Capital for Change, Inc. and Affiliated Organizations

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Board of Directors
Capital for Change, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capital for Change, Inc. and Affiliated Organizations (nonprofit organizations), which comprise the consolidated statement of financial position as of March 31, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Connecticut Energy Efficiency Finance Company and Connecticut CDFI Alliance were not audited in accordance with Government Auditing Standards.

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 financial position of Capital for Change, Inc. and Affiliated Organizations as of March 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 32 to 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. The supplementary information included in the accompanying supplementary financial data templates is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, Office of Lender Activities and Program Compliance, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 2, 2018, on our consideration of Capital for Change, Inc. and Affiliated Organizations’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Capital for Change, Inc. and Affiliated Organizations’ internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Capital for Change, Inc. and Affiliated Organizations’ internal control over financial reporting and compliance.

CohnReznick LLP

Hartford, Connecticut
July 2, 2018
### Capital for Change, Inc. and Affiliated Organizations

#### Consolidated Statement of Financial Position

**March 31, 2018**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,244,026</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>$7,536,837</td>
</tr>
<tr>
<td>Investments</td>
<td>$334,029</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$1,889,403</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$500,000</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>$222,195</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>$69,611,610</td>
</tr>
<tr>
<td>Loan loss reserves</td>
<td>($3,489,093)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$176,340</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$1,305,207</td>
</tr>
<tr>
<td>Other assets</td>
<td>$27,446</td>
</tr>
<tr>
<td>Loans receivable - agency assets</td>
<td>$6,834,387</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$86,192,387</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$556,355</td>
</tr>
<tr>
<td>Escrows</td>
<td>$4,206,817</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>$4,432,343</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>$3,646,015</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$1,244,161</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>$83,590</td>
</tr>
<tr>
<td>Notes payable</td>
<td>$30,283,012</td>
</tr>
<tr>
<td>Notes payable - EQ2</td>
<td>$4,950,000</td>
</tr>
<tr>
<td>Agency liabilities</td>
<td>$7,903,213</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$57,305,506</strong></td>
</tr>
</tbody>
</table>

#### Net assets

| Unrestricted                          | $9,245,686 |
| Temporarily restricted                 | $3,521,634 |
| Permanently restricted                 | $16,119,561|
| **Total net assets**                  | **$28,886,881** |

| **Total liabilities and net assets**  | **$86,192,387** |

See Notes to Consolidated Financial Statements.
Capital for Change, Inc. and Affiliated Organizations

Consolidated Statement of Activities and Changes in Net Assets
Year Ended March 31, 2018

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
</table>

### Revenue and support

<table>
<thead>
<tr>
<th>Description</th>
<th>Reclassified</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan interest activity</td>
<td>$ 2,751,900</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,751,900</td>
</tr>
<tr>
<td>Loan servicing revenue</td>
<td>1,412,180</td>
<td>-</td>
<td>-</td>
<td>1,412,180</td>
</tr>
<tr>
<td>Loan fees</td>
<td>144,818</td>
<td>-</td>
<td>-</td>
<td>144,818</td>
</tr>
<tr>
<td>Contract administration</td>
<td>87,145</td>
<td>-</td>
<td>-</td>
<td>87,145</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>12,832</td>
<td>1,029,831</td>
<td>-</td>
<td>1,042,663</td>
</tr>
<tr>
<td>Contribution income</td>
<td>175,428</td>
<td>-</td>
<td>-</td>
<td>175,428</td>
</tr>
<tr>
<td>Interest income - investments</td>
<td>52,997</td>
<td>-</td>
<td>-</td>
<td>52,997</td>
</tr>
<tr>
<td>Rent income</td>
<td>18,149</td>
<td>-</td>
<td>-</td>
<td>18,149</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,825,835</td>
<td>(2,041,579)</td>
<td>(784,256)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>7,481,284</td>
<td>(1,011,748)</td>
<td>(784,256)</td>
<td>5,685,280</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Reclassified</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel costs</td>
<td>2,628,408</td>
<td>-</td>
<td>-</td>
<td>2,628,408</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>647,828</td>
<td>-</td>
<td>-</td>
<td>647,828</td>
</tr>
<tr>
<td>Insurance</td>
<td>94,979</td>
<td>-</td>
<td>-</td>
<td>94,979</td>
</tr>
<tr>
<td>Lending interest expense</td>
<td>952,070</td>
<td>-</td>
<td>-</td>
<td>952,070</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>654,578</td>
<td>-</td>
<td>-</td>
<td>654,578</td>
</tr>
<tr>
<td>Grant expenses</td>
<td>35,748</td>
<td>-</td>
<td>-</td>
<td>35,748</td>
</tr>
<tr>
<td>Building repairs and maintenance</td>
<td>33,049</td>
<td>-</td>
<td>-</td>
<td>33,049</td>
</tr>
<tr>
<td>Occupancy expense</td>
<td>124,932</td>
<td>-</td>
<td>-</td>
<td>124,932</td>
</tr>
<tr>
<td>Professional services</td>
<td>415,086</td>
<td>-</td>
<td>-</td>
<td>415,086</td>
</tr>
<tr>
<td>Technology</td>
<td>86,420</td>
<td>-</td>
<td>-</td>
<td>86,420</td>
</tr>
<tr>
<td>Depreciation</td>
<td>97,165</td>
<td>-</td>
<td>-</td>
<td>97,165</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>149,223</td>
<td>-</td>
<td>-</td>
<td>149,223</td>
</tr>
<tr>
<td>Postage</td>
<td>52,114</td>
<td>-</td>
<td>-</td>
<td>52,114</td>
</tr>
<tr>
<td>Telephone</td>
<td>27,579</td>
<td>-</td>
<td>-</td>
<td>27,579</td>
</tr>
<tr>
<td>Office expense</td>
<td>152,555</td>
<td>-</td>
<td>-</td>
<td>152,555</td>
</tr>
<tr>
<td>Office equipment</td>
<td>24,219</td>
<td>-</td>
<td>-</td>
<td>24,219</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>6,175,953</td>
<td>-</td>
<td>-</td>
<td>6,175,953</td>
</tr>
</tbody>
</table>

### Changes in net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Reclassified</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in net assets</td>
<td>1,305,331</td>
<td>(1,011,748)</td>
<td>(784,256)</td>
<td>(490,673)</td>
</tr>
</tbody>
</table>

### Net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning</td>
<td>7,940,355</td>
<td>4,533,382</td>
<td>16,903,817</td>
<td>29,377,554</td>
</tr>
<tr>
<td>Net assets, end</td>
<td>$ 9,245,686</td>
<td>$ 3,521,634</td>
<td>$ 16,119,561</td>
<td>$ 28,886,881</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements.
Capital for Change, Inc. and Affiliated Organizations

Consolidated Statement of Cash Flows
Year Ended March 31, 2018

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in net assets</td>
<td>(490,673)</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>97,165</td>
<td></td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>259</td>
<td></td>
</tr>
<tr>
<td>Unrealized (gain) loss on investments</td>
<td>(14,635)</td>
<td></td>
</tr>
<tr>
<td>Realized (gain) loss on investments</td>
<td>(22,681)</td>
<td></td>
</tr>
<tr>
<td>Provision for loan loss reserve</td>
<td>714,989</td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td>66,988</td>
<td></td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(1,133,632)</td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(500,000)</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(39,832)</td>
<td></td>
</tr>
<tr>
<td>Loans receivable</td>
<td>(16,836,112)</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(90,426)</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>398,834</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(191,480)</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,244,161</td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(16,797,075)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property and equipment</td>
<td>(1,068,487)</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>3,614,830</td>
<td></td>
</tr>
<tr>
<td>Escrows</td>
<td>706,118</td>
<td></td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>1,511,208</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>4,763,669</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>$</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundable advances</td>
<td>163,500</td>
<td></td>
</tr>
<tr>
<td>Due to affiliate</td>
<td>(1,511,208)</td>
<td></td>
</tr>
<tr>
<td>Agency funds received</td>
<td>584,484</td>
<td></td>
</tr>
<tr>
<td>Lines of credit</td>
<td>1,600,489</td>
<td></td>
</tr>
<tr>
<td>Repayment of notes payable</td>
<td>(3,768,745)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from notes payable</td>
<td>11,642,530</td>
<td></td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>8,711,050</td>
<td></td>
</tr>
<tr>
<td>Net decrease in cash</td>
<td>(3,322,356)</td>
<td></td>
</tr>
<tr>
<td>Cash, beginning</td>
<td>4,566,382</td>
<td></td>
</tr>
<tr>
<td>Cash, end</td>
<td>$ 1,244,026</td>
<td></td>
</tr>
</tbody>
</table>

Supplemental disclosure of cash flow information
Cash paid during the year for interest | $ 931,543 |

See Notes to Consolidated Financial Statements.
Note 1 - Organization

Connecticut Housing Investment Fund, Inc. ("CHIF") is a statewide, private nonprofit 501(c)(3) tax-exempt organization of the Internal Revenue Code (the "Code") established in 1968 whose primary purpose is affordable housing lending. On May 1, 2016, the organization changed its name to Capital for Change, Inc. ("C4C") and the Greater New Haven Community Loan Fund, Inc. ("GNHCLF") and CHIF merged. Effective July 1, 2016, Community Capital Fund, Inc. ("CCFI") completed the combination with C4C through a business combination accounted for as a transfer of net assets. The consolidated financial statements reflect the activities of C4C, CCFI, Connecticut Energy Efficiency Finance Company ("CEEFCo") and Connecticut CDFI Alliance ("CT CDFI") for the year ended March 31, 2018.

C4C is a unique housing finance organization offering multiple services for affordable housing and community development, which includes consumer mortgage and unsecured lending, commercial housing, nonprofit and small business loans, third-party contract administration, loan portfolio management and servicing and technical assistance to other organizations and businesses. C4C is certified by the U.S. Department of Treasury as a Community Development Financial Institution and conducts community-lending activities throughout the State of Connecticut, is licensed for mortgage lending in Connecticut and is licensed to conduct loan servicing in the State of Connecticut and Commonwealth of Massachusetts.

C4C provides financing through direct and participation loans, and finances predevelopment, purchase/rehabilitation, construction, bridge, down payment, energy conservation and permanent loans. C4C is capitalized with low interest long-term notes and short-term equity equivalents from conventional lenders. Additional capital sources include corporate; foundation; municipal, state and federal government grants and loans; utility rate payer capital; program related investments from charitable organizations and other socially concerned community investors.

