BOSTON COMMUNITY CAPITAL
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

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DECEMBER 31, 2005 AND 2004

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined statements of financial position of Boston Community Capital, Inc. and Affiliates (four Massachusetts corporations, not for profit) (collectively, the Corporation) as of December 31, 2005 and 2004, and the related combined statements of activities, changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of the Corporation's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Boston Community Capital, Inc. and Affiliates as of December 31, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
February 3, 2006

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,107,206	$ 3,118,721	$ 227,931	$ 1,452,632	$ 5,906,490
Cash and cash equivalents - escrow funds	507,585	2,712	-	-	510,297
Short-term investments	1,388,842	-	-	-	1,388,842
Current portion of loans receivable, net of allowance for loan losses of $50,842	14,494,622	11,280	-	-	14,505,902
Grants receivable	1,398,750	-	-	-	1,398,750
Other current assets	319,819	13,325	-	56,388	389,532
Total current assets	19,216,824	3,146,038	227,931	1,509,020	24,099,813
INVESTMENTS	3,146,555	-	-	-	3,146,555
LOANS RECEIVABLE, net of current portion and allowance for loan losses of $334,005	28,128,825	785,486	-	-	28,914,311
INVESTMENTS IN UNCOMBINED AFFILIATES	-	5,556	2,560,682	-	2,566,238
EQUIPMENT AND IMPROVEMENTS, net	-	-	-	82,541	82,541
Total assets	$ 50,492,204	$ 3,937,080	$ 2,788,613	$ 1,591,561	$ 58,809,458
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Current portion of loans payable	$ 5,971,380	$ -	$ -	$ -	$ 5,971,380
Interest and accounts payable	250,247	-	-	282,660	532,907
Escrow funds	507,585	2,712	-	-	510,297
Deferred revenue	-	6,681	-	-	6,681
Total current liabilities	6,729,212	9,393	-	282,660	7,021,265
LOANS PAYABLE, net of current portion	26,653,060	-	15,000	-	26,668,060
PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE:					
Gross loans received	12,450,000	-	-	-	12,450,000
Less - affiliate loans payable	(2,300,000)	-	2,400,000	(100,000)	-
Net permanent loan capital - subordinated loans payable	10,150,000	-	2,400,000	(100,000)	12,450,000
NET ASSETS:					
Unrestricted -					
General	3,313,564	3,922,131	212,931	432,693	7,881,319
Board designated for permanent loan capital	1,000,000	-	-	-	1,000,000
Board designated for loan loss reserves	1,773,092	-	-	-	1,773,092
Board designated for affiliate investments	-	5,556	160,682	-	166,238
Equipment and improvements	-	-	-	82,541	82,541
Total unrestricted	6,086,656	3,927,687	373,613	515,234	10,903,190
Temporarily restricted -					
Permanent loan capital	873,276	-	-	-	873,276
Special Program Collaborative	-	-	-	893,667	893,667
Total temporarily restricted	873,276	-	-	893,667	1,766,943
Total net assets	6,959,932	3,927,687	373,613	1,408,901	12,670,133
Total liabilities and net assets	$ 50,492,204	$ 3,937,080	$ 2,788,613	$ 1,591,561	$ 58,809,458

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2004

ASSETS	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL
CURRENT ASSETS:					
Cash and cash equivalents	$ 4,764,273	$ 307,636	$ 227,153	$ 1,310,170	$ 6,609,232
Cash and cash equivalents - escrow funds	229,753	2,685	-	-	232,438
Short-term investments	503,655	42,009	-	-	545,664
Current portion of loans receivable, net of allowance for loan losses of $105,351	8,784,027	27,083	-	-	8,811,110
Grants receivable	-	-	-	850,000	850,000
Other current assets	125,727	45,211	-	44,324	215,262
Total current assets	14,407,435	424,624	227,153	2,204,494	17,263,706
INVESTMENTS	3,604,885	-	-	-	3,604,885
LOANS RECEIVABLE, net of current portion and allowance for loan losses of $260,237	21,698,166	1,372,785	-	-	23,070,951
DUE (TO) FROM AFFILIATE	(45,254)	45,254	-	-	-
INVESTMENTS IN UNCOMBINED AFFILIATES	-	-	3,038,549	-	3,038,549
EQUIPMENT AND IMPROVEMENTS, net	-	-	-	40,875	40,875
Total assets	$ 39,665,232	$ 1,842,663	$ 3,265,702	$ 2,245,369	$ 47,018,966
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Current portion of loans payable	$ 5,688,611	$ 38,092	$ -	$ -	$ 5,726,703
Interest and accounts payable	231,371	-	-	229,494	460,865
Escrow funds	229,753	2,685	-	-	232,438
Current portion of capital lease obligations	-	-	-	9,726	9,726
Total current liabilities	6,149,735	40,777	-	239,220	6,429,732
LOANS PAYABLE, net of current portion	21,403,278	1,624,422	15,000	-	23,042,700
ACCUMULATED UNREALIZED LOSSES ON INTEREST RATE SWAP CONTRACTS	-	45,254	-	-	45,254
PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE:					
Gross loans received	11,150,000	-	-	-	11,150,000
Less - affiliate loans payable	(2,300,000)	-	2,400,000	(100,000)	-
Net permanent loan capital - subordinated loans payable	8,850,000	-	2,400,000	(100,000)	11,150,000
NET ASSETS:					
Unrestricted -					
General	213,092	132,210	212,153	500,000	1,057,455
Board designated for permanent loan capital	1,000,000	-	-	-	1,000,000
Board designated for loan loss reserves	1,176,801	-	-	-	1,176,801
Board designated for affiliate investments	-	-	638,549	-	638,549
Equipment and improvements	-	-	-	31,149	31,149
Total unrestricted	2,389,893	132,210	850,702	531,149	3,903,954
Temporarily restricted -					
Permanent loan capital	872,326	-	-	-	872,326
Time restrictions	-	-	-	100,000	100,000
Special Program Collaborative	-	-	-	1,475,000	1,475,000
Total temporarily restricted	872,326	-	-	1,575,000	2,447,326
Total net assets	3,262,219	132,210	850,702	2,106,149	6,351,280
Total liabilities and net assets	$ 39,665,232	$ 1,842,663	$ 3,265,702	$ 2,245,369	$ 47,018,966

