

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
Pittsburgh, Pennsylvania

Combined Financial Statements
and
Supplemental Information
For the years ended September 30, 2017 and 2016
and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
Bridgeway Capital, Inc. and Affiliates
Pittsburgh, Pennsylvania

We have audited the accompanying combined financial statements of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC), and 15CCD Corporation (15CCD) (collectively referred to as the Organization), which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining statements of financial position as of September 30, 2017 and 2016, the combining statements of activities and changes in net assets and combining statements of functional expenses for the years ended September 30, 2017 and 2016, the combined statements of activities and changes in net assets for the years ended September 30, 2017 and 2016, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the combined 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 combined 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 January 16, 2018, on our consideration of the Organization's 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 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 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 the Organization's internal control over financial reporting and compliance.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
January 16, 2018

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION

	September 30	
ASSETS	2017	2016
CURRENT ASSETS		
Loans receivable, net	\$ 8,753,643	\$ 8,244,441
Cash and cash equivalents	6,261,554	9,136,378
Cash and cash equivalents - restricted	1,206,172	562,215
Interest and fees receivable	309,447	266,173
Grants receivable	3,730,950	594,883
Other assets	176,793	226,308
Total Current Assets	20,438,559	19,030,398
LONG-TERM ASSETS		
Loans receivable, net	47,321,529	38,163,738
Investments	15,011,026	16,039,590
Cash and cash equivalents - restricted	1,303,058	1,640,879
Interest receivable	145,313	114,896
Other assets	451,766	279,971
Property, plant and equipment, net	8,649,703	6,787,397
Total Long-Term Assets	72,882,395	63,026,471
Total Assets	\$93,320,954	\$82,056,869
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 977,377	\$ 426,844
Current maturities of notes payable, net	447,868	875,722
Agency funds	615,000	-
Total Current Liabilities	2,040,245	1,302,566
LONG-TERM LIABILITIES		
Notes payable, net	50,498,038	40,689,235
Agency funds	1,179,507	1,477,069
Fair value of interest rate swap	11,249	84,074
Total Long-Term Liabilities	51,688,794	42,250,378
Total Liabilities	53,729,039	43,552,944
NET ASSETS		
Lending:		
Unrestricted	30,497,560	26,534,671
Temporarily restricted	4,196,210	8,648,138
Permanently restricted	5,500	5,500
	34,699,270	35,188,309
Operating:		
Unrestricted	2,136,533	1,517,268
Temporarily restricted	2,756,112	1,798,348
	4,892,645	3,315,616
Total Net Assets	39,591,915	38,503,925
Total Liabilities And Net Assets	\$93,320,954	\$82,056,869

See notes to combined financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND SUPPORT				
Loan interest income	\$ 3,231,237	-	-	\$ 3,231,237
Loan fee and rental income	780,238	-	-	780,238
Grants and contributions	33,882	\$ 4,393,012	-	4,426,894
Investment income	374,187	-	-	374,187
Net realized and unrealized gains on investments	72,919	-	-	72,919
Net assets released from restrictions	<u>7,887,176</u>	<u>(7,887,176)</u>	<u>-</u>	<u>-</u>
Total Revenue And Support	12,379,639	(3,494,164)	-	8,885,475
PROGRAM AND GENERAL EXPENSES				
Program services	6,421,368	-	-	6,421,368
Management and general	1,308,799	-	-	1,308,799
Fundraising	<u>140,143</u>	<u>-</u>	<u>-</u>	<u>140,143</u>
Total Program And General Expenses	<u>7,870,310</u>	<u>-</u>	<u>-</u>	<u>7,870,310</u>
Increase (Decrease) In Net Assets From Operations	4,509,329	(3,494,164)	-	1,015,165
CHANGE IN FAIR VALUE OF INTEREST RATE SWAP				
	<u>72,825</u>	<u>-</u>	<u>-</u>	<u>72,825</u>
Changes In Net Assets	4,582,154	(3,494,164)	-	1,087,990
NET ASSETS				
Beginning of year	<u>28,051,939</u>	<u>10,446,486</u>	<u>\$5,500</u>	<u>38,503,925</u>
End of year	<u><u>\$32,634,093</u></u>	<u><u>\$ 6,952,322</u></u>	<u><u>\$5,500</u></u>	<u><u>\$39,591,915</u></u>

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,522,813	-	-	\$ 2,522,813
604,933	-	-	604,933
2,269,108	\$ 8,569,349	-	10,838,457
319,295	-	-	319,295
408,490	-	-	408,490
4,789,811	(4,789,811)	-	-
10,914,450	3,779,538	-	14,693,988
5,321,077	-	-	5,321,077
1,342,327	-	-	1,342,327
131,463	-	-	131,463
6,794,867	-	-	6,794,867
4,119,583	3,779,538	-	7,899,121
(6,367)	-	-	(6,367)
4,113,216	3,779,538	-	7,892,754
23,938,723	6,666,948	\$5,500	30,611,171
<u>\$28,051,939</u>	<u>\$10,446,486</u>	<u>\$5,500</u>	<u>\$38,503,925</u>

See notes to combined financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,087,990	\$ 7,892,754
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Provision for loan losses	967,496	785,766
Depreciation and amortization	347,433	226,555
Loss on disposal of property, plant and equipment	-	2,261
Net realized and unrealized gains on investments	(72,919)	(408,490)
Change in fair value of interest rate swap	(72,825)	6,367
Proceeds from sale of donated stock for restricted purposes	-	4,894,547
Changes in assets and liabilities:		
Grants, fees and interest receivable	(3,209,758)	(251,491)
Other assets	(122,280)	(182,611)
Accounts payable and accrued expenses	62,931	56,547
Net Cash (Used In) Provided By Operating Activities	(1,011,932)	13,022,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans receivable disbursed	(20,134,769)	(18,719,374)
Loans receivable repayments	9,500,280	12,478,768
Acquisition of property, plant and equipment	(2,175,166)	(2,757,543)
Changes in accounts payable related to the acquisition of property, plant and equipment	487,602	(581,311)
Proceeds from the sale of property, plant and equipment	-	1,080
Purchases of investments	(5,567,403)	(16,408,942)
Proceeds from sales of investments	6,668,886	7,345,547
Changes in agency funds	317,438	(158,021)
Changes in restricted cash and cash equivalents	(306,136)	3,445,177
Net Cash Used In Investing Activities	(11,209,268)	(15,354,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on notes payable	10,311,630	8,307,600
Repayments on notes payable	(965,254)	(1,383,708)
Deferred financing costs	-	(20,118)
Net Cash Provided By Financing Activities	9,346,376	6,903,774
Net (Decrease) Increase In Cash And Cash Equivalents	(2,874,824)	4,571,360
CASH AND CASH EQUIVALENTS		
Beginning of year	9,136,378	4,565,018
End of year	6,261,554	\$ 9,136,378
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year for interest	\$ 1,351,926	\$ 1,162,313

See notes to combined financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 - ORGANIZATION

The accompanying combined financial statements include the accounts of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization.