C4C also originates home improvement and home purchase mortgage loans for third parties and provides loan portfolio management services to government and not-for-profit organizations, and services housing and community development loans.

Connecticut Energy Efficiency Finance Company ("CEEFCo") is a special purpose organization established in 2011 as a 501(c)(3) tax-exempt organization. C4C is allowed to appoint the majority of CEEFCo's Board of Directors. Accordingly, the accounts of CEEFCo have been consolidated herein, as required by accounting principles generally accepted in the United States of America. Since 2011, CEEFCo has received contributions of $14,150,000 permanently restricted for the purpose of making qualifying residential energy efficiency loans to consumers and to administer the residential financing program for energy efficiency loans and related loan loss guarantees and interest rate buy downs to support other CEEFCo energy lending products. These funds are unavailable for use by C4C, unless specifically authorized by Eversource and are non recourse to C4C.

CT CDFI is a statewide, private nonprofit 501(c)(3) tax-exempt organization whose primary purpose is to finance the acquisition and development of affordable and special needs housing. CT CDFI is a collaborative union of several Community Development Financial Institutions ("CDFIs"), of which C4C is the sole remaining member.
Note 2 - Summary of significant accounting policies

Principles of consolidated financial statements
These entities together are referred to as the "Organization" in the accompanying notes. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of presentation
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses recognized on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period have been reported as unrestricted support in the consolidated statement of activities and changes in net assets.

Contributions
Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their net present value. C4C reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
Revenue recognition
Interest on loans receivable is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Interest income is not recognized when receipt of principal or interest is considered to be in doubt. The Organization's policy is generally not to recognize interest on loans greater than 120 days past due. Interest income for such loans is recognized on the cash basis. Grants are recognized as revenue over the grant term on a pro-rata basis or as specified in the grant document. Revenues from corporate service contracts are recognized when earned in accordance with the terms of the contracts. Fee income is recognized when earned from loan origination, loan servicing and third party contract administration.

Restricted cash
Bank account balances in trust to the Organization under third-party fiduciary contracts are reflected as restricted cash and escrow liabilities and are required to be maintained in a separate bank account. The aggregate balance of these accounts at March 31, 2018 was $7,536,837.

Service contracts
Revenues from service contracts are recognized when earned in accordance with the terms of the contracts. Fee income is recognized when earned from loan origination, loan servicing, third party contract administration and other consulting.

Accounts receivable
The Organization has accounts receivable related to fee for service contracts and special events that are reported net of an allowance for doubtful accounts. Based on management’s assessment of outstanding balances, it has concluded that no reserve was deemed necessary at March 31, 2018. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted.

Grants receivable
Grants receivable consists of unconditional promises to give that have been recognized as temporarily restricted grant revenue for the year ended March 31, 2018.

Investment held by Community Foundation
C4C maintains agency funds held by The Community Foundation for Greater New Haven (the "Foundation"). The agency fund agreement provides that C4C receive investment income from the funds, to be determined by C4C in its sole discretion. C4C has the ability to access up to 50% of the principal, subject to a 60-day notice period. Distributions of more than 50% of the funds’ fair market value require 90-day notice. The agency funds are carried at fair value as discussed in Note 5. Changes in the carrying amount of the agency funds are recognized as increases or decreases in unrestricted net assets and temporarily restricted net assets. The fair value of the pooled funds was $334,029 at March 31, 2018.

Loans receivable
Loans receivable are carried at unpaid principal balances, less an allowance for loan losses.
Allowance for loan losses
The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Organization uses a disciplined process and methodology to establish the allowance for loan losses, periodically, but no less than annually. For purposes of determining the allowance for loan losses, the Organization segments certain loans in its portfolio by product type. The Organization's loans are segmented into three pools: real estate loans, commercial lines of credit and unsecured energy efficiency loans to consumers. The reported loan loss reserve balance for 2018 reflects this methodology; all real estate loans and commercial lines of credit are evaluated individually and unsecured energy efficiency loans are evaluated as a pool. Risk grades are assigned and approved at underwriting and can be updated throughout the life of the loan.

The establishment of the allowance for loan losses relies on a consistent process that requires management's review and judgment and responds to the Organization's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. The Organization's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumption and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced staff.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are recognized in revenue in the period received.

The Organization's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral or for other reasons. There were no changes to the Organization's process and methodology during the year ended March 31, 2018.

Refundable advances
Amounts from grants and other revenue that are received but unearned are reflected as refundable advances in the accompanying consolidated statement of financial position and are subsequently reflected in the accompanying consolidated statement of activities and changes in net assets during the period of which they apply as the funds are expended.

Property and equipment
Purchased real estate, property and equipment are recorded at cost. All expenditures for improvements and equipment of $2,500 or more are capitalized. The straight-line method of depreciation is used over the estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>5</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>10</td>
</tr>
<tr>
<td>Office building</td>
<td>30</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5</td>
</tr>
<tr>
<td>Computer software</td>
<td>3</td>
</tr>
</tbody>
</table>
Impairment of long-lived assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis or other valuation techniques. There were no impairment losses recognized during the year ended March 31, 2018.

Functional expenses
The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be specifically identified with a program or supporting service are allocated directly according to their natural classifications. Other expenses that are common to several functions are allocated based on estimates made by management.

Statement of cash flows
For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. There were no cash equivalents at March 31, 2018.

Tax status
C4C, CEEFCo and CT CDFI are exempt from federal income tax as a publicly supported charitable organization described in Section 501(c)(3) and 509(a)(2) of the Code. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

The Organization has no unrecognized tax benefits at March 31, 2018. Federal information returns prior to fiscal year 2014 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization had unrelated business income taxes, it would recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the consolidated statement of financial position.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results may differ from these estimates, management believes that material changes will not occur in the near term.

Agency assets/liabilities
C4C has entered into agreements to act as an Agent and administer the City of Bridgeport's Brownfields Cleanup Revolving Loan Fund. Terms of the agreements allow C4C to utilize interest payments and fees collected to assist with the organization's program and administrative costs. Interest earned during the year ended March 31, 2018 amounted to approximately $12,000.

In accordance with C4C’s loan servicing activities, collections of certain escrow items are made on behalf of the borrower. Additionally, C4C acts as an Agent for certain borrowers by collecting rents and
paying the operating expenses on the related properties where C4C has exercised the right to receive rents. C4C exercises the right to receive rents when a loan becomes impaired and collection is not likely in the near term.

Subsequent events
Management has evaluated subsequent events through July 2, 2018, which is the date the consolidated financial statements were available to be issued.

Note 3 - Restricted cash

Restricted cash consists of the following at March 31, 2018:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds designated for lending</td>
<td>$1,600,167</td>
</tr>
<tr>
<td>Funded loan loss reserve</td>
<td>$626,730</td>
</tr>
<tr>
<td>Neighborhood assistance act</td>
<td>$59,942</td>
</tr>
<tr>
<td>Escrows held</td>
<td>$4,206,817</td>
</tr>
<tr>
<td>Agency funds</td>
<td></td>
</tr>
<tr>
<td>Veteran's fiduciary fund</td>
<td>$142,423</td>
</tr>
<tr>
<td>Brownfield cash</td>
<td>$250,758</td>
</tr>
<tr>
<td>Heat loan funds</td>
<td>$650,000</td>
</tr>
<tr>
<td><strong>Total restricted cash</strong></td>
<td><strong>$7,536,837</strong></td>
</tr>
</tbody>
</table>

Note 4 - Investment securities

The cost and fair value of investment securities are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Fair value</th>
<th>Total unrealized gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled funds</td>
<td>$341,167</td>
<td>$334,029</td>
<td>$(7,138)</td>
</tr>
</tbody>
</table>

The components of investment return during the year ended March 31, 2018 are reflected below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$1,492</td>
</tr>
<tr>
<td>Realized gains (losses)</td>
<td>14,635</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>24,413</td>
</tr>
<tr>
<td><strong>Total return on investments</strong></td>
<td><strong>$40,540</strong></td>
</tr>
</tbody>
</table>

Investment expense for the year ended March 31, 2018 was $2,850.
Note 5 - Fair value measurements

Accounting principles generally accepted in the United States of America ("GAAP") establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that C4C has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

**Pooled funds** - Pooled funds are commingled funds that consist of assets valued based on the net asset value ("NAV") as the practical expedient. The funds are managed in order to preserve the purchasing power and real economic spending of the fund in accordance with a total-return approach, which does not distinguish between the asset's yield and appreciation, but rather on the total expected return of the assets over the long term.

There have been no changes in the methodologies used at March 31, 2018.

C4C recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.
The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while C4C believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

<table>
<thead>
<tr>
<th>Fair value measurements at reporting date using</th>
<th>Quoted prices in active markets for identical assets/liabilities</th>
<th>Significant other observable inputs</th>
<th>Significant unobservable inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(Level 1)</td>
<td>(Level 2)</td>
<td>(Level 3)</td>
</tr>
<tr>
<td>March 31, 2018</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments measured at net asset value (a)</td>
<td>$324,029</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(a) In accordance with Financial Accounting Standards Board Accounting Standards Codification Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

Gains and losses (realized and unrealized) included in changes in net assets for the year ended March 31, 2018, are reported in investment income in the consolidated statement of activities and changes in net assets.

**Fair value of investments in entities that use NAV**
The following table summarizes investments measured at fair value based on NAV per share as of March 31, 2018.