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

UNRESTRICTED NET ASSETS:	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL
OPERATING REVENUES:					
Financial and earned revenue -					
Interest on loans, net	$ 2,148,037	$ 64,715	$ -	$ 3,346	$ 2,216,098
Interest on investments and cash equivalents	243,880	30,109	6,022	21,075	301,086
Less - interest expense	(1,185,765)	(75,330)	(72,000)	-	(1,333,095)
Management and upfront fees	-	5,933,679	665,900	-	6,599,579
Loan fees and other	423,424	-	-	73	423,497
Loan loss recovery	13,701	-	-	-	13,701
Less - loan loss provision	(19,888)	-	-	-	(19,888)
Net financial and earned revenue	1,623,389	5,953,173	599,922	24,494	8,200,978
Grants and contributions	1,398,750	-	-	410,216	1,808,966
Net assets released from operating restrictions -					
Satisfaction of special program collaborative purpose restriction	-	-	-	581,333	581,333
Satisfaction of time restriction	-	-	-	100,000	100,000
Total operating revenues	3,022,139	5,953,173	599,922	1,116,043	10,691,277
OPERATING EXPENSES:					
Personnel	980,163	155,112	524,619	342,413	2,002,307
Office operations	195,540	6,855	45,317	21,107	268,819
Consultants	58,365	782	4,059	84,805	148,011
Marketing	27,240	989	6,133	68,869	103,231
Accounting and investment fees	13,827	502	2,605	34,958	51,892
Legal	-	41,424	406	1,456	43,286
Insurance and other	13,270	307	1,590	15,431	30,598
Travel	6,899	135	11,932	9,371	28,337
Total operating expenses before special program collaborative grants	1,295,304	206,106	596,661	578,410	2,676,481
SPECIAL PROGRAM COLLABORATIVE GRANTS	-	-	-	581,333	581,333
Total operating expenses	1,295,304	206,106	596,661	1,159,743	3,257,814
Changes in unrestricted net assets from operations	1,726,835	5,747,067	3,261	(43,700)	7,433,463
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Share of losses of uncombined affiliates	-	-	(477,867)	-	(477,867)
Realized gain on interest rate swap termination	-	3,009	-	-	3,009
Unrealized gain on carrying value of interest rate swap contracts	-	45,254	-	-	45,254
Net realized and unrealized losses on investments	(3,744)	(463)	(92)	(324)	(4,623)
Net asset transfers:					
Support of lending activities	2,000,000	(2,000,000)	-	-	-
Other interaffiliate support	(26,328)	610	(2,391)	28,109	-
Changes in unrestricted net assets	3,696,763	3,795,477	(477,089)	(15,915)	6,999,236
TEMPORARILY RESTRICTED NET ASSETS:					
Grants and contributions	950	-	-	-	950
Net assets released from restrictions	-	-	-	(681,333)	(681,333)
Changes in temporarily restricted net assets	950	-	-	(681,333)	(680,383)
Changes in net assets	$ 3,697,713	$ 3,795,477	$ (477,089)	$ (697,248)	$ 6,318,853

