,334 |
| Capital distributions | - | (701,466) |
| Write-off of investment in limited partnership | (44,797) | (1,022,232) |
| **Ending Balance** | 148,839 | 193,636 |
| **Investments in others** | 39,710 | 27,622 |
| Net investments in limited partnership and others | $ 188,549 | $ 221,258 |

The Company wrote off $44,797 during 2023 which is included in investment income (loss) in the accompanying statement of operations and other comprehensive incomes for the year ended December 31, 2023. During 2022, there was a write-off of the investment in limited partnership of $1,022,232, of which $400,000 represented the allowance previously booked. The net amount of the write-off and allowance of $622,232 is included in investment income (loss) in the accompanying statement of operations and other comprehensive income for the year ended December 31, 2022. The Company's management determined the impairment estimates using unobservable, or Level 3, inputs under the fair value framework (see Note 2). These inputs are estimated future net cash flows based upon internal financial statements and other information received from investment fund managers.

The Company did not receive any capital distributions during 2023. The Company received, as a return of capital, distributions of $701,466 during 2022. The Company did not incur any realized gains or losses during 2023 and 2022, respectively.

The Company also holds shares of common stock in two organizations. The fair value of the common stock at December 31, 2023 and 2022, was $39,710 and $27,622, respectively, which is included in investments in limited partnership and others in the accompanying balance sheets. These shares of common stock are valued using Level 1 inputs. Unrealized gains (losses) related to these investments were $12,088 and $(56,553) for the years ended December 31, 2023 and 2022, respectively, and are included in investment income (loss) in the accompanying statements of operations and other comprehensive income.

## 9. CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances in three banks in Massachusetts and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. The Company has not experienced any losses in such accounts and management believes the credit risk related to the Company's cash and cash equivalents is not significant. In relation to the money market accounts (see page 11), the Company's exposure for uninsured cash and cash equivalents was $11,126,678 and $16,111,488 as of December 31, 2023 and 2022, respectively. In order to minimize the credit risk for cash equivalents, management has invested the cash equivalents in highly-liquid money market accounts designed to maximize FDIC coverage.

## 10. DISTRIBUTIONS TO MEMBERS

The Company makes annual distributions equal to the cumulative retained earnings of the Company, less the net change in value of derivatives, pursuant to the Articles of the First Amended and Restated Operating Agreement dated September 15, 1999 (the Operating Agreement). Distributable income for the years ended December 31, 2023 and 2022, was $2,952,649 and $2,471,087, respectively. The 2022 and 2021 distributable income of $2,471,087 and $3,341,295 was declared and paid as distributions to members during 2023 and 2022, respectively.

In November 2016, the Company's members approved a Fourth Amendment to the First Amended and Restated Operating Agreement extending the term of the Company to 2033, with a possibility of an extension to 2043. Four of the members (exiting members) representing approximately 4% of members' equity had elected to be liquidated on the following schedule effective January 1, 2019: 5% of the exiting member's capital account balance which has been determined and fixed as of December 31, 2018, commencing in 2019 continuing through 2023, with a final distribution of 80% on December 30, 2023. These exiting members received their final distribution on December 30, 2023.

During 2023 and 2022, the Company returned $2,951,812 and $184,488 of the exiting members' capital contributions, which is included in distributions to members in the accompanying statements of changes in members' equity for the years ended December 31, 2023 and 2022, respectively.

**EXHIBIT E**

To

ANNUAL REPORT AND STATEMENT OF FINANCIAL CONDITION OF THE LIFE INSURANCE COMMUNITY INVESTMENT INITIATIVE, LLC

As of December 31, 2023

In accordance with Section 2(e)3 the investments made by the Life Insurance Community Investment Initiative LLC comply with the provision of paragraphs (1) and (2) of subsection (f). Each MOBD region has received at a minimum its base investment share amount as defined by the 1998 Legislation. The most recent MOBD regions are shown below.

*Current MOBD regions, since 2017*

| Qualified Commitments as of 12/31/23 | ($713,835,634) |
|---|---|
| Western Region | 125,794,800 |
| Central Region | 91,240,733 |
| Northern Region | 74,277,750 |
| Metrowest & Merrimack Valley | 14,103,000 |
| Greater Boston Region | 301,824,242 |
| Southern Region | 87,845,109 |
| Statewide | 18,750,000 |
| | $713,835,634 |

*Original MOBD regions*

| Qualified Commitments as of 12/31/23 | ($713,835,634) |
|---|---|
| Western Region | 125,794,800 |
| Central Region | 90,990,733 |
| Northern Region | 74,384,500 |
| Greater Boston Region | 305,539,492 |
| Southern Region | 94,276,109 |
| Statewide | 18,750,000 |
| | $713,835,634 |