<table>
<thead>
<tr>
<th>March 31, 2018</th>
<th>Fair value</th>
<th>Unfunded commitments</th>
<th>Redemption frequency (if currently eligible)</th>
<th>Redemption notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled funds</td>
<td>$324,029</td>
<td>n/a</td>
<td>no limit</td>
<td>60 days for up to 50% of market value. 90 days for more than 50% of market value</td>
</tr>
</tbody>
</table>

**Note 6 - Loans receivable**

Loans receivable consist of the following portfolio classes: permanent loans, predevelopment/acquisition loans, bridge loans, construction loans, commercial real estate loans, commercial lines of credit, consumer housing and energy efficiency loans, all of which have been approved by the Organization's loan committee, except for the notes received through assignment from Neighborhoods of Hartford, Inc.; the assignment was approved by the loan committee. The Organization deems the entire portfolio to be one segment.
Loans receivable and the relative loan loss reserve percentage as of March 31, 2018 were as follows:

<table>
<thead>
<tr>
<th>Loans receivable</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent</td>
<td>$21,275,437</td>
<td>-</td>
<td>$350,384</td>
<td>$21,625,821</td>
</tr>
<tr>
<td>Predevelopment/acquisition</td>
<td>885,120</td>
<td>-</td>
<td>-</td>
<td>885,120</td>
</tr>
<tr>
<td>Bridge</td>
<td>850,000</td>
<td>-</td>
<td>-</td>
<td>850,000</td>
</tr>
<tr>
<td>Construction</td>
<td>6,750,527</td>
<td>-</td>
<td>-</td>
<td>6,750,527</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>6,924,308</td>
<td>-</td>
<td>-</td>
<td>6,924,308</td>
</tr>
<tr>
<td>Commercial lines of credit</td>
<td>1,420,394</td>
<td>-</td>
<td>-</td>
<td>1,420,394</td>
</tr>
<tr>
<td>Consumer - housing</td>
<td>445,018</td>
<td>-</td>
<td>-</td>
<td>445,018</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>7,080,397</td>
<td>23,630,025</td>
<td>-</td>
<td>30,710,422</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less allowance for loan losses</td>
<td>2,821,111</td>
<td>317,598</td>
<td>350,384</td>
<td>3,489,093</td>
</tr>
</tbody>
</table>

Loans receivable C4C CEEFCo CT CDFI Total

45,631,201                        $23,630,025   $350,384  $69,611,610

42,810,090                        $23,312,427   $350,384  $66,122,517

<table>
<thead>
<tr>
<th>Allowance for loan losses</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, April 1, 2017</td>
<td>$3,196,858</td>
<td>$231,791</td>
<td>$350,384</td>
<td>$3,779,033</td>
</tr>
<tr>
<td>Provision for losses</td>
<td>557,226</td>
<td>97,352</td>
<td>-</td>
<td>654,578</td>
</tr>
<tr>
<td>Provision for losses - refundable advances</td>
<td>(156,000)</td>
<td>-</td>
<td>-</td>
<td>(156,000)</td>
</tr>
<tr>
<td>Loans charged off</td>
<td>(776,973)</td>
<td>(11,545)</td>
<td>-</td>
<td>(788,518)</td>
</tr>
<tr>
<td>Balance, March 31, 2018</td>
<td>$2,821,111</td>
<td>$317,598</td>
<td>$350,384</td>
<td>$3,489,093</td>
</tr>
</tbody>
</table>

CEEFCo's loan loss reserve is set at 1% of the outstanding balance plus 100% of direct billing customers with balances greater than 120 days. C4C's loan loss reserve averages 6.2% of the outstanding balance resulting in the combined average rate of 5.0% of the outstanding loan portfolio.

Residential loans
Permanent loans include first mortgages and other subordinate mortgages. First mortgages bear interest at an annual rate of 4.00% - 6.50%, with repayment terms from 10 - 30 years. Second mortgages bear interest at annual rates of 0% to 8.00% with repayment over a range of periods from 5 to 20 years.

Predevelopment loans bear interest at annual rates of 0.00% - 2.00% with a repayment range of periods from 1 - 10 years; $97,930 was available to be drawn by borrowers at March 31, 2018.

Bridge loans bear interest at an annual rate of 5.00% with a repayment range less than one year; at March 31, 2018, $500,000 was available to be drawn by borrowers.

Construction loans bear interest at annual rates of 0.00% - 6.50% with a repayment range of periods from 1 - 12 years; $4,469,588 was available to be drawn by borrowers at March 31, 2018.
Consumer housing loans include down payment assistance and teacher home ownership funds totaling $44,000 and $388,000, respectively, at March 31, 2018. Down payment assistance loans range from $4,000 to $5,000, with 0% interest rates. Principal repayments are due upon the earlier of 1) default of the borrower on any other indebtedness secured by a mortgage on the same property, 2) sale or transfer of title of the property, or 3) 30 years from the date of the note. Citizens Bank provided funding through an equity equivalent debt as discussed in Note 12. New Haven Teachers Home Ownership Fund represents loans advanced on behalf of a program funded by the Community Foundation for Greater New Haven (the "Foundation") to New Haven public school teachers to encourage them to teach and live in the city of New Haven. The loans are interest-free loans for up to 40 years with repayment deferred until the sale, transfer or refinance of the property. In the event the funds paid out to eligible buyers under the program are not repaid by the homebuyer, the Foundation will assume all losses. The loans will be purchased from C4C by Webster Bank by the end of 2018 according to the terms of a purchase and sale agreement that is still being negotiated.

Commercial loans
Commercial real estate loans include first and other subordinate mortgages that bear interest at an annual rate of .05% - 8.00% with a repayment range for construction only loans up to 24 months and construction to permanent loans with repayment terms of periods from 4 – 41 years.

Real estate related loans are secured by the related properties that are all located within the State of Connecticut.

Business loans include lines of credit that bear interest rates at 2.00% to 8.50% with a repayment term of 1 - 21 years. At March 31, 2018, there were unclosed commitments to borrowers of approximately $900,000 and approximately $861,857 was available to be drawn on closed loans by borrowers at March 31, 2018.

Energy efficiency loans
Energy efficiency loans include commercial energy loans of $7,080,397 that bear interest at annual rates of 5.5% - 6.25% with repayment of 6 - 18 years. One funding source of the commercial energy loans provides for an offset of loan losses in an amount up to $625,000. At March 31, 2018, approximately $470,000 was reserved for loan loss reserves and $2,262,665 was available to be drawn. Certain energy loans may be unsecured.

Consumer energy loans of $23,630,025 bear interest at annual rates of 0% to 9.25% with a repayment term of 3 - 10 years. Consumer energy loans are unsecured. The recovery of the carrying amount of these loans is susceptible to changes in local market conditions.

Allowance for loan losses
The Organization uses a disciplined process and methodology to establish the allowance for loan losses, periodically, but no less than annually. For purposes of determining the allowance for loan losses, the Organization segments certain loans in its portfolio by product type. The Organization's loans are segmented into three pools: real estate loans, commercial lines of credit and unsecured energy efficiency loans to consumers. The reported loan loss reserve balance for 2018 reflects this methodology; all real estate loans and commercial lines of credit are evaluated individually and unsecured energy efficiency loans are evaluated as a pool. Risk grades are assigned and approved at underwriting and can be updated throughout the life of the loan.
The establishment of the allowance for loan losses relies on a consistent process that requires management's review and judgment and responds to the Organization's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. The Organization's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumption and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced staff. There were no changes in the Organization's accounting policies during the year ended March 31, 2018.

**Estimation process**

The Organization estimates loan losses using an internally developed risk rating guidance applied to performing loans, which considers the lien priority, loan-to-value, history of performance or other factors that could impact the probability of default and potential loss. Management applies judgment to develop its own view of loss probability within the portfolio with the objective of establishing an allowance for the losses inherent within the portfolio as of the reporting date.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of management's judgment of the risks inherent in the portfolio, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Organization's view of risk in the portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect the change in net assets.

**Allowance for loan losses and recorded investment in loans:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$ 3,779,033</td>
</tr>
<tr>
<td>Charge offs</td>
<td>(788,518)</td>
</tr>
<tr>
<td>Provision for losses - refundable advances</td>
<td>(156,000)</td>
</tr>
<tr>
<td>Provision for losses</td>
<td>654,578</td>
</tr>
<tr>
<td><strong>Balance, end of year</strong></td>
<td><strong>$ 3,489,093</strong></td>
</tr>
</tbody>
</table>

The Organization's practice is to charge off any loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral or for other reasons. C4C and CEEFCo charged off $776,973 and $11,545, respectively, of loans during the year ended March 31, 2018. All loans were individually evaluated for impairment. There have been no purchases, sales or reclassifications of financing receivables.
Credit quality information
The following tables represent credit exposure by creditworthiness category for the year ended March 31, 2018. The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of credit risk. The Organization's internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed periodically, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration of loan performance. Loans that migrate toward lower risk ratings generally have a lower risk factor associated; whereas, loans that trend upward toward higher risk ratings generally will result in a higher risk factor being applied to those related loan balances.

Credit quality of financing receivables
The following tables and the accompanying explanations present informative data regarding the credit quality of the Organization's financing receivables at March 31, 2018:

Credit risk profile for real estate loans
The Organization uses the following credit classifications to risk rate the real estate portfolio. The classifications used are based on available information regarding the repayment performance of individual borrowers in servicing their debt, such as current financial information, historical payment experience, credit documentation, publicly available information and current trends:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description of creditworthiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>Assigned to loans that have demonstrated above-average performance with strong cash flow coverage over an extended period, financial condition has been stable or improving.</td>
</tr>
<tr>
<td>Acceptable</td>
<td>Assigned to loans with acceptable asset protection and cash flow provides a reasonable prospect of orderly payout, but more pronounced risk elements than loans classified as satisfactory.</td>
</tr>
<tr>
<td>Transitional</td>
<td>Assigned to loans with the characteristics of an acceptable loan but warrants more than the normal level of supervision and formal reporting to management.</td>
</tr>
<tr>
<td>Special Mention</td>
<td>Loans that have potential weaknesses deserving of management's close attention.</td>
</tr>
<tr>
<td>Substandard</td>
<td>Loans in this classification have a well-defined weakness or weaknesses that jeopardize the repayment of the debt and there is a distinct possibility that the Organization will sustain some loss if the deficiencies are not corrected.</td>
</tr>
<tr>
<td>Doubtful</td>
<td>These loans have all of the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.</td>
</tr>
<tr>
<td>Loss</td>
<td>Considered uncollectible.</td>
</tr>
</tbody>
</table>
The information used to risk-rate the real estate loan portfolio is updated as of March 31, 2018:

<table>
<thead>
<tr>
<th>Internally Assigned Grade</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory</td>
<td>$15,432,244</td>
<td>$23,540,986</td>
<td>-</td>
</tr>
<tr>
<td>Acceptable</td>
<td>19,261,851</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transitional</td>
<td>8,891,279</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Mention</td>
<td>41,795</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Substandard</td>
<td>948,915</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Doubtful</td>
<td>1,055,117</td>
<td>89,039</td>
<td>350,384</td>
</tr>
</tbody>
</table>

$45,631,201 $23,630,025 $350,384

Credit risk profile for unsecured energy efficiency loans

The Organization uses industry guidelines from the American Council for an Energy-Efficient Economy to establish the criteria for the loan loss reserve percentage applied to the Energy Efficiency loan pool, which is currently at 1%, additional reserves for loans in collection is also included.