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

UNRESTRICTED NET ASSETS:	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL
OPERATING REVENUES:					
Financial and earned revenue -					
Interest on loans, net	$ 1,601,173	$ 198,596	$ -	$ 3,000	$ 1,802,769
Interest on investments and cash equivalents	257,024	-	5,411	8,116	270,551
Less - interest expense	(953,294)	(180,376)	(72,000)	-	(1,205,670)
Management fees	-	-	645,900	-	645,900
Loan fees and other	290,784	-	-	531	291,315
Less - loan loss provision	(13,937)	-	-	-	(13,937)
Net financial and earned revenue	1,181,750	18,220	579,311	11,647	1,790,928
Grants and contributions	-	-	7,500	439,454	446,954
Bequest	-	-	-	525,549	525,549
Total operating revenues	1,181,750	18,220	586,811	976,650	2,763,431
OPERATING EXPENSES:					
Personnel	762,873	20,633	492,501	291,110	1,567,117
Office operations	214,679	7,673	47,433	26,489	296,274
Consultants	56,376	991	5,140	64,465	126,972
Marketing	20,641	750	6,115	48,784	76,290
Accounting and investment fees	11,532	17,541	2,173	27,255	58,501
Legal	3,853	29,647	726	9,107	43,333
Insurance and other	18,795	222	2,303	11,176	32,496
Travel	9,448	157	7,854	10,222	27,681
Total operating expenses	1,098,197	77,614	564,245	488,608	2,228,664
Changes in unrestricted net assets from operations	83,553	(59,394)	22,566	488,042	534,767
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Share of losses of uncombined affiliates	-	-	(169,737)	-	(169,737)
Realized gain on interest rate swap termination	-	33,133	-	-	33,133
Unrealized gain on carrying value of interest rate swap contracts	-	157,401	-	-	157,401
Net realized and unrealized losses on investments	(101,444)	-	(2,135)	(3,203)	(106,782)
Net asset transfers:					
Support of lending activities	401,802	-	-	(401,802)	-
Changes in unrestricted net assets before cumulative effect of change in accounting principle	383,911	131,140	(149,306)	83,037	448,782
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR LOAN LOSS ALLOWANCES	634,286	-	-	-	634,286
Changes in unrestricted net assets	1,018,197	131,140	(149,306)	83,037	1,083,068
TEMPORARILY RESTRICTED NET ASSETS -					
GRANTS AND CONTRIBUTIONS	950	-	-	1,575,000	1,575,950
Changes in net assets	$ 1,019,147	$ 131,140	$ (149,306)	$ 1,658,037	$ 2,659,018

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	UNRESTRICTED		UNRESTRICTED - BOARD DESIGNATED			TEMPORARILY RESTRICTED			
			LOAN FUND			LOAN FUND	HOLDING COMPANY		
	GENERAL	EQUIPMENT AND IMPROVE-MENTS	PERMANENT LOAN CAPITAL	LOAN LOSS RESERVES	AFFILIATE INVESTMENTS	PERMANENT LOAN CAPITAL	SPECIAL PROGRAM COLLABORATIVE	TIME RESTRICTIONS	TOTAL
NET ASSETS, December 31, 2003	$ 949,575	$ 63,025	$ 1,000,000	$ -	$ 808,286	$ 871,376	$ -	$ -	$ 3,692,262
Changes in net assets	1,307,056	(54,251)	-	-	(169,737)	950	1,475,000	100,000	2,659,018
Board transfers of unrestricted net assets	(1,199,176)	22,375	-	1,176,801	-	-	-	-	-
NET ASSETS, December 31, 2004	1,057,455	31,149	1,000,000	1,176,801	638,549	872,326	1,475,000	100,000	6,351,280
Changes in net assets	7,509,321	(32,218)	-	-	(477,867)	950	(581,333)	(100,000)	6,318,853
Board transfers of unrestricted net assets	(685,457)	83,610	-	596,291	5,556	-	-	-	-
NET ASSETS, December 31, 2005	$ 7,881,319	$ 82,541	$ 1,000,000	$ 1,773,092	$ 166,238	$ 873,276	$ 893,667	$ -	$ 12,670,133

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 6,318,853	$ 2,659,018
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	32,218	54,251
Net realized and unrealized losses on investments	-	106,782
Increase (decrease) in allowance for loan losses	19,259	(620,349)
Share of loss of uncombined affiliates	477,867	169,737
Grants for capital and investment uses	(950)	(950)
Decrease in interest rate swap valuation	(45,254)	(192,800)
Forgiven loans payable included in contributions	(110,500)	(54,000)
Changes in operating assets and liabilities -		
Grants receivable	(548,750)	(850,000)
Other current assets	(174,270)	(26,952)
Interest and accounts payable	72,042	115,925
Deferred loan fees	146,832	-
Deferred revenue	6,681	-
Net cash provided by operating activities	6,194,028	1,360,662
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in uncombined affiliates	(5,556)	-
Issuance of loans receivable	(20,936,907)	(17,878,223)
Principal payments of loan receivable	9,232,664	9,309,807
Purchase of equipment and improvements	(73,884)	-
Proceeds from sales and maturities of investments	11,697,362	8,501,477
Purchase of investments	(12,082,210)	(5,193,929)
Net cash used in investing activities	(12,168,531)	(5,260,868)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	(9,726)	(22,375)
Grants for capital and investment uses	950	950
Proceeds from loans payable	20,050,791	8,875,524
Payments on loans payable	(16,070,254)	(2,711,121)
Proceeds from subordinated loans payable	1,300,000	700,000
Net cash provided by financing activities	5,271,761	6,842,978
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(702,742)	2,942,772
CASH AND CASH EQUIVALENTS, beginning of year	6,609,232	3,666,460
CASH AND CASH EQUIVALENTS, end of year	$ 5,906,490	$ 6,609,232
SUPPLEMENTAL DISCLOSURE -		
Cash paid for interest	$ 1,267,297	$ 1,179,890
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Disposal of fully depreciated equipment and improvements	$ 58,885	$ -

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

(1) OPERATIONS AND NONPROFIT STATUS

OPERATIONS

Boston Community Loan Fund, Inc. (the Loan Fund), a Massachusetts nonprofit corporation, was organized in December, 1984, to provide below market rate capital to community based organizations for the development of affordable housing. In 1994, its Board of Directors voted to expand its corporate purposes to include broader community development lending, which directly or indirectly benefits low-income or disadvantaged people or communities.

