BOSTON COMMUNITY CAPITAL AND AFFILIATES

# COMBINING AND CONSOLIDATING FINANCIAL STATEMENTS
# DECEMBER 31, 2008 AND 2007
# TOGETHER WITH
# INDEPENDENT AUDITOR'S REPORT

# BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

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## DECEMBER 31, 2008 AND 2007

Alexander Aronson Finning

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

*Where Every Client Is A Valued Client*

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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 combining and consolidating statements of financial position of Boston Community Capital, Inc. and Affiliates (see Note 1) as of December 31, 2008 and 2007, and the related combining and consolidating statements of activities, changes in net assets and members' investment, and cash flows for the years then ended. These combining and consolidating financial statements are the responsibility of the management of Boston Community Capital, Inc. and Affiliates. Our responsibility is to express an opinion on these combining and consolidating financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining and consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the combining and consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combining and consolidating financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining and consolidating financial statements referred to above present fairly, in all material respects, the combining and consolidating financial position of Boston Community Capital, Inc. and Affiliates as of December 31, 2008 and 2007, and the changes in their net assets and members' investment and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As further described in Notes 2 and 3, management changed its method of estimating the value of program-related investments to comply with newly applicable accounting standards. The change was applied prospectively to the 2008 financial statements and does not affect the previously issued 2007 financial statements.

As further described in Notes 2 and 3, the combining and consolidating financial statements include certain program-related equity investments valued at $13,233,868 and $12,509,284 (approximately 12% and 14% of total assets, respectively) as of December 31, 2008 and 2007, respectively. The values of these investments have been estimated by management in good faith in the absence of readily determinable market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
April 4, 2009

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINING AND CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