Age analysis of past due financing receivables by class

The following table includes an aging analysis of loans receivable as of March 31, 2018. Included are loans that are 90 days or more past due as to interest and principal and still accruing because they are secured by real estate or otherwise well secured and in the process of collection.

<table>
<thead>
<tr>
<th></th>
<th>Over 90 days</th>
<th>31-60 days</th>
<th>Current</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Loan Pool</td>
<td>$1,128,282</td>
<td>$469,396</td>
<td>$28,901,790</td>
<td>$30,499,468</td>
</tr>
<tr>
<td>Commercial Loan Pool</td>
<td>620,904</td>
<td>41,796</td>
<td>7,739,020</td>
<td>8,401,720</td>
</tr>
<tr>
<td>Energy Efficiency Loan Pool</td>
<td>-</td>
<td>-</td>
<td>30,710,422</td>
<td>30,710,422</td>
</tr>
</tbody>
</table>

Total $1,749,186 $511,192 $67,351,232 $69,611,610

At March 31, 2018, the total recorded investment in impaired loans amounted to approximately $1,700,000, the allowance related to these loans is approximately $500,000.

As of March 31, 2018, 22 notes receivable from 6 borrowers comprised 28.07% of the outstanding notes receivable, net of agency loans and loans funded with refundable advances. Of this total, $0 of this debt is nonrecourse.

Note 7 - Loan administration

The Organization provides loan administration for various state, state agencies, local municipalities, nonprofit agencies, and state utilities. Fees are derived from originating loans, program administration, and from providing comprehensive portfolio services, including on bill repayment for several utility companies in the State of Connecticut. The unamortized loan principal under these programs as of March 31, 2018 was as follows:

Unamortized loan principal $222.8 million
Number of loans 19,384
Note 8 - Fee income

Fee income is derived from loan origination, servicing, and third-party contract administration, all of which tend to be recurring income. Fee income for the year ended March 31, 2018 consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>C4C</th>
<th>Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origination</td>
<td>$802,293</td>
<td>$(657,475)</td>
<td>$144,818</td>
</tr>
<tr>
<td>Servicing</td>
<td>1,810,808</td>
<td>(398,628)</td>
<td>1,412,180</td>
</tr>
<tr>
<td>Third-party contract administration</td>
<td>118,645</td>
<td>(31,500)</td>
<td>87,145</td>
</tr>
<tr>
<td></td>
<td>$2,731,746</td>
<td>$(1,087,603)</td>
<td>$1,644,143</td>
</tr>
</tbody>
</table>

Note 9 - Property and equipment

Property and equipment as of March 31, 2018 consists of the following:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$249,186</td>
</tr>
<tr>
<td>Building</td>
<td>911,737</td>
</tr>
<tr>
<td>Building improvements</td>
<td>616,135</td>
</tr>
<tr>
<td>Office equipment</td>
<td>272,504</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>642,543</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>31,120</td>
</tr>
<tr>
<td></td>
<td>2,723,225</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,418,018)</td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$1,305,207</td>
</tr>
</tbody>
</table>

Note 10 - Refundable advances

C4C was awarded two Urban Action Grants in prior years in the amount of $3,100,000 and $1,200,000 to fund specific community development projects in Bridgeport, Connecticut. The grant agreements allow C4C to retain the interest earned on the underlying loans receivable and if certain criteria are met a portion of the returned principal may be retained by C4C with the balance payable to the State of Connecticut. Refundable advances include the grant advances less an allowance for loan loss reserves calculated on the underlying loans receivable of $86,000 at March 31, 2018.

The State of Connecticut, Department of Economic and Community Development also provided funding under the Small Business Lending Partner Program of $377,181. The program requires C4C to return to the State payments of principal on the underlying loans receivable. Refundable advances include the grant advances less an allowance for loan loss reserves calculated on the underlying loans receivable of $187,990.

C4C was awarded two grants from the State of Connecticut Housing Trust fund. The balance of $29,152 has been recorded within refundable advances at March 31, 2018.
Note 11 - Line of credit

The Connecticut Housing Finance Authority ("CHFA") has made a line of credit available to C4C; all funds were drawn as of March 31, 2018. The line of credit bears interest at 3% and matures December 31, 2018. For loan proceeds assigned to a particular loan where the maturity date is after December 31, 2018, principal together with all interest due thereon shall be paid to CHFA within 72 hours from the maturity of the underlying loan granted by C4C, but in no event later than the 240th month following the issuance of any permanent loan by C4C. The maturity of the underlying collateral is 1 to 21 years.

$ 1,699,800

Connecticut Housing Finance Authority had made available a total of $2,000,000 for investment in the community loan pool, interest only payments are required on the outstanding balance at 3% through maturity on December 31, 2018.

$ 1,946,215

United Bank has provided a line of credit of $3,000,000 of which no amount was outstanding at March 31, 2018. The line of credit provides for draws through March 1, 2020.

$ 3,646,015

Note 12 - Notes payable

The Organization operates a Loan Pool capitalized with several sources: long-term low interest notes; equity equivalents in varying terms issued by the Organization in the form of capital certificates; low interest, program related investments from charitable organizations; and grants from government agencies, conventional lenders and corporations. The Organization lends funds from the Community Loan Pool at below and market rates to eligible borrowers. The loans are secured by the notes receivable and underlying mortgages funded from the Community Loan Pool.
Webster Bank has provided a loan of $6,000,000. Interest was payable monthly on the outstanding principal at the rate of LIBOR plus 1.85% per annum plus 0.50% of the unused balance through December 2017. C4C entered into an interest rate swap with the lender for the second draw in the amount of $2,000,000. Pursuant to the swap agreement, the instrument pays fixed interest each month at the rate of 1.28% and receives interest each month at the rate of 1 month LIBOR per annum in each case applied to a notional amount equal to the unpaid principal balance of the related drawdowns. On December 22, 2017, the credit agreement was amended by making an additional $4,000,000 loan at LIBOR plus 2.00% per annum (3.80% at March 31, 2018). The amendment also converted the lines of credit into term loans. The loan has a fixed repayment term of 5 years over a 7 year amortization. The loan is collateralized by the underlying loan receivable funded with the proceeds and other additional loans receivable. The fair value of the swap, which fluctuates with changes in the ten-year interest rates, and which was positive at March 31, 2018, was immaterial and has not been recorded as an asset in the accompanying consolidated statement of financial position at that date. 

$ 9,095,238

During January 2014, C4C entered into a Multi-Family Permanent Loan Pool Participation Agreement (the "Participation Pool") with several funders providing short-term, low interest notes to support the creation and preservation of affordable housing and stabilizing and revitalizing low or moderate income neighborhoods.

Twelve banks have committed $8,064,311 of pooled loan capital. The loans require monthly payments of interest only based on an index (Federal Home Loan Bank of Boston's Community Development Advance Rate) plus a spread of 150 basis points (1.50%) through maturity on January 1, 2026. Loans made from this pool generally have maturities of 10 years, with principal repaid to the banks according to the respective amortization schedules. The loans are secured by the notes receivable and underlying mortgages funded from the Participation Pool, plus a loan loss reserve of 10% of the outstanding principal. Accordingly, $4,579,378 is nonrecourse to the Organization. 

5,088,198
Opportunity Finance Network has a commitment of $1,000,000 to fund loans under C4C’s Low Income Multifamily Energy (“LIME”) Loan Program that requires quarterly payments of principal and interest at 3% fully amortizing through maturity on June 30, 2022. C4C is subject to certain financial and performance covenants.

C4C also has a loan agreement with the Connecticut Green Bank (the “CGB”) up to an aggregate amount of $1,000,000 available to fund loans under C4C’s LIME Loan Program. The repayment terms will mirror the terms of the underlying loan to qualified owners, bearing interest at 3% - 3.5%; the loan terms will range between 10-12 years. The loan is secured by the underlying notes receivable. As part of the agreement, CGB has provided funding up to $300,000 to be drawn upon to recover eligible losses under C4C’s LIME Loan Program. No loan funds or reserve funds were drawn as of March 31, 2018. C4C is subject to certain financial and performance covenants. In March 2017, C4C signed a second loan agreement with CGB that provides up to $2,500,000 of additional funding. As of March 31, 2018, $2,461,734 was drawn down.

On February 23, 2018, C4C entered into a note agreement with Farmington Bank. The note has an original commitment of $1,740,000 for a construction period of 18 months, secured by 10 Alexander Drive, Wallingford, CT; 121 Tremont Street, Hartford, CT and a $250,000 CD. On September 1, 2019, the loan will convert to a conventional loan requiring principal and interest payments monthly, at an interest rate of 5%, until maturity on March 1, 2038.
C4C entered into a note agreement with Housing Development Fund, Inc. The note is a non-recourse loan at an interest rate of 3.34%. Commencing on December 31, 2017 and on the first day of each month thereafter until May 1, 2019 the Maker shall make consecutive monthly payments to the holder of interest only. Commencing on June 1, 2019 (the "Conversion Date") and on the first day of each month thereafter, and continuing until January 1, 2031 (the "maturity Date"), Maker shall make equal consecutive monthly payments of principal and interest in an amount sufficient to fully amortize the outstanding balance of this note.

C4C entered into a note agreement with Key Bank. The note has an original commitment of $700,000, bears interest at 4.750% payable quarterly with a maturity of March 31, 2018. The loan was subsequently renewed and matures on April 20, 2025.

C4C entered into three Master Loan Agreements ("MLAs") with local banks providing low interest notes to support the creation and preservation of affordable housing and stabilizing and revitalizing low or moderate income neighborhoods.

MLA-1 was most recently modified in July 1999, which reduced the interest rate to 0% and required principal repayments based on certain net collections as defined in the agreement. The notes are secured by the underlying mortgage notes receivable funded by the MLA-1 and are subject to debt forgiveness if the loan is not paid off by January 1, 2024 or the underlying notes receivable have been eliminated through collection and/or liquidation. The agreement provides for a debt service reserve account to be maintained. At March 31, 2018, the balance was $0. C4C has signed a memorandum of understanding with the banks that will provide for a partial forgiveness of the principal and provide for interest only payments at 2%, with the balance due in 10 years. The loan was subsequently repaid.