In September, 1994, the Loan Fund formed three affiliated Massachusetts nonprofit corporations: BCLF Managed Assets Corporation, BCLF Ventures, Inc., and BCLF, Inc. BCLF Managed Assets Corporation was formed to manage, design, implement, and evaluate programs on behalf of third parties that provide loan underwriting, management, servicing, and financial and managerial technical assistance services. BCLF Ventures, Inc. was formed to assist small community-based businesses and entrepreneurs to start, grow, and expand businesses which strengthen the low-income business community. BCLF, Inc. was formed as a holding company to manage and develop the other three nonprofit corporations and new initiatives. In 1997, to better reflect the full scope of operations of these four corporations, BCLF, Inc.'s name was changed to Boston Community Capital, Inc. (the Holding Company). Additionally, "doing business as" designations were registered for BCLF Managed Assets Corporation d/b/a Boston Community Managed Assets (Managed Assets), and for BCLF Ventures, Inc. d/b/a Boston Community Venture Fund (the Venture Fund).

The Corporation's overall mission is to create and preserve healthy communities where low-income people live and work. To carry out this mission, the Corporation provides capital for sustainable community-based projects. These projects increase or preserve low-income housing or provide jobs or services for low-income or disadvantaged people or communities. The Corporation receives the money it invests in community-based projects from socially concerned investors, which include individuals, religious organizations, banks and other financial intermediaries, foundations, and corporations. A significant portion of the Corporation's projects are in Boston and surrounding areas.

NONPROFIT STATUS

The four affiliated nonprofit corporations (collectively, the Corporation) are individually exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Corporation is also exempt from state income taxes. Donors may deduct contributions made to the Corporation within the requirements of the Internal Revenue Code.

Community Development Financial Institution

The Loan Fund and the Venture Fund have been granted status as Community Development Financial Institutions (CDFI) by the U.S. Department of the Treasury (the Treasury) qualifying them for certain awards and support from the Treasury. The Loan Fund received a financial assistance grant commitment of $1,398,750 in 2005.

The Loan Fund has also received a $500,000 loan (see Note 6) and a $500,000 permanent loan capital-subordinated loan payable (see Note 7) from the Treasury.

(1) OPERATIONS AND NONPROFIT STATUS (Continued)

NONPROFIT STATUS (Continued)

Uncombined Affiliates

Ventures I, LLC

In 1997, the Corporation formed BCLF Ventures I, LLC (Ventures I, LLC), a Massachusetts for-profit limited liability company, for the purpose of making investments in businesses that benefit low-income people and communities. Ventures I, LLC entered into a management agreement with the Venture Fund to act as its manager member. Under the terms of this agreement, the Venture Fund supervises the activities of Ventures I, LLC in exchange for an annual management fee of 3% of Venture I, LLC's contributed capital, payable monthly. The Venture Fund earned fees of $150,900 in both 2005 and 2004. The management agreement exists for the term of Ventures I, LLC, but may be terminated with cause and approval of 75% of Ventures I, LLC's regular members.

Ventures II, LLC

In 2000, the Corporation formed BCLF Ventures II, LLC (Ventures II, LLC). Ventures II, LLC is a Massachusetts for-profit limited liability company organized for the same purposes as Ventures I, LLC. Ventures II, LLC also entered into a management agreement with the Venture Fund to act as its manager member. Under the terms of this agreement, the Venture Fund supervises the activities of Ventures II, LLC for an annual management fee of 3% of Ventures II, LLC's contributed capital, payable monthly. The Venture Fund earned fees of $495,000 in both 2005 and 2004. The management agreement exists for the term of Ventures II, LLC, but may be terminated with cause and approval of 75% of Ventures II, LLC's regular members.

Ventures I, LLC and Ventures II, LLC also have regular members, including the Venture Fund, which is both the manager and a regular member of each fund. Ventures I, LLC and Ventures II, LLC will terminate no later than July, 2007, and December, 2010, respectively, unless extended another two years at the discretion of the Venture Fund, as provided in the Operating Agreements.

New Markets Tax Credits

The Holding Company, the Venture Fund, Managed Assets, and the Loan Fund have also been granted status by the Treasury as Community Development Entities (CDE). During 2004, the Holding Company was awarded a $70 million allocation of New Markets Tax Credits (NMTC) and formed five new CDEs (collectively, the CDE LLCs.):

BCC NMTC CDE I, LLC
BCC NMTC CDE II, LLC
BCC NMTC CDE III, LLC
BCC NMTC CDE IV, LLC
BCC NMTC CDE V, LLC

(1) OPERATIONS AND NONPROFIT STATUS (Continued)

NONPROFIT STATUS (Continued)

New Markets Tax Credits (Continued)

During 2005, the Holding Company formed five additional CDEs:

BCC NMTC CDE VI, LLC
BCC NMTC CDE VII, LLC
BCC NMTC CDE VIII, LLC
BCC NMTC CDE IX, LLC
BCC NMTC CDE X, LLC

The CDE LLCs have been initially formed as Massachusetts limited liability companies with Managed Assets as the Managing Member with a .01% interest and the Holding Company as a regular member with a 99.99% interest. It is the intent of management to replace the Holding Company's 99.99% interest upon admission of unrelated investor members. Therefore, the CDE LLCs have not been consolidated or combined in the accompanying combined financial statements of the Corporation (see also Note 2). The CDE LLCs have and will make qualified low-income community investments (QLICIs) within the meaning of the New Markets program and IRC Code Section 45D.