All material intercompany accounts have been eliminated in the combination.

Bridgeway Capital, a Pennsylvania nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, was founded in 1990 and strives to make Western Pennsylvania a thriving region for all by providing capital and educational opportunities to entrepreneurs and growing small businesses to create new businesses and new jobs; to nonprofits to help sustain and expand the services they provide; and to community development organizations working to revitalize distressed communities. Most of Bridgeway Capital's loans benefit low income people in Western Pennsylvania through employment opportunities at the small businesses that Bridgeway Capital finances, through the services provided by its nonprofit borrowers or through the real estate projects undertaken by Bridgeway Capital's community development borrowers. Bridgeway Capital is a member of the Opportunity Finance Network (OFN) and is certified as a Community Development Financial Institution by the U.S. Department of the Treasury, accredited by the Commonwealth of Pennsylvania Community Development Bank. The Organization is also rated by Aeris, a community development financial institution rating agency.

CDC was an affiliated Pennsylvania nonprofit corporation exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code that was founded in 2003 and ceased operations in 2017. Prior to the dissolution of CDC in 2017, it worked in conjunction with the Small Business Administration to conduct a Certified Development Company 504 Lending Program, which is designed to foster economic development and create or preserve job opportunities and stimulate growth, expansion and modernization of small businesses by providing long-term financing for the acquisition, construction or renovation of owner-occupied real estate or the acquisition of equipment. Bridgeway Capital provided all staffing, management and underwriting services to the CDC pursuant to an annual management contract. Due to CDC's affiliated status, it was combined as part of the Organization's financial statements.

BDC is a Pennsylvania nonprofit corporation, wholly owned by Bridgeway Capital, established in August 2012 for the purpose of owning a commercial rental real estate building as a space for small businesses and nonprofit companies in a low income community. BDC was converted to a nonprofit corporation during fiscal 2015 and is exempt from income taxes under Internal Revenue Code Section 501(c)(2).

15CCD is a Pennsylvania nonprofit corporation, wholly owned by Bridgeway Capital, established in July 2014 for the purpose of engaging in commercial real estate development activities, principally in low income communities. 15CCD was converted to a nonprofit corporation during fiscal 2015 and the Organization has not yet applied for exemption from federal income tax.

The Organization offers three primary loan products used to benefit low income people: 1) small business loans, 2) nonprofit loans, and 3) community development loans. Small business borrowers are prospective or existing small businesses that demonstrate the motivation to launch or expand businesses but are unable to obtain financing from conventional sources. Nonprofit organizations obtain loans from Bridgeway Capital to fill capital gaps due to the nonprofit sector's structural barriers in accessing conventional debt, investment capital or equity markets. Community development borrowers seek patient capital that is unavailable from traditional sources to finance predevelopment and development costs for affordable housing, commercial real estate and community facilities projects, principally in low income communities.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

Basis of Accounting - The combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Loans Receivable and Allowance for Loan Losses - Bridgeway Capital evaluates the creditworthiness of potential borrowers on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Bridgeway Capital upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory and property and equipment.

Loans receivable are stated at the amount management expects to collect from outstanding balances, representing unpaid principal less an allowance for loan losses. Amounts due are presented net of any loan participations by other lenders. At September 30, 2017 and 2016, there were no significant concentrations of credit risk to individual borrowers.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in the active process of collection. Loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off in the current year is reversed against interest income, and uncollected interest income recorded in previous years is charged off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

An allowance for loan losses is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes collection of a loan balance is unlikely or when the value is deemed to be impaired. Subsequent recoveries of these loan losses are added back to the allowance at the time of receipt. There were no impaired loans as of September 30, 2017 and 2016.

The allowance for loan losses is evaluated monthly by management. The allowance is based upon payment performance criteria and management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions.

The determination of the adequacy of the allowance for loan losses is based on estimates that are sensitive to significant changes in the economic environment and market conditions. While management uses all available information to estimate losses on loans, it is reasonably possible that adjustments in the carrying amounts of loans may be necessary in the near term based on changes in local economic conditions.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents are on deposit with three financial institutions located in Western Pennsylvania. Account balances at September 30, 2017 and 2016 exceeded the Federal Deposit Insurance Corporation (FDIC) limit. The Organization believes it has placed these cash investments with high-credit-quality financial institutions and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents represent cash on hand related to the agency funds held by the Organization, the New Markets Tax Credit financing obtained for the substantial renovation of the commercial rental building owned by BDC, and loss reserves or holding accounts required by investor covenants or programs.

Grants Receivable - Grants receivable represent amounts due from the SBA, the Department of Health and Human Services, the Commonwealth of Pennsylvania and various foundations under grant agreements. The grants receivable are expected to be collected within the next year and are recorded at their estimated future net realizable value.

Investments - Investments are recorded at fair value. Realized and unrealized gains and losses on investments are reflected in unrestricted revenue and support on the combined statements of activities and changes in net assets.

Bridgeway Capital has investments in money market funds (classified as cash and cash equivalents in the combined statement of financial position), corporate bonds, mutual funds, government securities, equity securities and mortgage-backed securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and those changes could materially affect the amounts reported in the combined statements of financial position.

Property, Plant and Equipment - Property, plant and equipment acquired are recorded at lower of cost or fair value. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. The estimated useful lives of rental buildings and improvements range from 20 to 25 years. The estimated useful lives of office furniture and equipment range from three to 10 years. Depreciation expense recognized for 2017 and 2016 was approximately \$313,000 and \$193,000, respectively.