MLA-2 bears interest at 7.5% and requires interest and principal payments quarterly in an amount equal to the principal collections on loans funded from the MLA-2 proceeds, through maturity in April 2021. The loan is secured by the underlying mortgage notes receivable on the loans funded by MLA-2. The loan was subsequently repaid.

MLA-3 bears interest at 8% and requires interest and principal payments quarterly in an amount equal to the principal collections on loans funded from the MLA-3 proceeds, through maturity in August 2023. The loan is secured by the underlying mortgage notes receivable on the loans funded by MLA-3 and $75,000 that is included in restricted cash. The loan was subsequently repaid.
People’s United Bank has an original commitment of $750,000, bears interest at 6% payable in quarterly installments of principal and interest with the principal due on May 1, 2027. The note requires repayment based on early repayment of the underlying notes receivable funded by the loan proceeds. The loan is secured by the underlying collateral of the funded loans.

The City of Bridgeport has an original commitment of $1,690,000 that requires monthly payments of principal and interest at 4.95% - 6.42% fully amortizing through maturity on July 31, 2016. C4C is subject to certain financial reporting and performance covenants.

Synchrony Bank has an original commitment of $2,000,000 that requires quarterly payments of interest at 5% with the balance due at maturity on February 27, 2018. C4C is subject to certain financial and performance covenants. Subsequent to March 31, 2018, the loan was renewed and the principal amount was increased to $4,000,000, with interest at 4.35%, with all outstanding principal and interest due April 5, 2021.

Notes payable from Social Impact investors totaling $3,254,662 at March 31, 2018 represents 58 notes payable, ranging from $1,000 to $500,000 due to individuals, religious organizations, banks and other organizations, with interest rates ranging from 0% to 3% per annum, with an average rate of 2.5%. The notes are payable over a period of 1 to 10 years.

CHFA has established a program to provide Community Development Financial Institutions with financing for small multifamily project loans and C4C signed a contract to participate in the program as of April 2014. CHFA advances up to $500,000 per approved project to eligible participants at an interest rate of 2% for up to 20 years. Participants may lend C4Cs to end borrowers at no more than 5% for up to 20 years. C4C has borrowed $1,542,479 as of March 31, 2018 for eight loans. These notes are payable with varying terms ranging from 20 to 21 years.
TD Bank has a commitment of $1,000,000, bears interest at 5.71% payable in monthly installments of principal and interest with the principal due on December 31, 2028. The loan is secured by the underlying collateral of the funded loans; no funds have been drawn down as of March 31, 2018.

Note payable to State of Connecticut Department of Economic and Community Development ("DECD") is non-interest bearing and payable at maturity, July 1, 2033. The loan is secured by the loans receivable and underlying mortgages funded from the proceeds.

CEEFCo was not in compliance with the cash coverage ratio compliance covenant during the year ended March 31, 2018. The bank subsequently waived the cash coverage ratio.

An equity equivalent investment ("EQ2") is unsecured debt that is subordinate and junior in right of payment to all other organizational financial obligations both currently and subsequently incurred, but pari passu with other similar subordinated debt or equity equivalent investments, whether currently or subsequently incurred. An EQ2 is defined by the following attributes:

1. The investor carries it on their books as an investment according to GAAP;
2. It is a general obligation that is not secured by any assets;
3. It is fully subordinated to the right of repayment of all other creditors;
4. It does not give the investor the right to accelerate payment unless the organization ceases its normal operations (i.e. changes its line of business);
5. It carries an interest rate that is not tied to any income received by the organization; and
6. The maturity has a rolling term and therefore, an indeterminate maturity.

Investors may restrict their investment in the Community Loan Pool, or may contribute to the Community Loan Pool without specifying restrictions.

C4C uses its EQ2s to fund loans and pays its EQ2 investors interest-only payments semiannually. Annually or upon maturity, the terms of the underlying agreements allow for the investment to renew for the same term if notice not to extend the maturity is not received by either party.

<table>
<thead>
<tr>
<th>Lender</th>
<th>Renewal terms</th>
<th>Interest rate</th>
<th>Initial date</th>
<th>Maturity date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens Bank</td>
<td>3 years</td>
<td>2.07%</td>
<td>09/25/02</td>
<td>03/31/23</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>Webster Bank</td>
<td>5 years</td>
<td>2.00%</td>
<td>03/19/01</td>
<td>07/01/21</td>
<td>750,000</td>
</tr>
<tr>
<td>TD Bank</td>
<td>Rolling 10-years</td>
<td>2.00%</td>
<td>01/01/04</td>
<td>12/31/25</td>
<td>750,000</td>
</tr>
</tbody>
</table>
People's Bank 3 years 3.00% 07/01/03 07/01/18 250,000
M & T Bank 3 years 2.00% 09/15/06 09/15/18 250,000
Farmington Bank Rolling 10-years 2.00% 07/31/13 07/31/23 250,000
Darien Rowayton Bank Rolling 10-years 2.00% 05/10/17 06/30/27 250,000
Small Business Loan Fund 8 years 2.00% 09/13/11 09/14/19 525,000
Peoples 3 years 1.00% 12/31/07 12/31/19 375,000
TD Bank Rolling 10-years 2.00% 07/01/11 07/01/21 300,000

$ 4,950,000

The minimum annual payment requirements on notes payable for the five years subsequent to March 31, 2018 and thereafter are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2,010,303</td>
</tr>
<tr>
<td>2019</td>
<td>2,855,470</td>
</tr>
<tr>
<td>2020</td>
<td>1,448,852</td>
</tr>
<tr>
<td>2021</td>
<td>2,359,155</td>
</tr>
<tr>
<td>2022</td>
<td>2,949,105</td>
</tr>
<tr>
<td>Thereafter</td>
<td>23,610,127</td>
</tr>
</tbody>
</table>

Interest expense for the year ended March 31, 2018 was $951,811.

**Note 13 - Deferred revenue**

C4C entered into a Financing Program Agreement with the Connecticut Green Bank ("CGB"), that provides for an interest rate buy back on qualified energy loans to consumers for loans closed and funded prior to December 31, 2017. CEEFCo underwrites, approves and funds energy loans; CGB reviews and approves the loans for compliance with the program loan terms. CGB then funds the interest rate buy down ("IRB") with a lump-sum payment based on the net present value of the difference between the stated loan rate and 1%. Interest income recognized for the year ended March 31, 2018 was $166,190 and deferred revenue related to the IRB was $1,244,161.

**Note 14 - Concentrations**

**Concentrations of risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains cash and cash equivalent balances in several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. From time to time, the Organization's balances may exceed these limits. At March 31, 2018, C4C's uninsured bank balances totaled $8,316,159. The Organization limits its credit risk by monitoring bank ratings quarterly and selecting financial institutions considered to be highly creditworthy.

**Fee income concentration**

The Organization receives loan servicing fee income from a variety of sources. Approximately 40% of fee income for loan servicing is derived from two sources, 32% is comprised of thirty separate contracts with one organization and 8% is from a second organization, both of which are government entities. Total fee income for the year ended March 31, 2018 from these two entities was approximately $800,000.
Note 15 - Net asset classifications and restrictions

Temporarily restricted net assets
Temporarily restricted net assets are donor-restricted grants/contributions earmarked for particular financing types of loans relating to housing and community development, or for operating activities. In some operating years, net assets released from restrictions will exceed grants received due to timing issues; the resulting negative change in net assets does not indicate an operational net loss. Management anticipates that the temporarily restricted net assets will be released from restrictions over the next one to two years.

<table>
<thead>
<tr>
<th>Operating activities</th>
<th>Temporarily restricted as of 3/31/2017</th>
<th>2018 Grants received</th>
<th>2018 Release of restrictions</th>
<th>Temporarily restricted as of 3/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 7,690</td>
<td>-</td>
<td>$(7,690)</td>
<td>-</td>
</tr>
<tr>
<td>Loan and subsidy activities</td>
<td>4,525,692</td>
<td>1,029,831</td>
<td>$(2,033,889)</td>
<td>3,521,634</td>
</tr>
<tr>
<td></td>
<td>$ 4,533,382</td>
<td>$ 1,029,831</td>
<td>$(2,041,579)</td>
<td>$ 3,521,634</td>
</tr>
</tbody>
</table>

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions for the year ended March 31, 2018.

Permanently restricted net assets
Permanently restricted net assets provided by CDBG, DECD and EDA are donor-restricted grants that must be permanently maintained by C4C as part of the revolving loan fund. Generally, the donors of these assets permit C4C to use all or part of the income earned on any related investments for general or specific purposes; additionally, loan loss reserves and other approved expenses can be charged against the principal. Funding agencies include the City of Bridgeport funding under a Community Development Block Grant ("CDBG") and under the provisions of an Economic Development Administration Grant ("EDA") and the State of Connecticut, Department of Economic and Community Development under the Community Capital Housing Loan Program ("DECD"). CEEFCo's permanently restricted net assets consists of funds received for an energy efficiency program. The funds are to be used for origination and to fund residential loans, establish a loan loss reserve, post collateral with other lenders, pay related fees and effect interest rate buy-downs. For the year ended March 31, 2018, $784,256 was released from restrictions by the funders. All principal and interest payments received on these loans must be returned to this account. All interest income on the uncommitted funds must be returned to this account. Cash restricted for CEEFCo loan pool activities is maintained in a separate cash account.

<table>
<thead>
<tr>
<th>Permanently restricted as of 3/31/2017</th>
<th>2018 Grants received</th>
<th>2018 Release of restrictions</th>
<th>Permanently restricted as of 3/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan activities - CEEFCo</td>
<td>$ 13,749,961</td>
<td>-</td>
<td>$(784,256)</td>
</tr>
<tr>
<td>CDBG</td>
<td>277,408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>DECD</td>
<td>1,165,617</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>EDA</td>
<td>1,710,831</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 16,903,817</td>
<td>-</td>
<td>$(784,256)</td>
</tr>
</tbody>
</table>
Note 16 - Leasing

The Organization leases certain property and equipment under noncancellable operating leases. Rent expense pertaining to these lease agreements was approximately $107,000 for the year ended March 31, 2018. The leases provide for aggregate monthly payments of approximately $8,900 expiring on varying dates through February 2022.