| | OPERATIONS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | LOAN FUND | MANAGED ASSETS | VENTURE FUND | HOLDING COMPANY | AURA MORTGAGE | ELIMINATIONS | TOTAL OPERATIONS | BCLF VENTURES, LLCs | ELIMINATIONS | TOTAL |
| **CURRENT ASSETS:** | | | | | | | | | | |
| Cash and cash equivalents | $ 10,438,635 | $ 5,119,387 | $ 3,659 | $ 2,864,742 | $ 265,552 | $ - | $ 18,691,975 | $ 317,799 | $ - | $ 19,009,774 |
| Cash and cash equivalents - escrow funds | 2,048,838 | 3,291,575 | - | - | - | - | 5,340,413 | - | - | 5,340,413 |
| Short-term investments in marketable securities | - | 1,014,209 | - | - | - | - | 1,014,209 | - | - | 1,014,209 |
| Current portion of loans and interest receivable, net of allowance for loan losses of $874,741 | 21,715,690 | 1,250 | - | - | - | - | 21,716,940 | 452,835 | - | 22,169,775 |
| Grants receivable | - | - | - | 100,000 | - | - | 100,000 | - | - | 100,000 |
| Other current assets | 417,115 | 43,230 | 143,260 | 80,522 | 4,262 | - | 688,389 | - | (171,524) | 516,865 |
| Total current assets | 34,620,278 | 9,469,651 | 146,919 | 3,045,264 | 269,814 | - | 47,551,926 | 770,634 | (171,524) | 48,151,036 |
| **INVESTMENTS IN MARKETABLE SECURITIES** | 1,724,063 | 824,427 | - | - | - | - | 2,548,490 | - | - | 2,548,490 |
| **LOANS AND INTEREST RECEIVABLE,** net of current portion and allowance for loan losses of $1,140,069 | 39,821,548 | 60,765 | - | - | - | - | 39,882,313 | 879,808 | - | 40,762,121 |
| **AFFILIATE LOANS RECEIVABLE** | 5,300,000 | - | - | - | - | (5,300,000) | - | - | - | - |
| **PROGRAM-RELATED EQUITY INVESTMENTS** | - | - | - | - | - | - | - | 13,233,868 | - | 13,233,868 |
| **INVESTMENTS IN AFFILIATES** | - | 27,225 | 3,208,732 | - | - | (269,814) | 2,966,143 | - | (2,938,918) | 27,225 |
| **PROJECTS UNDER DEVELOPMENT** | - | - | - | 6,857,264 | - | - | 6,857,264 | - | - | 6,857,264 |
| **EQUIPMENT AND IMPROVEMENTS,** net | - | - | - | 12,788 | - | - | 12,788 | - | - | 12,788 |
| Total assets | $ 81,465,889 | $ 10,382,068 | $ 3,355,651 | $ 9,915,316 | $ 269,814 | $ (5,569,814) | $ 99,818,924 | $ 14,884,310 | $ (3,110,442) | $ 111,592,792 |
| **LIABILITIES, NET ASSETS AND MEMBERS' INVESTMENT** | | | | | | | | | | |
| **CURRENT LIABILITIES:** | | | | | | | | | | |
| Current portion of loans payable | $ 9,303,865 | $ - | $ - | $ - | $ - | $ - | $ 9,303,865 | $ - | $ - | $ 9,303,865 |
| Interest and accounts payable | 318,629 | - | - | 960,586 | - | - | 1,279,215 | 171,524 | (171,524) | 1,279,215 |
| Escrow funds | 2,048,838 | 3,291,575 | - | - | - | - | 5,340,413 | - | - | 5,340,413 |