The rental building and improvements comprise a commercial property, which is stated at cost. Costs to complete construction are held in construction in progress. Once completed, these costs are reclassified into rental buildings and improvements, and are depreciated using the straight-line method over 20 to 25 years. Rental revenue is recognized straight-line over the life of the lease by the Organization, and was approximately \$386,000 and \$306,000 for 2017 and 2016, respectively.

Impairment of Long-Lived Assets - Management of the Organization reviews the carrying amount of land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, impairment has occurred. Any write-downs due to impairment are charged to the combined statement of activities and changes in net assets at the time impairment is identified. No such write-downs were required in 2017 and 2016.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Net Asset Restrictions - Contractual revenue is recognized when earned under the terms of the contracts. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

The Organization categorizes contributions and net assets as operating or lending based on management's anticipated use of those funds and in accordance with donor restrictions. Contributions and net assets that are restricted or designated for use in making loans or awarding grants are classified as lending net assets. Contributions and net assets that are not restricted or designated for use in program-specific lending activities are classified as operating net assets.

Temporarily restricted net assets for lending include the portion of grants received for program-specific lending that has not yet been loaned. The funds are restricted until loans have been made that satisfy the programmatic restriction imposed by the donor, and when those loans are repaid, the funds become unrestricted net assets. Permanently restricted net assets include a grant received for lending on which the donor has placed a permanent program-related restriction. In 2017, approximately \$3,071,000 of temporarily restricted net assets were released and used to support operating programs and approximately \$4,816,000 was released and used for lending purposes. In 2016, approximately \$1,105,000 of temporarily restricted net assets were released and used to support operating programs, and approximately \$3,685,000 was released and used for lending purposes.

Temporarily restricted net assets for operations include approximately \$152,000 and \$157,000 from unexpended portions of grants from the SBA for the provision of technical assistance to Bridgeway Capital's borrowers, approximately \$2,587,000 and \$1,590,000 from unexpended portions of grants for operating programs and approximately \$17,000 and \$51,000 from fee revenue related to future events as of September 30, 2017 and 2016, respectively. The funds are restricted until they have been expended according to the grant budget approved by the SBA, foundation or until the future events have occurred.

Agency Funds - Agency funds represents assets transferred to the Organization by a third party and committed to be used by an unaffiliated beneficiary. The agency funds' restricted cash and respective liabilities are classified as current or long-term based upon contractual terms and expected usage of the funds.

Derivative Financial Instruments - The Organization uses derivatives to manage risk related to interest rate movements. The Organization's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate contracts to convert variable rate debt to a fixed rate. The Organization is exposed to credit losses from counterparty (its lending bank) nonperformance, but does not anticipate any losses from its agreements, which are with a major financial institution.

Derivative financial instruments are to be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments used for hedging purposes by nonprofit organizations are recognized annually in income. The Organization reflects changes in the fair value of its interest rate swap in nonoperating income (loss) on the combined statements of activities and changes in net assets.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic on Income Taxes, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in combined financial statements. The Organization's combined statements of financial position at September 30, 2017 and 2016 do not include any liabilities associated with uncertain tax positions; further, the Organization has no unrecognized tax benefits. The Organization would accrue interest and penalties related to unrecognized tax benefits in income tax expense, if any were to be incurred. The Organization is no longer subject to examination of its tax returns for fiscal years before 2014.

Fair Value Measurement - The Organization has implemented the provisions of the FASB Codification topic Fair Value Measurements and Disclosures, which established a framework for measuring fair value and expanded disclosures related to fair value measurements. The Organization applies the provision of the Fair Value Measurements and Disclosures topic to its recurring measurements. (See Note 11.)

Recent Accounting Pronouncements - The FASB has issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The Organization is assessing the impact that ASU 2014-09 will have on its financial statements and related disclosures.

The FASB issued ASU No. 2016-02 Leases (Topic 842) (ASU 2016-02), which is the result of a joint project of FASB and IASB to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 amends Topic 842 to require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. The lessee should also include payments to be made on an optional lease extension if the company is reasonably certain that the extension will be exercised when measuring the asset and liability. Companies will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Organization is assessing the impact that ASU 2016-02 will have on its financial statements and related disclosures.

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting.

Specifically, ASU 2016-14:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.
- Enhances disclosures for:
 - Self-imposed limits on the use of resources without donor-imposed restrictions
 - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
 - Qualitative disclosures on how a not-for-profit manages its available liquid resources to meet cash needs for general expenditures within one year of the balance sheet date
 - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date.
 - Methods used to allocate costs among program and support functions
- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.
- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are under water, which are to be classified as part of net assets with donor restrictions.
- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.
- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset).

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. The Organization is assessing the impact that ASU 2014-14 will have on its financial statements and related disclosures.

The FASB has issued ASU 2016-18 Statement of Cash Flows (Topic 230) (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 for public businesses and December 15, 2018 for all other entities, with early adoption permitted. The Organization is assessing the impact that ASU 2016-18 will have on its financial statements and related disclosures.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - The Organization has evaluated subsequent events through January 16, 2018, the date on which the combined financial statements were available to be issued.

NOTE 3 - LOANS RECEIVABLE

Loans receivable at September 30 consist of the following:

	<u>2017</u>	<u>2016</u>
Outstanding principal	\$ 59,026,497	\$ 48,850,715
Less - Loan loss reserve	<u>2,951,325</u>	<u>2,442,536</u>
	56,075,172	46,408,179
Less - Current portion, net of loan loss reserve	<u>8,753,643</u>	<u>8,244,441</u>
Loans receivable, net of current portion	<u>\$ 47,321,529</u>	<u>\$ 38,163,738</u>

The total recorded loans on nonaccrual status were approximately \$1,359,000 and \$2,066,000 at September 30, 2017 and 2016, respectively, and the total recorded loans past due 90 days or more and still accruing interest were approximately \$4,000 and \$15,000 at September 30, 2017 and 2016, respectively.