During 2005, Managed Assets entered into an agreement with an investor to provide $70 million of qualified equity investments (QEI) to make QLICIs through some of the CDE LLCs. By making QLICIs, the CDE LLCs will enable the investor to claim approximately $27,300,000 of NMTC over a credit period of seven years. For its participation in establishing the CDE LLCs and underwriting the QLICIs made, during 2005, Managed Assets earned an upfront fee of $5,834,247 computed as 10.5% of QEIs of $55,564,257 made by the investor. The remaining $14,435,743 of investor capital is expected to be funded in early 2006 at which time Managed Assets will be entitled to an additional $1,515,753 of upfront fee. Terms of the agreement require Managed Assets to maintain certain covenants to avoid recapture of NMTC, without which they could have to reimburse a portion of the upfront fee they have received. At December 31, 2005, Managed Assets was in compliance with all covenants that would cause a recapture of NMTC and expects that they will be able to maintain compliance throughout the seven year life of the NMTC.

Managed Assets also earns an annual management fee of 0.45% of QEIs which amounted to $119,432 for the year ended December 31, 2005.

Managed Assets will earn a backend fee of 5% of the highest amount invested in QLICIs over the seven-year credit period, but not to exceed 5% of 89.5% of the QEI funded by the Investor Members.

During 2005, the Corporation submitted an additional NMTC application for $150 million of tax credits to the U.S. Treasury. The Treasury is expected to announce credit awards in 2006.

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the four nonprofit organizations that comprise the Corporation (see Note 1). All significant intercompany balances and transactions have been eliminated in the accompanying combined financial statements. The nonprofit corporations, as they are described in Note 1, also represent the funds and programs of the combined corporation as a whole.

The combined financial statements do not include Ventures I, LLC and Ventures II, LLC because the Venture Fund maintains a minority interest in them. The Venture Fund accounts for its investments in Ventures I, LLC and Ventures II, LLC on the equity method because of its financial investment and its ability to exercise significant influence over their activities. Under the equity method, the Venture Fund's investments are recorded at cost and are then increased or decreased in relation to its share of income or losses of each fund. Distributions, if any, also reduce the Venture Fund's investment.

Activity related to the Venture Fund's investment in these entities is as follows:

	Ventures I, LLC	Ventures II, LLC	Total
Net investment, December 31, 2003	$1,544,872	$1,663,414	$3,208,286
Share of loss	(41,781)	(127,956)	(169,737)
Net investment, December 31, 2004	1,503,091	1,535,458	3,038,549
Share of loss	(196,561)	(281,306)	(477,867)
Net investment, December 31, 2005	$1,306,530	$1,254,152	$2,560,682

Through application of the equity method, the value of the Venture Fund's investments in Ventures I, LLC and Ventures II, LLC is affected by the valuation of investments made by Ventures I, LLC and Ventures II, LLC. These investments generally consist of non-marketable equity and lending investments in closely held businesses.

Ventures I, LLC and Ventures II, LLC value these investments in good faith. Ventures I, LLC and Ventures II, LLC initially record these investments at cost. Because of the inherent difficulties in reliably estimating fair value of these investments, management recognizes increases and decreases from the initial values only when information or events concerning an individual investment indicate a new valuation that is determinable and reasonably certain. Due to the inherent uncertainty of valuations, estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

The combined financial statements also do not include the CDE LLCs (see pages 9 and 10). Managed Assets will not maintain a significant membership interest in these entities and accounts for them using the cost method. Under the cost method, Managed Assets records its investment at cost and recognizes distributions of earnings of the CDE LLCs as income. Other distributions reduce the investment's cost basis.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination (Continued)

During 2005, Managed Assets invested $5,556 in the CDE LLCs as follows:

BCC NMTC CDE I, LLC	$2,844
BCC NMTC CDE III, LLC	575
BCC NMTC CDE IV, LLC	2,137
	$5,556

The Holding Company's interest in these three CDE LLCs was replaced in 2005 upon admission of an unrelated investor as a regular member of each CDE LLC.

Cash and Cash Equivalents and Concentration of Risk

For the purpose of the statements of cash flows, cash and cash equivalents consist of checking, money market, and savings accounts. The Corporation maintains its cash balances in four banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances up to $100,000. At certain times during the year, cash balances exceed the insured amounts. Management monitors on a regular basis, the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum.

The Corporation also held balances of $510,297 and $232,438 in escrow for outside parties as of December 31, 2005 and 2004, respectively.

Equipment and Improvements and Depreciation

The Corporation records all significant expenditures for equipment and improvements with a useful life in excess of one year at cost, if purchased, or at the fair market value on the date received, if donated. Depreciation is recorded using the straight-line method over estimated useful lives of three to five years.

Equipment and improvements as of December 31, 2005 and 2004, are as follows:

	2005	2004
Computer equipment	$120,125	$107,626
Leasehold improvements	80,070	77,570
Office equipment	77,493	77,493
	277,688	262,689
Less – accumulated depreciation	195,147	221,814
	$ 82,541	$ 40,875

Depreciation expense was $32,218 and $54,251 in 2005 and 2004, respectively, and is included in office operations in the accompanying combined statements of activities.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted net assets include those net resources of the Corporation that bear no external restrictions. These include the Corporation's general net assets, net assets designated by the Board of Directors for permanent loan capital, loan loss reserves, and affiliate investments, and the Corporation's net carrying value of equipment and improvements. During 2005 and 2004, the Board of Directors designated $596,291 and $1,176,801, respectively, of the Loan Fund's general unrestricted net assets for loan loss reserves (see Note 5).