| Deferred revenue | - | 6,681 | - | - | - | - | 6,681 | - | - | 6,681 |
| Total current liabilities | 11,671,332 | 3,298,256 | - | 960,586 | - | - | 15,930,174 | 171,524 | (171,524) | 15,930,174 |
| **LOANS PAYABLE,** net of current portion | 43,899,590 | - | 15,000 | - | - | - | 43,914,590 | - | - | 43,914,590 |
| **PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE** | 15,250,000 | - | 2,400,000 | 2,900,000 | - | (5,300,000) | 15,250,000 | - | - | 15,250,000 |
| **NET ASSETS AND MEMBERS' INVESTMENT:** | | | | | | | | | | |
| Unrestricted - | | | | | | | | | | |
| General | 6,561,349 | 7,056,587 | 131,919 | 618,216 | 269,814 | - | 14,637,885 | - | - | 14,637,885 |
| Board designated for permanent loan capital and special programs | 1,132,500 | - | - | - | - | - | 1,132,500 | - | - | 1,132,500 |
| Board designated for loan loss reserves | 2,075,042 | - | - | - | - | - | 2,075,042 | - | - | 2,075,042 |
| Board designated for affiliate investments | - | 27,225 | 808,732 | - | - | (269,814) | 566,143 | - | - | 566,143 |
| Total unrestricted | 9,768,891 | 7,083,812 | 940,651 | 618,216 | 269,814 | (269,814) | 18,411,570 | - | - | 18,411,570 |
| Temporarily restricted - | | | | | | | | | | |
| Permanent loan capital | 876,076 | - | - | - | - | - | 876,076 | - | - | 876,076 |
| Special program collaborative | - | - | - | 407,075 | - | - | 407,075 | - | - | 407,075 |
| Energy advantage program | - | - | - | 4,798,852 | - | - | 4,798,852 | - | - | 4,798,852 |
| Other purpose restrictions | - | - | - | 230,587 | - | - | 230,587 | - | - | 230,587 |
| Total temporarily restricted | 876,076 | - | - | 5,436,514 | - | - | 6,312,590 | - | - | 6,312,590 |
| Sub-total net assets | 10,644,967 | 7,083,812 | 940,651 | 6,054,730 | 269,814 | (269,814) | 24,724,160 | - | - | 24,724,160 |
| Members' investment - BCLF Ventures, LLCs | - | - | - | - | - | - | - | 14,712,786 | (14,712,786) | - |
| Noncontrolling interests in members' investment of BCLF Ventures, LLCs | - | - | - | - | - | - | - | - | 11,773,868 | 11,773,868 |
| Total net assets and members' investment | 10,644,967 | 7,083,812 | 940,651 | 6,054,730 | 269,814 | (269,814) | 24,724,160 | 14,712,786 | (2,938,918) | 36,498,028 |
| Total liabilities, net assets and members' investment | $ 81,465,889 | $ 10,382,068 | $ 3,355,651 | $ 9,915,316 | $ 269,814 | $ (5,569,814) | $ 99,818,924 | $ 14,884,310 | $ (3,110,442) | $ 111,592,792 |

*The accompanying notes are an integral part of these combining and consolidating statements.*