Future minimum lease payments over the next four years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$104,943</td>
</tr>
<tr>
<td>2020</td>
<td>87,889</td>
</tr>
<tr>
<td>2021</td>
<td>57,077</td>
</tr>
<tr>
<td>2022</td>
<td>53,010</td>
</tr>
<tr>
<td></td>
<td><strong>$302,919</strong></td>
</tr>
</tbody>
</table>

Note 17 - Expenses by function

Expenses by function for the year ended March 31, 2018 were:

- Program services: $5,389,335
- Management and general: 594,343
- Fundraising: 192,275

**Total**: $6,175,953

Note 18 - Employee pension plan

C4C maintains a Defined Contribution Retirement Plan under Section 403(b) of the Code, covering all employees who have completed ninety days of service. Each year the participants may contribute up to the amount designated by the Economic Growth and Tax Relief Reconciliation Act of 2001, based on the participant's age. C4C, by action of its Board of Directors, shall determine the amount, if any, of the discretionary employer contributions. Total employer contributions to the plan for the year ended March 31, 2018 was $63,664.

Note 19 - Commitments and contingencies

As of March 31, 2018, the Organization had undrawn funds on closed loans totaling $4,329,183 and undrawn lines of credit commitments of $861,858. The Organization had loan commitments of $4,948,830 at March 31, 2018. Cash available to fund these commitments totaled $3,585,251, of which $2,250,167 was available in the loan fund and $1,335,084 was available in the operating fund. Additionally, C4C has undrawn funds on various lines of credit, see Notes 11 and 23.

Included in accrued expenses is an accrual for losses on loan servicing agreements of approximately $327,348 to reserve for potential expenses in excess of amount recuperated from HUD insurance on FHA loan foreclosures.

C4C is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers and include commitments to extend credit. These instruments involve, in varying degrees, elements of credit risk in excess of amounts recognized in the
accompanying consolidated statement of financial position. The contract of notional amounts of these instruments reflect the extent of C4C’s involvement in particular classes of financial instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments are subject to the same credit policies as loans and generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. C4C evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the counterparty. Collateral held is primarily business and residential real property. Interest rates are generally variable with the exception of the unadvanced portions of construction loans, which have fixed rates of interest.

**Note 20 - Forgivable loans (subsidies)**

C4C approves loans that are forgiven over time. As the loans are disbursed, they are recognized as a grant expense. These loans and the forgiveness relating to the loans are not reflected as loans receivable in the consolidated statement of financial position as repayment of the outstanding principal will occur only if the underlying property is sold to a non-qualified owner during the compliance period. If these loans were reflected in the financial statements, loans receivable would increase by $164,273 at March 31, 2018.

**Note 21 - Related party transactions**

At March 31, 2018, C4C had a note receivable of $197,652 from a non-profit organization, the Executive Director of which is the spouse of C4C's Chief Strategic Officer. This loan was restructured on March 4, 2016 into a permanent loan in the amount of $356,000, requiring monthly principal and interest payments of $2,356 at an interest rate of 5%, maturing February 1, 2036. Regular payments along with principal repayments resulting from sales of underlying properties have brought the balance to $197,652 as of March 31, 2018.

Three relatives of C4C's Chief Strategic Officer have made loans to C4C to support the Community Loan Pool. One of the three notes bears an annual interest rate of 2.5% with principal and interest due on January 31, 2019. As of March 31, 2018, the outstanding balance on the loan was $50,000. Another note bears an annual interest rate of 3% with principal and interest originally due on March 1, 2018 and renewed through March 1, 2019. As of March 31, 2018, the outstanding balance was $10,000. Another $30,000 note carrying a 3% interest rate was due on February 1, 2018 and was repaid at that time. As of March 31, 2018, the outstanding balance on that loan was $0.

Two board members have loaned C4C $100,000 and $20,000, respectively, to support the Community Loan Pool. The notes have annual interest rates of 3% and 2.5%, respectively, with principal and interest due on June 1, 2019 and December 1, 2019. Interest is paid annually on the anniversary of the note. As of March 31, 2018, the outstanding balances on the loans were $100,000 and $20,000.

A relative of the Development Director invested $30,000 in C4C at 3%. The $30,000 loan carried a maturity date of April 1, 2018 however it was liquidated as part of the investor’s estate. As of March 31, 2018, the outstanding balance on the loan is $0.
Note 22 - Federal and state assistance programs

C4C participates in a number of federal and state assisted grant programs. The use of grants in programs is subject to future review by grantors. Such review may result in C4C having liabilities to the grantors.

Note 23 - Subsequent events

Subsequent to March 31, 2018, C4C amended two separate note agreements with banks that provided for increases in the term loans of $4,000,000 and $2,000,000 respectively. The $4,000,000 loan will require payments of principal and interest at LIBOR +2.25% over a 5 year repayment period. The $2,000,000 increase in the Synchrony loan will require payments of interest at 4.35%. Additionally, the twelve banks that participate in the Participation Pool have made commitments to provide an additional $15,000,000 in funding. The MLA loans were also repaid in full.
Supplementary Information
Capital for Change, Inc. and Affiliated Organizations

Consolidating Statement of Financial Position
March 31, 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$1,223,116</td>
<td>$</td>
<td>$20,910</td>
<td>$</td>
<td>$1,244,026</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>7,361,837</td>
<td>734,301</td>
<td>-</td>
<td>(559,301)</td>
<td>7,536,837</td>
</tr>
<tr>
<td>Investments</td>
<td>334,029</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>334,029</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,935,071</td>
<td>47,232</td>
<td>411</td>
<td>(93,311)</td>
<td>1,889,403</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>500,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>500,000</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>144,536</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>144,536</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>45,631,201</td>
<td>23,630,025</td>
<td>350,384</td>
<td>-</td>
<td>69,611,610</td>
</tr>
<tr>
<td>Loan loss reserves</td>
<td>(2,821,111)</td>
<td>(317,598)</td>
<td>(350,384)</td>
<td>-</td>
<td>(3,489,093)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>141,987</td>
<td>34,353</td>
<td>-</td>
<td>-</td>
<td>176,340</td>
</tr>
<tr>
<td>Interfund receivable (payable)</td>
<td>787,691</td>
<td>(738,792)</td>
<td>-</td>
<td>(48,899)</td>
<td>-</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,305,207</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,305,207</td>
</tr>
<tr>
<td>Other assets</td>
<td>27,446</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,446</td>
</tr>
<tr>
<td>Loans receivable - agency assets</td>
<td>6,834,387</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,834,387</td>
</tr>
<tr>
<td>Total assets</td>
<td>$63,405,397</td>
<td>$23,467,180</td>
<td>$21,321</td>
<td>(701,511)</td>
<td>$86,192,387</td>
</tr>
</tbody>
</table>

Liabilities and Net Assets

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$510,757</td>
<td>$162,076</td>
<td>$25,732</td>
<td>(142,210)</td>
<td>$556,355</td>
</tr>
<tr>
<td>Escrows</td>
<td>4,766,118</td>
<td>-</td>
<td>-</td>
<td>(559,301)</td>
<td>4,206,817</td>
</tr>
<tr>
<td>Refundable advances</td>
<td>4,432,343</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,432,343</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>3,646,015</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,646,015</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>1,244,161</td>
<td>-</td>
<td>-</td>
<td>1,244,161</td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>83,590</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>83,590</td>
</tr>
<tr>
<td>Notes payable</td>
<td>19,708,653</td>
<td>9,095,238</td>
<td>1,479,121</td>
<td>-</td>
<td>30,283,012</td>
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<tr>
<td>Notes payable - EQ2</td>
<td>4,950,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,950,000</td>
</tr>
<tr>
<td>Agency liabilities</td>
<td>7,903,213</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,903,213</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>46,000,689</td>
<td>10,501,475</td>
<td>1,504,853</td>
<td>(701,511)</td>
<td>57,305,506</td>
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</table>

Commitments and contingencies

<table>
<thead>
<tr>
<th>Net assets</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>10,729,218</td>
<td>-</td>
<td>(1,483,532)</td>
<td>-</td>
<td>9,245,686</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>3,521,634</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,521,634</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>3,153,856</td>
<td>12,965,705</td>
<td>-</td>
<td>-</td>
<td>16,119,561</td>
</tr>
<tr>
<td>Total net assets</td>
<td>17,404,708</td>
<td>12,965,705</td>
<td>(1,483,532)</td>
<td>-</td>
<td>28,886,881</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$63,405,397</td>
<td>$23,467,180</td>
<td>$21,321</td>
<td>(701,511)</td>
<td>$86,192,387</td>
</tr>
</tbody>
</table>

See Independent Auditor's Report.
# Capital for Change, Inc. and Affiliated Organizations

## Consolidating Statement of Activities and Changes in Net Assets

**Year Ended March 31, 2018**

<table>
<thead>
<tr>
<th>Changes in unrestricted net assets</th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue and support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan interest activity</td>
<td>$ 2,074,734</td>
<td>$ 674,449</td>
<td>$ 2,717</td>
<td>$ (398,628)</td>
<td>$ 2,751,900</td>
</tr>
<tr>
<td>Loan servicing revenue</td>
<td>1,810,808</td>
<td>-</td>
<td>-</td>
<td>(398,628)</td>
<td>1,412,180</td>
</tr>
<tr>
<td>Loan fees</td>
<td>802,293</td>
<td>-</td>
<td>-</td>
<td>(657,475)</td>
<td>144,818</td>
</tr>
<tr>
<td>Contract administration</td>
<td>118,645</td>
<td>-</td>
<td>-</td>
<td>(31,500)</td>
<td>87,145</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>12,832</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12,832</td>
</tr>
<tr>
<td>Contribution income</td>
<td>175,428</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>175,428</td>
</tr>
<tr>
<td>Interest income - investments</td>
<td>44,224</td>
<td>8,750</td>
<td>23</td>
<td>-</td>
<td>52,997</td>
</tr>
<tr>
<td>Rent income</td>
<td>18,149</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,149</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,041,579</td>
<td>784,256</td>
<td>-</td>
<td>-</td>
<td>2,825,835</td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>7,098,692</td>
<td>1,467,455</td>
<td>2,740</td>
<td>(1,087,603)</td>
<td>7,481,284</td>
</tr>
</tbody>
</table>