Approximate aggregate maturities of the loans receivable at September 30, 2017 are as follows:

Fiscal Year <u>Ending September 30</u>	<u>Amount</u>
2018	\$ 9,214,000
2019	5,695,000
2020	4,068,000
2021	6,775,000
2022	5,023,000
Thereafter	<u>28,251,000</u>
	<u>\$ 59,026,000</u>

Activity in the reserve for loan losses is summarized for the years ended September 30 as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,442,536	\$ 2,155,439
Recoveries	133,298	157,720
Charge-offs	(592,005)	(656,389)
Provision charged to current expense	<u>967,496</u>	<u>785,766</u>
Balance, end of year	<u>\$ 2,951,325</u>	<u>\$ 2,442,536</u>

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 4 - CASH AND INVESTMENTS

Cash and investments held at September 30 are available as follows:

	<u>2017</u>	<u>2016</u>
Designated by management for:		
Lending	\$ 14,571,193	\$ 11,447,556
Operations	1,839,589	3,508,732
Restricted cash - agency funds	1,623,372	1,477,069
Restricted cash held for capital expenditures	478,435	476,293
Restricted cash held - other	407,423	249,732
Assets from third parties held for lending	4,584,531	9,938,523
Held for loan loss reserve	277,267	281,157
	<u>\$ 23,781,810</u>	<u>\$ 27,379,062</u>

NOTE 5 - INVESTMENTS

Investments at September 30 consisted of the following:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equity securities	\$ 1,849,488	\$ 1,484,143	\$ 2,174,262	\$ 1,944,899
Corporate and bond funds	3,478,668	3,470,036	3,253,988	3,218,692
Domestic taxable bonds	4,373,832	4,383,666	5,159,386	5,088,481
International taxable bonds	76,923	73,542	67,971	71,402
Mortgage-backed bonds	923,010	956,904	2,506,431	2,534,159
U.S. government bond	4,309,105	4,366,188	2,877,552	2,880,225
	<u>\$ 15,011,026</u>	<u>\$ 14,734,479</u>	<u>\$ 16,039,590</u>	<u>\$ 15,737,858</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at September 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 990,612	\$ 893,974
Rental buildings and improvements	6,644,453	5,989,709
Office furniture and equipment	402,749	388,673
Construction in progress	1,421,289	11,582
	<u>9,459,103</u>	<u>7,283,938</u>
Less - Accumulated depreciation	809,400	496,541
	<u>\$ 8,649,703</u>	<u>\$ 6,787,397</u>

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 - NOTES PAYABLE

Notes payable at September 30 consisted of the following:

	Interest Rates	Effective Interest Rates	Maturity Dates	Note Balance	
				2017	2016
*Commercial Banks					
Various Financial Institutions - Multiple	2.00%		Sep. 2019- Jun. 2026	\$ 32,539,130	\$ 25,132,600
*Federal Government Agencies					
**CDFI Fund Bond Guarantee Program	3.22%	3.83%	Mar. 2045	2,080,000	-
**U.S. Department of Agriculture	1.00%	Same	Apr. 2031	-	84,314
**U.S. Department of Agriculture	1.00%	Same	Jun. 2047	100	-
**U.S. Small Business Administration	3.75%	Same	Sep. 2017	-	96,681
**U.S. Small Business Administration	1.25%	Same	Sep. 2019	173,838	259,239
**U.S. Small Business Administration	0.38%	Same	Jan. 2021	292,351	379,345
**U.S. Small Business Administration	0.38%	Same	Jun. 2024	1,109,599	746,463
U.S. Treasury Small Business Lending Fund	2.00%	Same	Sep. 2019	1,820,000	1,820,000
*Limited Partnerships					
Pittsburgh Urban Initiatives					
Sub-CDE 13, LP	0.72%	0.82%	Dec. 2049	5,760,000	5,760,000
PNC CDE 50, LP	0.72%	1.11%	Dec. 2049	1,000,000	1,000,000
*Nonprofit Organizations					
Anonymous Foundation	3.00%	Same	Jun. 2022	850,000	850,000
Anonymous Foundation	3.00%	Same	Jun. 2023	400,000	400,000
Anonymous Foundation	0.00%	Same	Jan. 2017	-	500,000
Opportunity Finance Network	4.00%	Same	Mar. 2021	1,000,000	1,000,000
Opportunity Finance Network	4.50%	Same	Oct. 2025	1,000,000	1,000,000
Private Investor					
Anonymous	4.00%	Same	Jul. 2023	10,000	10,000
Religious Organizations					
Anonymous - Multiple	0.00%		Apr. 2018- Jul. 2021	382,000	282,000
*State and Local Government Agencies					
Commonwealth of Pennsylvania - Multiple	1.00%		Aug. 2019- June 2027	2,019,000	1,769,000
Erie County Gaming Revenue Authority	1.50%	Same	Feb. 2026	1,000,000	1,000,000
				<u>51,436,018</u>	<u>42,089,642</u>
Less - Deferred financing costs				<u>490,112</u>	<u>524,685</u>
				<u>50,945,906</u>	<u>41,564,957</u>
Less - Current portion of notes payable, net of deferred financing costs				<u>447,868</u>	<u>875,722</u>
				<u>\$ 50,498,038</u>	<u>\$ 40,689,235</u>

* The notes payable in these categories were not issued through a prospectus or private placement memorandum, and none of the counterparties to these notes are considered to be related parties under ASC 850-10.

** Borrowings under the CDFI Fund, USDA, and SBA notes payable are secured by the related cash held by the Organization and loans outstanding that were funded from the proceeds of these notes. All other borrowings are unsecured.

*** At September 30, 2017, four notes payable to commercial banks totaling \$6,500,000 had effective interest rates that were approximately five to 25 basis points higher than their stated interest rates but still fell within the interest rate range for the category.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 7 - NOTES PAYABLE (Continued)

At September 30, 2017 and 2016, borrowings from commercial banks consisted of 22 and 20 fixed rate loans, respectively and one and one variable rate loans, respectively. Borrowings from religious organizations consisted of 13 and 12 fixed rate loans, respectively. Borrowings from state government agencies consisted of five and four fixed rate loans, respectively.

Amortization expense of financing costs recognized for 2017 and 2016 was approximately \$35,000 and \$33,000, respectively. The current portion of deferred financing costs presented as a reduction to the current portion of notes payable was approximately \$35,000 for each of the years ended 2017 and 2016.

Approximate aggregate payments due on the notes payable as of September 30, 2017 are as follows:

<u>Fiscal Year</u> <u>Ending September 30</u>	<u>Amount</u>
2018	\$ 482,000
2019	3,651,000
2020	9,052,000
2021	9,932,000
2012	3,243,000
Thereafter	<u>25,076,000</u>
	<u>\$ 51,436,000</u>

Bridgeway Capital has an interest rate swap agreement with a commercial bank. Under the swap, Bridgeway Capital agrees to pay fixed rates of interest of 4.85% on its notes and to receive a variable rate based upon London InterBank Offered Rate (1.232% at September 30, 2017) on approximately \$2,500,000 notional amount of indebtedness. The contract matures on March 16, 2020.