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINING AND CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

| | OPERATIONS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | LOAN FUND | MANAGED ASSETS | VENTURE FUND | HOLDING COMPANY | AURA MORTGAGE | ELIMINATIONS | TOTAL OPERATIONS | BCLF VENTURES, LLCs | ELIMINATIONS | TOTAL |
| **CURRENT ASSETS:** | | | | | | | | | | |
| Cash and cash equivalents | $ 9,503,432 | $ 3,103,031 | $ 128,033 | $ 6,032,349 | $ 102,424 | $ - | $ 18,869,269 | $ 1,230,027 | $ - | $ 20,099,296 |
| Cash and cash equivalents - escrow funds | 2,487,309 | 2,769 | - | - | - | - | 2,490,078 | - | - | 2,490,078 |
| Short-term investments in marketable securities | - | 948,813 | - | - | - | - | 948,813 | 60,038 | - | 1,008,851 |
| Current portion of loans and interest receivable, net of allowance for loan losses of $586,840 | 29,773,230 | 1,213 | - | - | - | - | 29,774,443 | 380,133 | - | 30,154,576 |
| Other current assets | 537,677 | 60,912 | - | 73,614 | 525 | - | 672,728 | - | - | 672,728 |
| Total current assets | 42,301,648 | 4,116,738 | 128,033 | 6,105,963 | 102,949 | - | 52,755,331 | 1,670,198 | - | 54,425,529 |
| **INVESTMENTS IN MARKETABLE SECURITIES** | 1,649,783 | 997,740 | - | - | - | - | 2,647,523 | - | - | 2,647,523 |
| **LOANS AND INTEREST RECEIVABLE,** net of current portion and allowance for loan losses of $451,534 | 22,908,528 | 61,689 | - | - | - | - | 22,970,217 | 1,017,130 | - | 23,987,347 |
| **AFFILIATE LOANS RECEIVABLE** | 2,300,000 | - | - | - | - | (2,300,000) | - | - | - | - |
| **PROGRAM-RELATED EQUITY INVESTMENTS** | - | - | - | - | - | - | - | 12,509,284 | - | 12,509,284 |
| **INVESTMENTS IN AFFILIATES** | - | 11,420 | 3,211,202 | - | - | (102,949) | 3,119,673 | - | (3,108,253) | 11,420 |
| **EQUIPMENT AND IMPROVEMENTS,** net | - | - | - | 26,433 | - | - | 26,433 | - | - | 26,433 |
| Total assets | $ 69,159,959 | $ 5,187,587 | $ 3,339,235 | $ 6,132,396 | $ 102,949 | $ (2,402,949) | $ 81,519,177 | $ 15,196,612 | $ (3,108,253) | $ 93,607,536 |
| **LIABILITIES, NET ASSETS AND MEMBERS' INVESTMENT** | | | | | | | | | | |
| **CURRENT LIABILITIES:** | | | | | | | | | | |
| Current portion of loans payable | $ 3,682,723 | $ - | $ - | $ - | $ - | $ - | $ 3,682,723 | $ - | $ - | $ 3,682,723 |
| Interest and accounts payable | 324,772 | - | - | 409,549 | - | - | 734,321 | - | - | 734,321 |
| Escrow funds | 2,487,309 | 2,769 | - | - | - | - | 2,490,078 | - | - | 2,490,078 |
| Deferred revenue | - | 6,681 | - | - | - | - | 6,681 | - | - | 6,681 |
| Total current liabilities | 6,494,804 | 9,450 | - | 409,549 | - | - | 6,913,803 | - | - | 6,913,803 |
| **LOANS PAYABLE,** net of current portion | 39,104,695 | - | 15,000 | - | - | - | 39,119,695 | - | - | 39,119,695 |
| **PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE** | 13,250,000 | - | 2,400,000 | (100,000) | - | (2,300,000) | 13,250,000 | - | - | 13,250,000 |
| **NET ASSETS AND MEMBERS' INVESTMENT:** | | | | | | | | | | |
| Unrestricted - | | | | | | | | | | |
| General | 6,591,417 | 5,166,717 | 113,033 | 401,305 | 102,949 | - | 12,375,421 | - | - | 12,375,421 |
| Board designated for permanent loan capital and special programs | 1,132,500 | - | - | - | - | - | 1,132,500 | - | - | 1,132,500 |
| Board designated for loan loss reserves | 1,711,417 | - | - | - | - | - | 1,711,417 | - | - | 1,711,417 |
| Board designated for affiliate investments | - | 11,420 | 811,202 | - | - | (102,949) | 719,673 | - | - | 719,673 |
| Total unrestricted | 9,435,334 | 5,178,137 | 924,235 | 401,305 | 102,949 | (102,949) | 15,939,011 | - | - | 15,939,011 |
| Temporarily restricted - | | | | | | | | | | |
| Permanent loan capital | 875,126 | - | - | - | - | - | 875,126 | - | - | 875,126 |
| Special program collaborative | - | - | - | 534,113 | - | - | 534,113 | - | - | 534,113 |
| Energy advantage program | - | - | - | 4,854,488 | - | - | 4,854,488 | - | - | 4,854,488 |
| Other purpose restrictions | - | - | - | 32,941 | - | - | 32,941 | - | - | 32,941 |
| Total temporarily restricted | 875,126 | - | - | 5,421,542 | - | - | 6,296,668 | - | - | 6,296,668 |
| Sub-total net assets | 10,310,460 | 5,178,137 | 924,235 | 5,822,847 | 102,949 | (102,949) | 22,235,679 | - | - | 22,235,679 |
| Members' investment - BCLF Ventures, LLCs | - | - | - | - | - | - | - | 15,196,612 | (15,196,612) | - |
| Noncontrolling interests in members' investment of BCLF Ventures, LLCs | - | - | - | - | - | - | - | - | 12,088,359 | 12,088,359 |
| Total net assets and members' investment | 10,310,460 | 5,178,137 | 924,235 | 5,822,847 | 102,949 | (102,949) | 22,235,679 | 15,196,612 | (3,108,253) | 34,324,038 |
| Total liabilities, net assets and members' investment | $ 69,159,959 | $ 5,187,587 | $ 3,339,235 | $ 6,132,396 | $ 102,949 | $ (2,402,949) | $ 81,519,177 | $ 15,196,612 | $ (3,108,253) | $ 93,607,536 |