| Expenses                           |     |        |         |              |       |
| Personnel costs                    | 2,628,408 | -       | -       | -            | 2,628,408 |
| Employee benefits                  | 647,828 | -       | -       | -            | 647,828 |
| Insurance                          | 79,832  | 15,147  | -       | -            | 94,979  |
| Lending interest expense           | 731,054 | 220,757 | 259     | -            | 952,070 |
| Provision for loan losses          | 557,226 | 97,352  | -       | -            | 654,578 |
| Grant expenses                     | 35,748  | -       | -       | -            | 35,748  |
| Building repairs and maintenance   | 33,049  | -       | -       | -            | 33,049  |
| Occupancy expense                  | 124,932 | -       | -       | -            | 124,932 |
| Professional services              | 356,079 | 1,133,110 | -     | (1,074,103)  | 415,086 |
| Technology                         | 86,420  | -       | -       | -            | 86,420  |
| Depreciation                       | 97,165  | -       | -       | -            | 97,165  |
| Administrative expenses            | 149,223 | -       | 13,500  | (13,500)     | 149,223 |
| Postage                            | 52,114  | -       | -       | -            | 52,114  |
| Telephone                          | 27,579  | -       | -       | -            | 27,579  |
| Office expense                     | 151,094 | 1,089   | 372     | -            | 152,555 |
| Office equipment                   | 24,219  | -       | -       | -            | 24,219  |
| **Total expenses**                 | 5,781,970 | 1,467,455 | 14,131  | (1,087,603)  | 6,175,953 |

| Changes in unrestricted net assets |     |        |         |              |       |
| Changes in unrestricted net assets | 1,316,722 | -       | (11,391)| -            | 1,305,331 |
| Unrestricted net assets, beginning | 9,412,496 | -       | (1,472,141)| -     | 7,940,355 |
| Unrestricted net assets, end       | 10,729,218 | -       | (1,483,532)| -     | 9,245,686 |
## Consolidating Statement of Activities and Changes in Net Assets
### Year Ended March 31, 2018

### Changes in temporarily restricted net assets

<table>
<thead>
<tr>
<th></th>
<th>C4C</th>
<th>CEEFCO</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and contributions</td>
<td>1,029,831</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,029,831</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(2,041,579)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,041,579)</td>
</tr>
<tr>
<td>Total</td>
<td>(1,011,748)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,011,748)</td>
</tr>
<tr>
<td>Temporarily restricted net assets, beginning</td>
<td>4,533,382</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,533,382</td>
</tr>
<tr>
<td>Temporarily restricted net assets, end</td>
<td>3,521,634</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,521,634</td>
</tr>
<tr>
<td>Changes in temporarily restricted net assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>(784,256)</td>
<td>-</td>
<td>-</td>
<td>(784,256)</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>(784,256)</td>
<td>-</td>
<td>-</td>
<td>(784,256)</td>
</tr>
<tr>
<td>Changes in permanently restricted net assets</td>
<td>-</td>
<td>(784,256)</td>
<td>-</td>
<td>-</td>
<td>(784,256)</td>
</tr>
<tr>
<td>Permanently restricted net assets, beginning</td>
<td>3,153,856</td>
<td>13,749,961</td>
<td>-</td>
<td>-</td>
<td>16,903,817</td>
</tr>
<tr>
<td>Permanently restricted net assets, end</td>
<td>3,153,856</td>
<td>12,965,705</td>
<td>-</td>
<td>-</td>
<td>16,119,561</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>304,974</td>
<td>(784,256)</td>
<td>(11,391)</td>
<td>-</td>
<td>(490,673)</td>
</tr>
<tr>
<td>Net assets, beginning</td>
<td>17,099,734</td>
<td>13,749,961</td>
<td>(1,472,141)</td>
<td>-</td>
<td>29,377,554</td>
</tr>
<tr>
<td>Net assets, end</td>
<td>$ 17,404,708</td>
<td>$ 12,965,705</td>
<td>$ (1,483,532)</td>
<td>$ -</td>
<td>$ 28,886,881</td>
</tr>
</tbody>
</table>

See Independent Auditor's Report.
## Capital for Change, Inc. and Affiliated Organizations

### Consolidating Statement of Cash Flows

**Year Ended March 31, 2018**

<table>
<thead>
<tr>
<th></th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>$304,974</td>
<td>$784,256</td>
<td>$(11,391)</td>
<td>$-</td>
<td>$(490,673)</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>97,165</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>97,165</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>-</td>
<td>-</td>
<td>259</td>
<td>-</td>
<td>259</td>
</tr>
<tr>
<td>Unrealized (gain) loss on investments</td>
<td>$(14,635)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(14,635)</td>
</tr>
<tr>
<td>Realized (gain) loss on investments</td>
<td>(22,681)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(22,681)</td>
</tr>
<tr>
<td>Provision for loan loss reserve</td>
<td>490,238</td>
<td>224,751</td>
<td>-</td>
<td>-</td>
<td>714,989</td>
</tr>
<tr>
<td>Bad debts</td>
<td>66,988</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>66,988</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(1,147,929)</td>
<td>(21,081)</td>
<td>-</td>
<td>35,378</td>
<td>(1,133,632)</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>(500,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(26,715)</td>
<td>(13,117)</td>
<td>-</td>
<td>-</td>
<td>(39,832)</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>(7,399,029)</td>
<td>(9,437,083)</td>
<td>-</td>
<td>-</td>
<td>(16,836,112)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(68,533)</td>
<td>(21,893)</td>
<td>-</td>
<td>-</td>
<td>(90,426)</td>
</tr>
<tr>
<td>Other assets</td>
<td>398,834</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>398,834</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(185,150)</td>
<td>52,758</td>
<td>25,189</td>
<td>(84,277)</td>
<td>(191,480)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>1,244,161</td>
<td>-</td>
<td>-</td>
<td>1,244,161</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>$(8,006,473)</td>
<td>$(8,755,760)</td>
<td>14,057</td>
<td>(48,899)</td>
<td>(16,797,075)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |              |              |              |              |              |
| Purchase of property and equipment | (1,068,487)  | -            | -            | -            | (1,068,487)  |
| Restricted cash                | 3,789,830    | 1,329,291    | -            | (1,504,291)  | 3,614,830    |
| Escrows                        | (811,323)    | -            | -            | 1,517,441    | 706,118      |
| Due from affiliate             | (787,691)    | 2,263,150    | -            | 35,749       | 1,511,208    |
| **Net cash provided by investing activities** | 1,122,329    | 3,592,441    | -            | 48,899       | 4,763,669    |
Capital for Change, Inc. and Affiliated Organizations

Consolidating Statement of Cash Flows
Year Ended March 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>C4C</th>
<th>CEEFCo</th>
<th>CT CDFI</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refundable advances</td>
<td>163,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>163,500</td>
</tr>
<tr>
<td>Due to affiliate</td>
<td>(2,238,561)</td>
<td>738,792</td>
<td>(11,439)</td>
<td>-</td>
<td>(1,511,208)</td>
</tr>
<tr>
<td>Agency funds received</td>
<td>584,484</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>584,484</td>
</tr>
<tr>
<td>Lines of credit</td>
<td>1,600,489</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,600,489</td>
</tr>
<tr>
<td>Repayment of notes payable</td>
<td>(2,863,983)</td>
<td>(904,762)</td>
<td>-</td>
<td>-</td>
<td>(3,768,745)</td>
</tr>
<tr>
<td>Proceeds from notes payable</td>
<td>6,313,241</td>
<td>5,329,289</td>
<td>-</td>
<td>-</td>
<td>11,642,530</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>3,559,170</td>
<td>5,163,319</td>
<td>(11,439)</td>
<td>-</td>
<td>8,711,050</td>
</tr>
<tr>
<td>Net decrease (increase) in cash</td>
<td>(3,324,974)</td>
<td>-</td>
<td>2,618</td>
<td>-</td>
<td>(3,322,356)</td>
</tr>
<tr>
<td>Cash, beginning</td>
<td>4,548,090</td>
<td>-</td>
<td>18,292</td>
<td>-</td>
<td>4,566,382</td>
</tr>
<tr>
<td>Cash, end</td>
<td>$ 1,223,116</td>
<td>$ -</td>
<td>$ 20,910</td>
<td>$ -</td>
<td>$ 1,244,026</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid during the year for interest</td>
<td>$ 682,127</td>
<td>$ 249,157</td>
<td>$ 259</td>
<td>$ -</td>
<td>$ 931,543</td>
</tr>
</tbody>
</table>

See Independent Auditor's Report.
## Capital for Change, Inc. and Affiliated Organizations

### Supplementary Financial Data Templates

**March 31, 2018**

Capital for Change - 78642-0000-7

### Balance Sheet - Assets

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>Cash and Cash Equivalents</td>
<td>$1,223,116</td>
</tr>
<tr>
<td>101</td>
<td>Escrow deposit Cash</td>
<td>$7,361,837</td>
</tr>
<tr>
<td>102</td>
<td>Restricted Cash / Compensating Balances (section 2-6, chpt 2 handbook 4060.1)</td>
<td>$-</td>
</tr>
<tr>
<td>103</td>
<td>Trading Account Securities</td>
<td>$-</td>
</tr>
<tr>
<td>104</td>
<td>Net Mortgage Servicing Rights</td>
<td>$-</td>
</tr>
<tr>
<td>105</td>
<td>Other Real Estate Owned at Net Realizable Value</td>
<td>$1,305,207</td>
</tr>
<tr>
<td>106</td>
<td>Loans Held for Investment</td>
<td>$45,631,201</td>
</tr>
</tbody>
</table>