The interest expense for the Organization was \$1,430,000 and \$1,192,000 for the years ended September 30, 2017 and 2016, respectively.

The Organization is required to maintain various financial and operational covenants, including certain levels of reserves for loan losses, related to the various outstanding notes, none of which the Organization was in violation of at September 30, 2017 and 2016.

NOTE 8 - RETIREMENT PLAN

Bridgeway Capital maintains a 401(k) retirement plan, which operates in accordance with the “safe harbor” provisions of Section 401(k)(12) and/or Section 401(m)(11) of the Internal Revenue Code. Under the plan, participants may elect to contribute a portion of their compensation up to Internal Revenue Service limits. This plan is open to all Bridgeway Capital employees. Retirement expense totaled approximately \$165,000 and \$129,000 for 2017 and 2016, respectively.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 9 - OPERATING LEASES

The Organization leases its office facilities and other office equipment under operating leases with terms of 12 to 72 months, which expire at various times through July 2022. Total rent expense under these leases was approximately \$203,000 and \$170,000 in 2017 and 2016, respectively. Approximate future minimum rentals for these leases at September 30, 2017 are as follows:

Fiscal Year Ending September 30	Amount
2018	\$ 201,000
2019	196,000
2020	199,000
2021	202,000
2022	<u>169,000</u>
	<u>\$ 967,000</u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Organization has commitments, lawsuits, claims and contingent liabilities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's combined financial statements.

Commitments to extend credit are agreements to lend to an organization as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Loan commitments outstanding were approximately \$4,578,000 and \$4,640,000 at September 30, 2017 and 2016, respectively.

As of September 30, 2017, the Organization has an opportunity to receive \$686,500 in grant funding from the United States Department of the Treasury CDFI Fund. This funding is expected to be received in fiscal year 2018.

As of September 30, 2017, the Organization has an opportunity to receive \$98,435 in grant funding from the Goldman Sachs Foundation upon satisfying certain conditions. This funding is expected to be received in fiscal year 2018.

As of September 30, 2017, the Organization has \$5,460,870 available from credit facilities at commercial banks. Advances on these facilities are available through periods ranging from September 2018 to April 2020.

As of September 30, 2017, the Organization has \$12,920,000 available from a \$15,000,000 term loan agreement from the CDFI Bond Guarantee Program through the Opportunity Finance Network as the qualified issuer. Advances on this facility are available through September 2020.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

As of September 30, 2017, the Organization has \$999,900 available from a \$1,000,000 term loan agreement from the United States Department of Agriculture. Advances on this facility are available through June 2020.

As of September 30, 2017, the Organization has the opportunity to receive a \$125,000 term loan from the Pennsylvania Economic Development Financing Authority.

As of September 30, 2017, the Organization has the opportunity to receive a \$250,000 term loan from the Pennsylvania Community Development Bank.

As of September 30, 2017, the Organization has approximately \$1,558,000 contractually committed for renovation in progress of the commercial rental building at 7800 Susquehanna Street in Pittsburgh, Pa., which is owned by BDC.

NOTE 11 - FAIR VALUE MEASUREMENT

The framework for measuring fair value provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). The lowest level of input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy.

The three levels of inputs that may be used to measure fair value are defined as:

Level 1 - Inputs to the valuation methodology are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Inputs to the valuation methodology are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect the Organization's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

There have been no changes in the methodologies used at September 30, 2017 and 2016.

The Organization's financial instruments consist primarily of investments and an interest rate swap. The carrying amount of the Organization's interest rate swap approximates fair value at September 30, 2017 and 2016.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 11 - FAIR VALUE MEASUREMENT (Continued)

The Organization's assets and (liabilities) that are measured at fair value on a recurring basis at September 30 are as follows:

	2017			
	Level 1	Level 2	Level 3	Total
Equities:				
Domestic	\$ 822,085	-	-	\$ 822,085
International	753,058	-	-	753,058
Absolute return	148,649	-	-	148,649
Real estate	41,438	-	-	41,438
Infrastructure	46,770	-	-	46,770
Business development companies	37,488	-	-	37,488
Corporate bonds and bond funds	3,478,668	-	-	3,478,668
Domestic taxable bonds	4,373,832	-	-	4,373,832
International taxable bonds	76,923	-	-	76,923
Mortgage-backed bonds	-	\$ 923,010	-	923,010
U.S. government bonds	1,481,994	2,827,111	-	4,309,105
Total investments	11,260,905	3,750,121	-	15,011,026
Interest rate swap	-	(11,249)	-	(11,249)
	\$ 11,260,905	\$ 3,738,872	-	\$ 14,999,777

	2016			
	Level 1	Level 2	Level 3	Total
Equities:				
Domestic	\$ 980,542	-	-	\$ 980,542
International	881,466	-	-	881,466
Absolute return	177,386	-	-	177,386
Real estate	65,015	-	-	65,015
Infrastructure	41,943	-	-	41,943
Business development companies	27,910	-	-	27,910
Corporate bonds and bond funds	3,253,988	-	-	3,253,988
Domestic taxable bonds	5,159,386	-	-	5,159,386
International taxable bonds	67,971	-	-	67,971
Mortgage-backed bonds	-	\$ 2,506,431	-	2,506,431
U.S. government bonds	-	2,877,552	-	2,877,552
Total investments	10,655,607	5,383,983	-	16,039,590
Interest rate swap	-	(84,074)	-	(84,074)
	\$ 10,655,607	\$ 5,299,909	-	\$ 15,955,516

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 11 - FAIR VALUE MEASUREMENT (Continued)

The fair value of investments categorized as Level 1 includes investments in common stock and mutual funds, the fair value of which are based on quoted market prices for identical securities traded in active markets that are readily and regularly available to the Organization.

Included in Level 2 were corporate bonds and bond funds, mortgage-backed bonds, U.S. government bonds and interest rate swap. Fair value of bonds is based upon quoted market prices for similar securities in active markets; for identical or similar assets in inactive markets; and inputs that are derived from observable market data. The fair value of the interest rate swap is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and while there are no quoted prices in active markets, it uses observable market-based inputs, including interest rate curves.