*The accompanying notes are an integral part of these combining and consolidating statements.*

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINING AND CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | OPERATIONS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT: | LOAN FUND | MANAGED ASSETS | VENTURE FUND | HOLDING COMPANY | AURA MORTGAGE | ELIMINATIONS | TOTAL OPERATIONS | BCLF VENTURES, LLCs | ELIMINATIONS | TOTAL |
| **OPERATING REVENUES:** | | | | | | | | | | |
| Financial and earned revenue - | | | | | | | | | | |
| Interest on loans, net | $ 4,181,399 | $ 3,707 | $ - | $ 10,595 | $ - | $ (93,885) | $ 4,101,816 | $ 108,538 | $ - | $ 4,210,354 |
| Interest and other investment income | 296,495 | 148,713 | - | 8,117 | - | - | 453,325 | 20,225 | - | 473,550 |
| Less - interest expense | (2,244,393) | - | (72,000) | (21,885) | - | 93,885 | (2,244,393) | - | - | (2,244,393) |
| Management and upfront fees | - | 3,437,623 | 645,900 | - | - | - | 4,083,523 | - | (645,900) | 3,437,623 |
| Loan fees and other | 539,270 | - | - | 61 | 12,130 | - | 551,461 | - | - | 551,461 |
| Net loan loss provision | (821,378) | - | - | - | - | - | (821,378) | - | - | (821,378) |
| Net financial and earned revenue | 1,951,393 | 3,590,043 | 573,900 | (3,112) | 12,130 | - | 6,124,354 | 128,763 | (645,900) | 5,607,217 |
| Grants and contributions | - | - | - | 350,812 | - | - | 350,812 | - | - | 350,812 |
| Net assets released from operating restrictions - | | | | | | | | | | |
| Satisfaction of special program collaborative purpose restriction | - | - | - | 250,493 | - | - | 250,493 | - | - | 250,493 |
| Less - pass-through of special program costs | - | - | - | (263,138) | - | - | (263,138) | - | - | (263,138) |
| Total operating revenues | 1,951,393 | 3,590,043 | 573,900 | 335,055 | 12,130 | - | 6,462,521 | 128,763 | (645,900) | 5,945,384 |
| **OPERATING EXPENSES:** | | | | | | | | | | |
| Personnel | 1,257,699 | 250,465 | 589,886 | 595,037 | 103,707 | - | 2,796,794 | - | - | 2,796,794 |
| Legal | 7,796 | 12,845 | 314 | 82,256 | 4,674 | - | 107,885 | 290,728 | - | 398,613 |
| Consultants | 51,057 | 630 | 13,238 | 291,513 | 3,695 | - | 360,133 | - | - | 360,133 |
| Office operations | 198,517 | 11,085 | 18,377 | 42,640 | 17,904 | - | 288,523 | - | - | 288,523 |
| Marketing | 29,852 | 1,148 | 6,889 | 79,986 | 1,601 | - | 119,476 | - | - | 119,476 |
| Accounting and investment fees | 48,729 | 686 | 14,413 | 4,804 | - | - | 68,632 | 29,084 | - | 97,716 |
| Insurance and other | 13,165 | 7,507 | 6,905 | 11,189 | 10,483 | - | 49,249 | 15,938 | - | 65,187 |
| Travel | 14,026 | 2 | 4,992 | 10,719 | 3,201 | - | 32,940 | - | - | 32,940 |
| Management services | - | - | - | - | - | - | - | 645,900 | (645,900) | - |
| Total operating expenses | 1,620,841 | 284,368 | 655,014 | 1,118,144 | 145,265 | - | 3,823,632 | 981,650 | (645,900) | 4,159,382 |
| Changes in unrestricted net assets and members' investment from operations | 330,552 | 3,305,675 | (81,114) | (783,089) | (133,135) | - | 2,638,889 | (852,887) | - | 1,786,002 |
| **OTHER CHANGES IN UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:** | | | | | | | | | | |
| Share of loss of consolidating affiliates | - | - | (302,470) | - | - | 133,135 | (169,335) | - | 169,335 | - |
| Net realized and unrealized gains on investments in marketable securities | 3,005 | - | - | - | - | - | 3,005 | 136 | - | 3,141 |
| Net unrealized gains on program-related equity investments | - | - | - | - | - | - | - | 148,757 | - | 148,757 |
| Impairment loss on program-related equity investments and loan and interest receivable | - | - | - | - | - | - | - | (1,465,703) | - | (1,465,703) |
| Net asset transfers for support of new initiatives | - | (1,400,000) | 400,000 | 1,000,000 | - | - | - | - | - | - |
| Cumulative effect of change in accounting principle | - | - | - | - | - | - | - | 1,685,871 | - | 1,685,871 |
| Changes in unrestricted net assets and members' investment | 333,557 | 1,905,675 | 16,416 | 216,911 | (133,135) | 133,135 | 2,472,559 | (483,826) | 169,335 | 2,158,068 |
| **TEMPORARILY RESTRICTED NET ASSETS:** | | | | | | | | | | |
| Grants and contributions | 950 | - | - | 199,900 | - | - | 200,850 | - | - | 200,850 |
| Interest | - | - | - | 65,565 | - | - | 65,565 | - | - | 65,565 |
| Net assets released from restrictions | - | - | - | (250,493) | - | - | (250,493) | - | - | (250,493) |
| Changes in temporarily restricted net assets | 950 | - | - | 14,972 | - | - | 15,922 | - | - | 15,922 |
| Changes in net assets and members' investment | $ 334,507 | $ 1,905,675 | $ 16,416 | $ 231,883 | $ (133,135) | $ 133,135 | $ 2,488,481 | $ (483,826) | $ 169,335 | $ 2,173,990 |

*The accompanying notes are an integral part of these combining and consolidating statements.*

## BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

### COMBINING AND CONSOLIDATING STATEMENT OF ACTIVITIES
### FOR THE YEAR ENDED DECEMBER 31, 2007

| | OPERATIONS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT: | LOAN FUND | MANAGED ASSETS | VENTURE FUND | HOLDING COMPANY | AURA MORTGAGE | ELIMINATIONS | TOTAL OPERATIONS | BCLF VENTURES, LLCs | ELIMINATIONS | TOTAL |
| **OPERATING REVENUES:** | | | | | | | | | | |
| Financial and earned revenue - | | | | | | | | | | |
| Interest on loans, net | $ 3,641,794 | $ 28,642 | $ - | $ 3,631 | $ - | $ (72,000) | $ 3,602,067 | $ 69,344 | $ - | $ 3,671,411 |
| Interest and other investment income | 34,931 | 151,105 | 11,137 | 75,525 | - | - | 272,698 | 60,110 | - | 332,808 |
| Less - interest expense | (1,527,943) | - | (72,000) | - | - | 72,000 | (1,527,943) | - | - | (1,527,943) |
| Management and upfront fees | - | 2,517,126 | 645,900 | - | - | - | 3,163,026 | - | (645,900) | 2,517,126 |
| Loan fees and other | 311,222 | - | - | 54 | 15,653 | - | 326,929 | - | - | 326,929 |
| Net loan loss recovery | (720,802) | - | - | - | - | - | (720,802) | - | - | (720,802) |
| Net financial and earned revenue | 1,739,202 | 2,696,873 | 585,037 | 79,210 | 15,653 | - | 5,115,975 | 129,454 | (645,900) | 4,599,529 |
| Grants and contributions | - | - | - | 735,492 | - | - | 735,492 | - | - | 735,492 |
| Net assets released from operating restrictions - | | | | | | | | | | |
| Satisfaction of special program collaborative purpose restriction | - | - | - | 131,654 | - | - | 131,654 | - | - | 131,654 |
| Less - pass-through of special program costs | - | - | - | (277,166) | - | - | (277,166) | - | - | (277,166) |
| Total operating revenues | 1,739,202 | 2,696,873 | 585,037 | 669,190 | 15,653 | - | 5,705,955 | 129,454 | (645,900) | 5,189,509 |
| **OPERATING EXPENSES:** | | | | | | | | | | |
| Personnel | 1,289,303 | 183,571 | 584,685 | 404,950 | 190,079 | - | 2,652,588 | - | - | 2,652,588 |
| Legal | 14,690 | 6,315 | 4,782 | 15,925 | 26,648 | - | 68,360 | 44,547 | - | 112,907 |
| Consultants | 35,665 | 502 | 10,549 | 8,241 | 57,051 | - | 112,008 | - | - | 112,008 |
| Office operations | 210,653 | 12,561 | 15,902 | 39,773 | 27,116 | - | 306,005 | - | - | 306,005 |
| Marketing | 22,226 | 855 | 5,130 | 57,275 | 80,660 | - | 166,146 | - | - | 166,146 |
| Accounting and investment fees | 44,944 | 633 | 13,293 | 4,431 | - | - | 63,301 | 32,122 | - | 95,423 |
| Insurance and other | 13,890 | 4,327 | 4,109 | 1,370 | 3,750 | - | 27,446 | 16,640 | - | 44,086 |
| Travel | 12,031 | 14 | 5,336 | 11,551 | 7,400 | - | 36,332 | - | - | 36,332 |
| Management services | - | - | - | - | - | - | - | 645,900 | (645,900) | - |
| Total operating expenses | 1,643,402 | 208,778 | 643,786 | 543,516 | 392,704 | - | 3,432,186 | 739,209 | (645,900) | 3,525,495 |
| Changes in unrestricted net assets and members' investment from operations | 95,800 | 2,488,095 | (58,749) | 125,674 | (377,051) | - | 2,273,769 | (609,755) | - | 1,664,014 |
| **OTHER CHANGES IN UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:** | | | | | | | | | | |
| Share of loss of consolidating affiliates | - | - | (347,943) | - | - | 377,051 | 29,108 | - | (29,108) | - |
| Net realized and unrealized losses on investments in marketable securities | 4,489 | 19,417 | 1,375 | 9,706 | - | - | 34,987 | (1,621) | - | 33,366 |
| Realized gains on exchange of program-related equity investments and loans receivable | - | - | - | - | - | - | - | 419,308 | - | 419,308 |
| Impairment loss on program-related equity investments | - | - | - | - | - | - | - | (743,604) | - | (743,604) |
| Net asset transfers for support of new initiatives | 1,000,000 | (1,475,000) | 475,000 | - | - | - | - | - | - | - |
| Net assets released from purpose restrictions | 132,500 | - | - | - | - | - | 132,500 | - | - | 132,500 |
| Changes in unrestricted net assets and members' investment | 1,232,789 | 1,032,512 | 69,683 | 135,380 | (377,051) | 377,051 | 2,470,364 | (935,672) | (29,108) | 1,505,584 |
| **TEMPORARILY RESTRICTED NET ASSETS:** | | | | | | | | | | |
| Grants and contributions | 900 | - | - | 4,887,429 | - | - | 4,888,329 | - | - | 4,888,329 |
| Net assets released from restrictions | (132,500) | - | - | (131,654) | - | - | (264,154) | - | - | (264,154) |
| Changes in temporarily restricted net assets | (131,600) | - | - | 4,755,775 | - | - | 4,624,175 | - | - | 4,624,175 |
| Changes in net assets and members' investment | $ 1,101,189 | $ 1,032,512 | $ 69,683 | $ 4,891,155 | $ (377,051) | $ 377,051 | $ 7,094,539 | $ (935,672) | $ (29,108) | $ 6,129,759 |