The Board of Directors periodically authorizes transfers of the unrestricted general net assets among the affiliates comprising the Corporation. Transfers to (from) affiliates to support lending activities were $2,000,000 and $401,802 for the years ended December 31, 2005 and 2004. During 2005 the Corporation also made various transfers to (from) affiliates for other programmatic activities as reported on the combined statements of activities.

Temporarily restricted net assets are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Temporarily restricted net assets consist of the following as of December 31, 2005 and 2004:

	2005	2004
Purpose restricted:		
Loan Fund - permanent loan capital	$ 873,276	$ 872,326
Holding Company - Special Program Collaborative	893,667	1,475,000
Time restricted -		
Holding Company	-	100,000
Total temporarily restricted	$1,766,943	$2,447,326

Permanent loan capital is the term the Corporation uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meeting debt covenants and providing for potential loan losses. The Corporation has three categories of permanent loan capital: net assets temporarily restricted by donors, net assets designated by the Board of Directors, and subordinated loans payable (see Note 7). No outside donor has imposed an obligation on the Corporation to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses. Accordingly, donor-restricted permanent loan capital awards have been classified as temporarily restricted net assets in the accompanying combined statements of financial position. The Corporation's Board of Directors designated $1,000,000, the proceeds of two unrestricted grant awards from the Treasury (see Note 1), as permanent loan capital in unrestricted net assets.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Special Program Collaborative net assets consist of the unspent proceeds of a grant of $1,475,000 received in 2004 which is designated for a collaborative between the Corporation and other agencies to promote ecologically efficient designs and technical assistance to community development corporations. A significant portion of the proceeds of this grant is expected to be distributed to collaborative members and other agencies. During 2005, $581,333 was expended for grants and is included in special program collaborative net assets released from restrictions in the accompanying combined statement of activities.

Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenues from interest on loans and investments, management fees, loan fees, and other sources are recognized as unrestricted revenue as earned. Interest on loans is presented net of interest expense of $915,446 and $844,224 paid to loan participants (see Notes 4 and 6) in 2005 and 2004, respectively. Through 2004, loan fees were recognized in the year the related loans were closed. Effective in 2005, the Corporation began amortizing loan fees over the term of the loans. Unamortized loan fees are included as an adjustment of the carrying value of loans receivable in the accompanying combined statement of financial position (see Note 4). The Corporation has made this change in loan fee accounting for loans closed in 2005 and in the future.

Grants and contributions with no restrictions or conditions are recognized as unrestricted revenue when received or unconditionally pledged to the Corporation. During 2004, the Corporation was the beneficiary of an unrestricted bequest of a residence, which when sold, resulted in proceeds of $525,549.

Donor restricted grants and contributions with time or purpose restrictions are recognized as temporarily restricted net assets when received or unconditionally pledged. Temporarily restricted net assets are transferred to unrestricted net assets when they are used in accordance with donor restrictions. Donor restricted gifts received and expended for their intended use in the same year are reflected as unrestricted net assets.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

(3) INVESTMENTS

Investments in marketable securities are stated at fair market value and consist of fixed income financial instruments purchased with initial maturities greater than three months. Investment values are subject to ongoing market fluctuations. Investments with remaining maturities of one year or less are classified as current assets.

Fair values including unrealized appreciation or depreciation at December 31, 2005 and 2004, are summarized as follows:

2005	Cost	Fair Market Value	Unrealized Depreciation
U.S. Government securities	$2,588,171	$2,564,454	$ (23,717)
Corporate debt securities	1,964,389	1,867,552	(96,837)
Certificates of deposit	103,391	103,391	-
Total investments	$4,655,951	$4,535,397	$(120,554)

2004	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
U.S. Government securities	$1,965,281	$1,996,346	$ 31,065
Corporate debt securities	2,087,376	2,011,614	(75,762)
Certificates of deposit	142,589	142,589	-
Total investments	$4,195,246	$4,150,549	$ (44,697)

Net investment losses were as follows:

	2005	2004
Unrealized losses	$(75,857)	$ (64,508)
Realized gains (losses)	71,234	(42,274)
	$ (4,623)	$(106,782)

The Corporation generally holds these securities from the purchase date until maturity. Realized gains (losses) on investments are due to the Corporation purchasing U.S. Government and corporate debt securities at a premium or discount and selling them at face value upon maturity.

(4) LOANS RECEIVABLE

Loan Fund

Loans receivable consist of approximately 100 individual loans as of December 31, 2005 and 2004, and are presented net of third party loan participations of $19,364,001 and $14,043,897 as of December 31, 2005 and 2004, respectively. All loan participations are accounted for in accordance with Statement of Financial Accounting Standards No. 140 *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities.* All borrowers are nonprofit community organizations, and businesses which benefit low-income individuals and communities.