NOTE 12 - NEW MARKETS TAX CREDIT FINANCING

In July of 2015, the Organization participated in a New Markets Tax Credit (NMTC) transaction pursuant to Section 45D of the Internal Revenue Code. The purpose of the transaction was to finance the substantial renovation of the commercial rental building at 7800 Susquehanna Street in Pittsburgh, Pa., which is owned by BDC. A NMTC transaction assists an eligible business in making investments in certain communities. The leveraged structure for the purpose of generating the NMTCs was used. Details of the NMTC transactions are as follows:

PNC Community Partners, Inc. (PNC CP) and Pittsburgh Urban Initiatives, LLC (PUI) each provided a portion of their NMTC allocation from the Community Development Financial Institutions Fund of the Department of the Treasury (CDFI Fund) to BDC totaling \$7,000,000.

Bridgeway Capital acted as the leverage lender by loaning \$4,816,000 of the \$7,000,000 to 7800 Susquehanna Investment Fund, LLC (Susquehanna Fund), which is wholly owned by PNC New Markets Investment Partners, LLC (PNC NMIP).

PNC NMIP loaned the remaining \$2,184,000 of the \$7,000,000 to Susquehanna Fund.

Susquehanna Fund made qualified equity investments (QEI) of \$6,000,000 in Pittsburgh Urban Initiatives Sub-CDE 13, LP and \$1,000,000 in PNC CDE 50, LP. These two certified community development entities (Sub-CDEs) generate the NMTCs from the allocations, and are each 99.99% owned by Susquehanna Fund through the QEIs and 0.01% owned by PUI and PNC CP respectively.

The two Sub-CDEs utilized \$6,760,000 of the QEIs to make qualified low income community investments (QLICIs) in BDC. (See Note 7.)

After the 7 year NMTC compliance period expires on December 31, 2021, it is anticipated through an option agreement that Bridgeway Capital will be given the option to purchase a 100% interest in Susquehanna Fund from PNC NMIP for \$1,000.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 12 - NEW MARKETS TAX CREDIT FINANCING (Continued)

Given the structure of the NMTC transaction and the various ownership interests described, management has taken the position that while BDC is a beneficiary of this transaction by way of below-market financing, BDC is not the primary beneficiary. The primary beneficiary in this transaction is the receiver of the tax credits created through the allocations.

Since BDC is determined to not be the primary beneficiary of the transaction and holds no ownership or voting interests in Susquehanna Fund or either of the Sub-CDEs, activities from those entities are not consolidated in these combined financial statements. Accordingly, interest income and expense associated with the leverage loan and QLICs have not been eliminated in these combined financial statements.

SUPPLEMENTAL INFORMATION

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINING STATEMENTS OF FINANCIAL POSITION

	September 30, 2017					
	Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Loans receivable, net	\$ 8,753,643	-	-	-	-	\$ 8,753,643
Cash and cash equivalents	5,225,022	\$ 606,964	-	\$429,568	-	6,261,554
Cash and cash equivalents - Restricted	685,796	520,376	-	-	-	1,206,172
Interest and fees receivable	1,349,317	4,500	-	-	\$(1,044,370)	309,447
Grants receivable	3,730,950	-	-	-	-	3,730,950
Other assets	135,239	39,072	-	2,482	-	176,793
Total Current Assets	19,879,967	1,170,912	-	432,050	(1,044,370)	20,438,559
LONG-TERM ASSETS						
Loans receivable, net	47,321,529	-	-	-	-	47,321,529
Investments	17,626,991	-	-	-	(2,615,965)	15,011,026
Cash and cash equivalents - Restricted	1,179,507	123,551	-	-	-	1,303,058
Interest receivable	145,313	-	-	-	-	145,313
Other assets	282,552	95,896	-	73,318	-	451,766
Property, plant and equipment, net	122,867	8,341,606	-	420,230	(235,000)	8,649,703
Total Long-Term Assets	66,678,759	8,561,053	-	493,548	(2,850,965)	72,882,395
Total Assets	\$86,558,726	\$9,731,965	-	\$925,598	\$(3,895,335)	\$93,320,954
LIABILITIES AND NET ASSETS/(DEFICIT)						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 426,931	\$1,587,349	-	\$ 7,467	\$(1,044,370)	\$ 977,377
Current maturities of notes payable, net	457,580	(9,712)	-	-	-	447,868
Agency funds	615,000	-	-	-	-	615,000
Total Current Liabilities	1,499,511	1,577,637	-	7,467	(1,044,370)	2,040,245
LONG-TERM LIABILITIES						
Notes payable, net	44,041,544	6,456,494	-	-	-	50,498,038
Agency funds	1,179,507	-	-	-	-	1,179,507
Fair value of interest rate swap	11,249	-	-	-	-	11,249
Total Long-Term Liabilities	45,232,300	6,456,494	-	-	-	51,688,794
Total Liabilities	46,731,811	8,034,131	-	7,467	(1,044,370)	53,729,039
NET ASSETS/(DEFICIT)						
Lending:						
Unrestricted	30,497,560	-	-	-	-	30,497,560
Temporarily restricted	4,196,210	-	-	-	-	4,196,210
Permanently restricted	5,500	-	-	-	-	5,500
	34,699,270	-	-	-	-	34,699,270
Operating:						
Unrestricted	2,371,533	1,697,834	-	918,131	(2,850,965)	2,136,533
Temporarily restricted	2,756,112	-	-	-	-	2,756,112
	5,127,645	1,697,834	-	918,131	(2,850,965)	4,892,645
Total Net Assets/(Deficit)	39,826,915	1,697,834	-	918,131	(2,850,965)	39,591,915
Total Liabilities And Net Assets	\$86,558,726	\$9,731,965	-	\$925,598	\$(3,895,335)	\$93,320,954