### Balance Sheet - Unacceptable Assets

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>Pledged Assets</td>
<td>$-</td>
</tr>
<tr>
<td>201</td>
<td>Assets Due from an Officer, Stockholder, or Related Entity</td>
<td>$-</td>
</tr>
<tr>
<td>202</td>
<td>Personal Interest Investment</td>
<td>$-</td>
</tr>
<tr>
<td>203</td>
<td>Investment in Related Entity, Greater than Equity As Adjusted</td>
<td>$-</td>
</tr>
<tr>
<td>204</td>
<td>Intangible Assets, Net of Amortization</td>
<td>$-</td>
</tr>
<tr>
<td>205</td>
<td>Value of Servicing Contract not in Accordance with ASC 948 and ASC 860</td>
<td>$-</td>
</tr>
<tr>
<td>206</td>
<td>Assets not Readily Marketable</td>
<td>$-</td>
</tr>
<tr>
<td>207</td>
<td>Marketable Security in Excess of Cost or Market</td>
<td>$-</td>
</tr>
<tr>
<td>208</td>
<td>Amount in Excess of Foreclosure Value</td>
<td>$-</td>
</tr>
<tr>
<td>209</td>
<td>Assets used for Personal Enjoyment</td>
<td>$-</td>
</tr>
<tr>
<td>210</td>
<td>Other Unacceptable Assets</td>
<td>$10,705,147</td>
</tr>
<tr>
<td>211</td>
<td>Contributed Property in Excess of Appraised Value</td>
<td>$-</td>
</tr>
<tr>
<td>212</td>
<td>Total Unacceptable Assets</td>
<td>$10,705,147</td>
</tr>
</tbody>
</table>

### Balance Sheet - Liability

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>300</td>
<td>Escrows Payable</td>
<td>$(4,766,118)</td>
</tr>
</tbody>
</table>
### Statement of Operations and Equity - Revenue

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>400</td>
<td>Gross Interest Income</td>
<td>$2,074,734</td>
</tr>
<tr>
<td>401</td>
<td>Net Marketing Gain (Loss) on Loans and MBS sold with servicing retained</td>
<td>$-</td>
</tr>
<tr>
<td>402</td>
<td>Net Marketing Gain (Loss) on Loans and MBS sold with servicing released including the Servicing Release Premium</td>
<td>$-</td>
</tr>
<tr>
<td>403</td>
<td>Net Gain (Loss) on Sales of Servicing Rights</td>
<td>$-</td>
</tr>
<tr>
<td>404</td>
<td>Net Gain (Loss) from Servicing Valuations</td>
<td>$-</td>
</tr>
<tr>
<td>405</td>
<td>Net Gain (Loss) on Sale of Securities</td>
<td>$-</td>
</tr>
<tr>
<td>406</td>
<td>Net Gain (Loss) on Sale of OREO</td>
<td>$-</td>
</tr>
<tr>
<td>407</td>
<td>Retail Origination Fees</td>
<td>$-</td>
</tr>
<tr>
<td>408</td>
<td>Net Loan Administration Income</td>
<td>$2,731,746</td>
</tr>
<tr>
<td>409</td>
<td>Correspondent and Broker Fee Income</td>
<td>$-</td>
</tr>
<tr>
<td>410</td>
<td>Other Retail Origination Income</td>
<td>$-</td>
</tr>
<tr>
<td>411</td>
<td>Other Income (Loss) Related To Mortgage Lending Activities</td>
<td></td>
</tr>
<tr>
<td>412</td>
<td>Other Income (Loss) Not Related To Mortgage Lending Activities</td>
<td>$1,280,464</td>
</tr>
<tr>
<td>413</td>
<td>Total Revenue</td>
<td>$6,086,944</td>
</tr>
</tbody>
</table>

### Statement of Equity

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>500</td>
<td>Balance at Beginning of the Year, as Reported</td>
<td>$17,099,734</td>
</tr>
<tr>
<td>501</td>
<td>Prior Period Adjustments</td>
<td>$-</td>
</tr>
<tr>
<td>502</td>
<td>Balance at Beginning of the Year, Restated</td>
<td>$17,099,734</td>
</tr>
<tr>
<td>503</td>
<td>Net Income</td>
<td>$304,974</td>
</tr>
<tr>
<td>504</td>
<td>Dividend / Distribution</td>
<td>$-</td>
</tr>
<tr>
<td>505</td>
<td>Contributions - from Cash Flow Statement</td>
<td>$-</td>
</tr>
<tr>
<td>506</td>
<td>Contributions - non-cash</td>
<td>$-</td>
</tr>
<tr>
<td>507</td>
<td>Other Equity</td>
<td>$-</td>
</tr>
<tr>
<td>508</td>
<td>Ending Balance</td>
<td>$17,404,708</td>
</tr>
</tbody>
</table>
## Capital for Change, Inc. and Affiliated Organizations

### Supplementary Financial Data Templates

**March 31, 2018**

### Net Worth

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>600</td>
<td>FHA Servicing Portfolio</td>
<td>$8,786,361</td>
</tr>
<tr>
<td>601</td>
<td>FHA Originations</td>
<td>$-</td>
</tr>
<tr>
<td>602</td>
<td>FHA Purchases</td>
<td>$-</td>
</tr>
<tr>
<td>603</td>
<td>Subtotal - FHA Loan Activity</td>
<td>$8,786,361</td>
</tr>
<tr>
<td>604</td>
<td>FHA Origination Servicing Retained</td>
<td>$-</td>
</tr>
<tr>
<td>605</td>
<td>FHA Purchase Servicing Retained</td>
<td>$-</td>
</tr>
<tr>
<td>606</td>
<td>Subtotal - Servicing Retained Adjustments</td>
<td>$-</td>
</tr>
<tr>
<td>607</td>
<td>Total Adjusted FHA Loan Activity</td>
<td>$8,786,361</td>
</tr>
<tr>
<td>608</td>
<td>Net Worth Required Baseline</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>609</td>
<td>Additional Net Worth Required</td>
<td>$-</td>
</tr>
<tr>
<td>610</td>
<td>Total Minimum Net Worth Required</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>611</td>
<td>Stockholder Equity - Ending Balance</td>
<td>$17,404,708</td>
</tr>
<tr>
<td>612</td>
<td>Total Unacceptable Assets</td>
<td>$10,705,147</td>
</tr>
<tr>
<td>613</td>
<td>Adjusted Net Worth</td>
<td>$6,699,561</td>
</tr>
<tr>
<td>614</td>
<td>Adjusted Net Worth Above/Below Required Minimum Amount</td>
<td>$5,699,561</td>
</tr>
</tbody>
</table>

### Liquidity

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Title</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>700</td>
<td>Cash and Cash Equivalents</td>
<td>$1,223,116</td>
</tr>
<tr>
<td>701</td>
<td>Trading Account Securities</td>
<td>$-</td>
</tr>
<tr>
<td>702</td>
<td>Total of Liquid Assets per HUD Guidelines</td>
<td>$1,223,116</td>
</tr>
<tr>
<td>703</td>
<td>Liquid Assets Required</td>
<td>$200,000</td>
</tr>
<tr>
<td>704</td>
<td>Liquid Assets Above/Below Required Amount</td>
<td>$1,023,116</td>
</tr>
</tbody>
</table>
### Capital for Change, Inc. and Affiliated Organizations

#### Schedule of Expenditures of Federal Awards

Year Ended March 31, 2018

<table>
<thead>
<tr>
<th>Federal grantor/pass through entity Federal grantor/program or cluster title</th>
<th>Federal CFDA number</th>
<th>Passed through identifying number</th>
<th>Federal to subrecipients expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States Department of Housing and Urban Development</strong>&lt;br&gt;Passed through Connecticut Housing Finance Authority&lt;br&gt;Title II Nonsupervised Mortgages</td>
<td>14.XXX</td>
<td>$</td>
<td>$10,221,088</td>
</tr>
<tr>
<td>Foreclosure Mitigation</td>
<td>14.XXX</td>
<td>-</td>
<td>5,332</td>
</tr>
<tr>
<td><strong>United States Department of the Treasury</strong>&lt;br&gt;CDFI Cluster&lt;br&gt;Community Development Financial Institutions Program - Total CDFI Cluster</td>
<td>21.020</td>
<td>-</td>
<td>962,414</td>
</tr>
</tbody>
</table>

**Total Expenditures of Federal Awards**<br>$ - $11,188,834

See Notes to Schedule of Expenditures of Federal Awards.
Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Capital for Change, Inc. and Affiliated Organizations under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Capital for Change, Inc. and Affiliated Organizations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Capital for Change, Inc. and Affiliated Organizations.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Capital for Change, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Federal Housing Administration loan program

Federal expenditures of $8,786,361 represent outstanding loan balances serviced by Capital for Change, Inc. and Affiliated Organizations for other lenders. There were no additions to the portfolio for the year ended March 31, 2018.
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Capital for Change, Inc.

We have audited the consolidated financial statements of Capital for Change, Inc. and Affiliated Organizations (nonprofit organizations), which comprise the consolidated statement of financial position as of March 31, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 2, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of Connecticut Energy Efficiency Finance Company and Connecticut CDFI Alliance were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Connecticut Energy Efficiency Finance Company and Connecticut CDFI Alliance.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Capital for Change, Inc. and Affiliated Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capital for Change, Inc. and Affiliated Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of Capital for Change, Inc. and Affiliated Organizations' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital for Change, Inc. and Affiliated Organizations' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, Connecticut
July 2, 2018
Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Capital for Change, Inc.

Report on Compliance for Each Major Federal Program

We have audited Capital for Change, Inc. and Affiliated Organizations' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Capital for Change, Inc. and Affiliated Organization's major federal programs for the year ended March 31, 2018. Capital for Change, Inc. and Affiliated Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Capital for Change, Inc. and Affiliated Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Capital for Change, Inc. and Affiliated Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Capital for Change, Inc. and Affiliated Organizations' compliance.

Opinion on Each Major Federal Program

In our opinion, Capital for Change, Inc. and Affiliated Organizations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.
Report on Internal Control over Compliance

Management of Capital for Change, Inc. and Affiliated Organizations is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capital for Change, Inc. and Affiliated Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital for Change, Inc. and Affiliated Organizations’ internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hartford, Connecticut
July 2, 2018
I. **Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued:  **Unmodified opinion**

Internal control over financial reporting:
- Material weakness(es) identified?  yes  X  no
- Significant deficiency(ies) identified?  yes  X  none reported

Noncompliance material to financial statements noted?  yes  X  no

**Federal Awards**

Internal control over major programs:
- Material weakness(es) identified?  yes  X  no
- Significant deficiency(ies) identified?  yes  X  none reported

Type of auditor's report issued on compliance for major programs:  **Unmodified opinion**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  yes  X  no

Identification of major program:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.XXX</td>
<td>Title II Nonsupervised Mortgages</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs:  **$750,000**

Auditee qualified as low-risk auditee?  yes  X  no

II. **Findings - Financial Statement Audit:**

None.

III. **Findings and Questioned Costs - Major Federal Award Programs Audit:**

None.