(4) LOANS RECEIVABLE (Continued)

Loan Fund (Continued)

Loans receivable bear interest at rates ranging from four to eight percent (4% - 8%) and mature at various dates through 2025. Loans receivable are generally made in connection with affordable housing and community development projects and most are collateralized by first or second mortgages on property of the borrower. The Corporation's five largest outstanding loans receivable were approximately 41% and 36% of the portfolio as of December 31, 2005 and 2004, respectively.

Scheduled repayments of principal of loans receivable for the years ending after December 31, 2005, are as follows:

Year	
2006	$14,545,464
2007	10,806,235
2008	9,822,112
2009	440,985
2010	1,818,469
Thereafter	5,725,526
	43,158,791
Adjustment for deferred loan fees (see Note 2)	(150,497)
Less - allowance for loan losses (see Note 5)	(384,847)
	$42,623,447

Managed Assets

During 2002, Managed Assets purchased from two financial institutions thirteen mortgage loans receivable from a nonprofit organization with total initial principal of $4,200,858 (see Note 6). These loans are secured by residential properties, due in monthly installments of principal and interest, bear interest at 6.25% and mature in January, 2033. During 2004, certain of these mortgage loans were repaid in full and Managed Assets terminated two related interest rate swap contracts (see Note 6).

Principal maturities of these loans as of December 31, 2005, are as follows:

Year	
2006	$ 11,280
2007	11,460
2008	11,580
2009	11,760
2010	11,880
Thereafter	738,806
Total	$796,766

(4) LOANS RECEIVABLE (Continued)

Committed Current Assets

The Loan Fund had committed approximately $4,000,000 and $2,440,000 of current assets (cash, cash equivalents, and short-term investments) for future disbursements on existing loan commitments and lines of credit through the Loan Fund as of December 31, 2005 and 2004, respectively. The Corporation has in place liquidity management policies and procedures to manage the timing of expected disbursements on these loans. Among the tools available to manage liquidity are lines of credit with financial institutions (see Note 6), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2005, the Corporation had forecasted net cash outflows of approximately $2,300,000 during the first quarter of 2006.

(5) ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES

Loan loss reserves is the term used by the Corporation and certain significant investors to refer to the balance of loan loss allowances plus otherwise unrestricted net assets designated by the Board of Directors as a hedge against potential loan losses. Covenants with certain significant investors require the Corporation to maintain loan loss reserves equal to at least 5% of loans receivable of the Loan Fund. The Corporation's loan loss reserves consist of the following as of December 31, 2005 and 2004:

	2005	2004
Board designated net assets for loan loss reserves (see Note 2)	$1,773,092	$1,176,801
Allowance for loan losses (see page 18)	384,847	365,588
	$2,157,939	$1,542,389

An allowance for loan losses is an estimate of expected loan losses. Through December 31, 2003, the allowance was based on the Corporation's risk rating system and a minimum allowance for loan losses of five percent of all loans receivable as included in the covenants of certain notes payable to significant investors (see Note 6).

Effective January 1, 2004, the Corporation changed its policy of accounting for the loan loss allowance. The loan loss allowance is now based on expected losses as determined under the risk rating system without consideration of a 5% minimum allowance. In addition, the Corporation's Board of Directors designates unrestricted net assets as loan loss reserves so that the sum of the loan loss allowance and designated unrestricted net assets equals 5% of total loans receivable. The change in policy more closely reflects the Corporation's historical loan losses and is consistent with industry standards.

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

The loan loss allowance, which has been allocated proportionally to the long-term and current portions of the loan portfolio in the accompanying combined financial statements, consists of the following:

	2005	2004
Balance, beginning of year	$365,588	$ 985,937
Additions to allowance	19,259	13,937
Change in accounting for loan loss allowances	-	(634,286)
Balance, end of year	$384,847	$ 365,588

(6) LOANS PAYABLE

Loan Fund

Loans payable of the Loan Fund represent loans by approximately 300 lenders ("investors") in principal amounts ranging from $500 to $4,000,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2014. In the ordinary course of operations, the Loan Fund negotiates extensions of maturity with many investors. The accompanying combined statements of financial position as of December 31, 2004, include as long-term liabilities of $545,166 of loan payable principal for loans which had stated maturities consistent with current liabilities, but which were extended by investors subsequent to year end.

Loans payable are not discounted to present value as the effect to the combined financial statements is not material. Some of these loans contain specific operating covenants, all of which the Corporation was in compliance with as of December 31, 2005 and 2004. Loans payable of the Loan Fund are unsecured with recourse to the general assets of the Loan Fund. Loans payable of the Venture Fund are unsecured with no recourse to the general assets of the Venture Fund.

The Corporation also has available two lines of credit with financial institutions. In January, 2004, the Corporation entered into an unsecured revolving line of credit agreement with a financial institution in the principal amount of $7,000,000. During 2005, available credit on this line was increased to $12,000,000. With the December, 2005 amendment, the interest rate was changed to 30-day LIBOR plus 2% (6.4% at December 31, 2005). During 2004, the outstanding advances bore interest at 30-day LIBOR plus 2.5% (4.9% at December 31, 2004). As of December 31, 2005, $5,500,000 was outstanding under this agreement. The line of credit is payable one year after demand is made by the financial institution. In January, 2006, the Corporation received from this financial institution proposed terms of a $50 million syndicated line of credit of which the financial institution would participate at $12 million. Management continues to negotiate this proposal as of the date of this report.