September 30, 2016

Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
\$ 8,244,441	-	-	-	-	\$ 8,244,441
8,653,066	\$ 173,810	\$ 19,093	\$290,409	-	9,136,378
-	562,215	-	-	-	562,215
1,504,693	14,724	-	-	\$(1,253,244)	266,173
594,883	-	-	-	-	594,883
113,338	71,987	1,333	39,650	-	226,308
19,110,421	822,736	20,426	330,059	(1,253,244)	19,030,398
38,163,738	-	-	-	-	38,163,738
16,758,864	-	-	-	(719,274)	16,039,590
1,477,069	163,810	-	-	-	1,640,879
114,896	-	-	-	-	114,896
82,882	89,404	-	107,685	-	279,971
142,334	6,566,471	-	323,592	(245,000)	6,787,397
56,739,783	6,819,685	-	431,277	(964,274)	63,026,471
<u>\$75,850,204</u>	<u>\$7,642,421</u>	<u>\$ 20,426</u>	<u>\$761,336</u>	<u>\$(2,217,518)</u>	<u>\$82,056,869</u>
\$ 344,667	\$1,184,442	\$ 88,007	\$ 62,972	\$(1,253,244)	\$ 426,844
885,434	(9,712)	-	-	-	875,722
-	-	-	-	-	-
1,230,101	1,174,730	88,007	62,972	(1,253,244)	1,302,566
34,242,454	6,446,781	-	-	-	40,689,235
1,477,069	-	-	-	-	1,477,069
84,074	-	-	-	-	84,074
35,803,597	6,446,781	-	-	-	42,250,378
37,033,698	7,621,511	88,007	62,972	(1,253,244)	43,552,944
26,534,671	-	-	-	-	26,534,671
8,648,138	-	-	-	-	8,648,138
5,500	-	-	-	-	5,500
35,188,309	-	-	-	-	35,188,309
1,829,849	20,910	(67,581)	698,364	(964,274)	1,517,268
1,798,348	-	-	-	-	1,798,348
3,628,197	20,910	(67,581)	698,364	(964,274)	3,315,616
38,816,506	20,910	(67,581)	698,364	(964,274)	38,503,925
<u>\$75,850,204</u>	<u>\$7,642,421</u>	<u>\$ 20,426</u>	<u>\$761,336</u>	<u>\$(2,217,518)</u>	<u>\$82,056,869</u>

The independent auditors' report should be read with these combining financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017					Total
	Bridgeway Capital	BDC	CDC	15CCD	Eliminations	
REVENUES AND SUPPORT						
Loan interest income	\$ 3,231,237	-	-	-	-	\$ 3,231,237
Loan fee and rental income	370,986	\$ 386,417	\$ 75,019	-	\$ (52,184)	780,238
Grants and contributions	4,426,894	-	50,066	-	(50,066)	4,426,894
Investment income	371,110	3,075	2	-	-	374,187
Net realized and unrealized (losses) gains on investments	(470,173)	-	-	-	543,092	72,919
Total Revenue And Support	7,930,054	389,492	125,087	-	440,842	8,885,475
PROGRAM AND GENERAL EXPENSE						
Program services	5,524,157	781,706	35,638	\$ 99,453	(19,586)	6,421,368
Management and general	1,328,170	35,651	21,868	15,774	(92,664)	1,308,799
Fundraising	140,143	-	-	-	-	140,143
Total Program And General Expenses	6,992,470	817,357	57,506	115,227	(112,250)	7,870,310
Increase (Decrease) In Net Assets From Operations	937,584	(427,865)	67,581	(115,227)	553,092	1,015,165
CHANGE IN FAIR VALUE OF INTEREST RATE SWAP	72,825	-	-	-	-	72,825
Changes In Net Assets	1,010,409	(427,865)	67,581	(115,227)	553,092	1,087,990
EQUITY CONTRIBUTION	-	2,104,789	-	334,994	(2,439,783)	-
Total Change In Net Assets	1,010,409	1,676,924	67,581	219,767	(1,886,691)	1,087,990
NET ASSETS/(DEFICIT)						
Beginning of year	38,816,506	20,910	(67,581)	698,364	(964,274)	38,503,925
End of year	<u>\$39,826,915</u>	<u>\$1,697,834</u>	<u>-</u>	<u>\$ 918,131</u>	<u>\$(2,850,965)</u>	<u>\$39,591,915</u>

2016

Bridgeway Capital	BDC	CDC	15CCD	Eliminations	Total
\$ 2,522,813	-	-	-	-	\$ 2,522,813
532,676	\$305,750	\$ 71,148	-	\$ (304,641)	604,933
10,838,457	-	-	-	-	10,838,457
315,248	4,047	-	-	-	319,295
6,926	-	-	-	401,564	408,490
14,216,120	309,797	71,148	-	96,923	14,693,988
4,687,239	604,727	28,538	\$ 60,214	(59,641)	5,321,077
1,268,926	43,236	26,981	3,184	-	1,342,327
131,463	-	-	-	-	131,463
6,087,628	647,963	55,519	63,398	(59,641)	6,794,867
8,128,492	(338,166)	15,629	(63,398)	156,564	7,899,121
(6,367)	-	-	-	-	(6,367)
8,122,125	(338,166)	15,629	(63,398)	156,564	7,892,754
-	50,000	-	822,660	(872,660)	-
8,122,125	(288,166)	15,629	759,262	(716,096)	7,892,754
30,694,381	309,076	(83,210)	(60,898)	(248,178)	30,611,171
<u>\$38,816,506</u>	<u>\$ 20,910</u>	<u>\$ (67,581)</u>	<u>\$698,364</u>	<u>\$ (964,274)</u>	<u>\$38,503,925</u>

The independent auditors' report should be read with these combining financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINING STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017						
	Bridgeway Capital				BDC		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total
Personnel	\$1,960,760	\$ 782,936	\$ 121,488	\$2,865,184	-	-	-
Provision for loan losses	967,496	-	-	967,496	-	-	-
Investor interest	1,371,251	-	-	1,371,251	\$ 58,384	-	\$ 58,384
General and administrative	438,414	246,478	10,199	695,091	640,368	\$33,051	673,419
Professional and subcontracted services	251,374	198,805	272	450,451	82,954	2,600	85,554
Occupancy	139,976	49,885	8,184	198,045	-	-	-
Grants	394,886	50,066	-	444,952	-	-	-
	<u>\$5,524,157</u>	<u>\$1,328,170</u>	<u>\$ 140,143</u>	<u>\$6,992,470</u>	<u>\$781,706</u>	<u>\$35,651</u>	<u>\$817,357</u>
	2016						
	Bridgeway Capital				BDC		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Total
Personnel	\$1,622,548	\$ 739,954	\$ 111,985	\$2,474,487	-	-	-
Provision for loan losses	785,766	-	-	785,766	-	-	-
Investor interest	1,134,008	-	-	1,134,008	\$ 58,384	-	\$ 58,384
General and administrative	284,600	231,521	7,936	524,057	503,807	-	503,807
Professional and subcontracted services	212,833	253,414	5,004	471,251	42,536	\$43,236	85,772
Occupancy	110,948	44,037	6,538	161,523	-	-	-
Grants	536,536	-	-	536,536	-	-	-
	<u>\$4,687,239</u>	<u>\$1,268,926</u>	<u>\$ 131,463</u>	<u>\$6,087,628</u>	<u>\$604,727</u>	<u>\$43,236</u>	<u>\$647,963</u>

2017

CDC			15CCD			Eliminations	Total Expenses
Program Services	Management and General	Total	Program Services	Management and General	Total		
-	-	-	-	-	-	-	\$2,865,184
-	-	-	-	-	-	-	967,496
-	-	-	-	-	-	-	1,429,635
\$ 17,560	\$11,148	\$ 28,708	\$27,819	\$13,374	\$ 41,193	\$ (62,184)	1,376,227
18,078	10,720	28,798	71,634	2,400	74,034	-	638,837
-	-	-	-	-	-	-	198,045
-	-	-	-	-	-	(50,066)	394,886
<u>\$ 35,638</u>	<u>\$21,868</u>	<u>\$ 57,506</u>	<u>\$99,453</u>	<u>\$15,774</u>	<u>\$115,227</u>	<u>\$ (112,250)</u>	<u>\$7,870,310</u>

2016

CDC			15CCD			Eliminations	Total Expenses
Program Services	Management and General	Total	Program Services	Management and General	Total		
-	-	-	-	-	-	-	\$2,474,487
-	-	-	-	-	-	-	785,766
-	-	-	-	-	-	-	1,192,392
\$ 23,543	\$13,351	\$ 36,894	\$11,214	-	\$ 11,214	\$ (59,641)	1,016,331
4,995	13,630	18,625	49,000	\$ 3,184	52,184	-	627,832
-	-	-	-	-	-	-	161,523
-	-	-	-	-	-	-	536,536
<u>\$ 28,538</u>	<u>\$26,981</u>	<u>\$ 55,519</u>	<u>\$60,214</u>	<u>\$ 3,184</u>	<u>\$ 63,398</u>	<u>\$ (59,641)</u>	<u>\$6,794,867</u>

The independent auditors' report should be read with these combining financial statements.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
REVENUES AND SUPPORT		
Loan interest income	\$ 3,231,237	\$ 2,522,813
Loan fee and rental income	780,238	604,933
Grants and contributions	4,426,894	10,838,457
Investment income	374,187	319,295
Net realized and unrealized gains on investments	72,919	408,490
 Total Revenue And Support	 8,885,475	 14,693,988
PROGRAM AND GENERAL EXPENSE		
Program services	6,421,368	5,321,077
Management and general	1,308,799	1,342,327
Fundraising	140,143	131,463
 Total Program And General Expenses	 7,870,310	 6,794,867
 Increase In Net Assets From Operations	 1,015,165	 7,899,121
CHANGE IN FAIR VALUE OF INTEREST RATE SWAP		
	72,825	(6,367)
 Changes In Net Assets	 1,087,990	 7,892,754
NET ASSETS		
Beginning of year	38,503,925	30,611,171
 End of year	 \$39,591,915	 \$38,503,925

The independent auditors' report should be read with these combined financial statements.

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS* AND UNIFORM GUIDANCE



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INDEPENDENT AUDITORS' 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 Boards of Directors
Bridgeway Capital, Inc. and Affiliates
Pittsburgh, Pennsylvania

We have audited, 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 combined financial statements of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization, which comprise the combined statement of financial position as of September 30, 2017, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 combined 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 may 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 might exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined 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 the combined 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
January 16, 2018

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity/ Identifying Number</u>	<u>Federal Expenditures</u>
SMALL BUSINESS ADMINISTRATION			
Microloan Program (Loans)	59.046	N/A	\$ 472,384
Microloan Program - 2016 (TA)	59.046	SBAHQ-16-Y-0055	156,972
Microloan Program - 2017 (TA)	59.046	SBAHQ-17-Y-0012/0003	<u>52,359</u>
Total Small Business Administration			681,715
DEPARTMENT OF THE TREASURY			
Community Development Financial Institutions Program - 2014 (HFFI-FA)	21.020	141FA012561	412,596
Community Development Financial Institutions Program - 2015 (FA)	21.020	151FA013422	1,006,738
Community Development Financial Institutions Program - 2015 (HFFI-FA)	21.020	151FA013422	928,200
Community Development Financial Institutions - Bond Guarantee Program (Loans)	21.014	N/A	<u>2,080,000</u>
Total Department of the Treasury			<u>4,427,534</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Community Services Block Grant	93.57	90EE1156-01-00	<u>1,263</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,110,512</u></u>

This schedule should be read with the independent auditors' report on internal control.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates, Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization, for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of the Organization.

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. Pass-through entity identifying numbers are presented where available.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Boards of Directors
Bridgeway Capital, Inc. and Affiliates
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Bridgeway Capital, Inc. (Bridgeway Capital) and its affiliates', Bridgeway Capital Certified Development Company (CDC), Bridgeway Development Corporation (BDC) and 15CCD Corporation (15CCD), collectively referred to as the Organization, compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's 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 the Organization's 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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's 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 the Organization's 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 a 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.

Purpose of Report

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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
January 16, 2018

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____ no
Significant deficiency(ies) identified?	_____	yes	_____ <u>X</u> _____ no
Noncompliance material to financial statements noted?	_____	yes	_____ <u>X</u> _____ no

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____ no
Significant deficiency(ies) identified?	_____	yes	_____ <u>X</u> _____ no
Type of auditors' report on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____ <u>X</u> _____ no

Identification of major programs:

CFDA Numbers
21.014

Name of Federal Programs
Community Development Financial
Institutions Bond Guarantee Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Uniform Guidance audit.

There were no findings in the current year required to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the 2 CFR 200.516(a).

There were no findings in the current year required to be reported.

The independent auditors' report on compliance should be read with this schedule.

BRIDGEWAY CAPITAL, INC. AND AFFILIATES

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Finding Number</u>	<u>Finding</u>	<u>Status</u>
	There were no prior-year audit findings.	

The independent auditors' report on compliance should be read with this schedule.