In September, 2004, the Corporation entered into a $4,000,000 revolving line of credit with Fannie Mae which expires in September, 2009. Outstanding advances under this line of credit bear interest at Fannie Mae's five-year cost of funds, plus 25 basis points (4.38% at December 31, 2005). As of December 31, 2005 and 2004, $4,000,000 was outstanding under this agreement. The note is secured by the Corporation's loan loss reserve account and other assets.

(6) LOANS PAYABLE (Continued)

Loan Fund (Continued)

The above loans payable and lines of credit require the Corporation to maintain certain financial ratios as specified in the agreements. As of December 31, 2005 and 2004, the Corporation was in compliance with these covenants. The balance of loans payable of the Loan Fund were as follows as of December 31:

	2005	2004
Lines of credit	$ 9,500,000	$ 4,000,000
Other loans payable	23,124,440	23,091,889
	$32,624,440	$27,091,889

Managed Assets

In 2002, Managed Assets entered into a loan agreement with a bank in the principal amount of $5,000,000. As of December 31, 2005 and 2004, Managed Assets had borrowed $4,200,858 in three advances to finance the purchase of certain mortgage notes receivable (see Note 4). The first advance of $1,117,500 bore interest at the 30-day LIBOR rate (1.12% at December 31, 2004), plus .25%. Remaining advances, which totaled $3,083,358, had variable rates equal to the 30-day LIBOR rate plus .75%. Payments were due in monthly installments of principal based on a 25-year amortization schedule and interest with outstanding principal of each advance maturing seven years from the date of each advance of principal (July through December, 2009). These loans payable were paid off during 2005 and 2004.

To hedge against potential interest rate exposure under the floating rate notes, the Corporation entered into an Interest Rate Swap Agreement and three interest rate swap contracts with the same bank. The contracts provided for a guaranteed fixed rate of 5.28% for the first advance and 5.78% for subsequent advances.

During 2004, the Corporation terminated two of the interest rate swap contracts at a gain of $33,133 and had the following interest rate swap contract outstanding:

Current Notional Amount	$1,696,556
Interest Rate	5.78%
Maturity Date	December 11, 2009
Value as of December 31, 2004	$ (45,254)

During 2005, the Corporation terminated the last interest rate swap contract resulting in a realized gain of $3,009 (see Note 2). Gains or losses in the value of the interest rate swap contracts were recorded as a change in unrestricted net assets.

(6) LOANS PAYABLE (Continued)

Maturities

Maturities of all loans payable as of December 31, 2005, are as follows:

Year	Loan Fund	Venture Fund	Total
2006	$ 5,971,380	$ -	$ 5,971,380
2007	2,166,026	-	2,166,026
2008	2,918,020	-	2,918,020
2009	6,608,510	-	6,608,510
2010	2,732,523		2,732,523
Thereafter	12,227,981	15,000	12,242,981
Total loans	$32,624,440	$15,000	$32,639,440

The current maturities as of December 31, 2005 and 2004, include $585,000 and $377,357, respectively, of loan principal which has matured, but not been paid or formally extended. Management is negotiating extensions of these amounts.

(7) PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE

Permanent loan capital – subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (36 and 32 individual loans as of December 31, 2005 and 2004, respectively) from financial and other institutions bearing simple interest at rates between 2% and 4%. These loans have substantially the same terms including interest-only payments required annually until maturity. These loans are subordinate and junior to all other obligations of the Loan Fund.

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

Earliest maturity dates of principal as of December 31, 2005, are as follows:

2010	$ 650,000
2015	$11,000,000
2016	$ 300,000
2021	$ 500,000

As of December 31, 2005 and 2004, $2,300,000 of the proceeds of these loans was loaned to the Venture Fund to finance a portion of the Venture Fund's investments in Ventures I, LLC and Ventures II, LLC (see Note 2). The Venture Fund has also borrowed $100,000 from the Holding Company for the same purpose. The remaining proceeds of $10,150,000 and $8,850,000 as of December 31, 2005 and 2004, respectively, have been held as permanent loan capital of the Loan Fund.

(8) LEASES

The Corporation has a lease agreement which terminates October, 2009, to rent office space in Roxbury, Massachusetts. As extended in October, 2004, the Corporation is obligated for monthly rental payments and is also responsible for its share of real estate taxes and utilities. Total expense under the facility lease was $105,095 and $90,644 for 2005 and 2004, respectively, and is included in office operations in the accompanying combined statements of activities. Future minimum lease payments, excluding real estate taxes, and utilities, under this agreement are as follows:

2006	$101,718
2007	$104,070
2008	$106,494
2009	$ 90,470

The Corporation also leases office equipment under operating leases with payments through December, 2006. Future minimum lease payments under these agreements are $15,018 for fiscal year 2006.

(9) PENSION PLAN

The Corporation has adopted an Internal Revenue Code (IRC) Section 401(k) plan managed by an investment manager. Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. The Corporation provides a 100% match for all employee contributions up to the lesser of 4% of their total wages not exceeding $205,000 annually. All employees age 21 and over are eligible to participate in the plan. Pension expense for 2005 and 2004 was $58,529 and $49,331, respectively, and is included in personnel in the accompanying combined statements of activities.

(10) RECLASSIFICATIONS

Certain amounts in the 2004 combined financial statements have been reclassified to conform with the 2005 presentation.