*The accompanying notes are an integral part of these combining and consolidating statements.*

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINING AND CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | OPERATIONS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | UNRESTRICTED | UNRESTRICTED - BOARD DESIGNATED | | | TEMPORARILY RESTRICTED | | | | | | |
| | | LOAN FUND | | | LOAN FUND | | | | | | |
| | GENERAL | PERMANENT LOAN CAPITAL AND SPECIAL PROGRAMS | LOAN LOSS RESERVES | AFFILIATE INVESTMENTS | PERMANENT LOAN CAPITAL | SPECIAL PROGRAM COLLABORATIVE | ENERGY ADVANTAGE PROGRAM | OTHER PURPOSE RESTRICTIONS | BCLF VENTURES, LLCs | ELIMI-NATIONS | TOTAL |
| **NET ASSETS AND MEMBERS' INVESTMENT,** December 31, 2006 | $ 9,790,856 | $ 1,000,000 | $ 1,991,647 | $ 686,144 | $ 874,226 | $ 798,267 | $ - | $ - | $ 16,132,284 | $ (3,079,145) | $ 28,194,279 |
| Changes in net assets and members' investment | 2,308,756 | 132,500 | - | 29,108 | 900 | (264,154) | 4,854,488 | 32,941 | (935,672) | (29,108) | 6,129,759 |
| Board transfers of unrestricted net assets | 275,809 | - | (280,230) | 4,421 | - | - | - | - | - | - | - |
| **NET ASSETS AND MEMBERS' INVESTMENT,** December 31, 2007 | 12,375,421 | 1,132,500 | 1,711,417 | 719,673 | 875,126 | 534,113 | 4,854,488 | 32,941 | 15,196,612 | (3,108,253) | 34,324,038 |
| Changes in net assets and members' investment | 2,641,894 | - | - | (169,335) | 950 | (127,038) | (55,636) | 197,646 | (483,826) | 169,335 | 2,173,990 |
| Board transfers of unrestricted net assets | (379,430) | - | 363,625 | 15,805 | - | - | - | - | - | - | - |
| **NET ASSETS AND MEMBERS' INVESTMENT,** December 31, 2008 | $ 14,637,885 | $ 1,132,500 | $ 2,075,042 | $ 566,143 | $ 876,076 | $ 407,075 | $ 4,798,852 | $ 230,587 | $ 14,712,786 | $ (2,938,918) | $ 36,498,028 |

*The accompanying notes are an integral part of these combining and consolidating statements.*

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINING AND CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | OPERATIONS | BCLF VENTURES, LLCs | ELIMI-NATIONS | TOTAL | OPERATIONS | BCLF VENTURES, LLCs | ELIMI-NATIONS | TOTAL |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | | | | |
| Changes in net assets and members' investment | $ 2,488,481 | $ (483,826) | $ 169,335 | $ 2,173,990 | $ 7,094,539 | $ (935,672) | $ (29,108) | $ 6,129,759 |
| Adjustments to reconcile changes in net assets and members' investment to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation | 19,293 | - | - | 19,293 | 32,963 | - | - | 32,963 |
| Net realized and unrealized (gains) losses on investments in marketable securities | (3,005) | (136) | - | (3,141) | (34,987) | 1,621 | - | (33,366) |
| Net loan loss provision | 976,436 | - | - | 976,436 | 720,802 | - | - | 720,802 |
| Net unrealized gain on program-related equity investments and loan and interest receivable | - | (148,757) | - | (148,757) | - | - | - | - |
| Impairment loss on program-related equity investments and loan and interest receivable | - | 1,465,703 | - | 1,465,703 | - | 743,604 | - | 743,604 |
| Share of (income) loss of consolidating affiliates | 169,335 | - | (169,335) | - | (29,108) | - | 29,108 | - |
| Grants for capital and investment uses | (950) | - | - | (950) | (900) | - | - | (900) |
| Forgiven loans payable included in contributions | (6,900) | - | - | (6,900) | (115,648) | - | - | (115,648) |
| Cumulative effect of change in accounting principle | - | (1,685,871) | - | (1,685,871) | - | - | - | - |
| Realized gains on exchange of program-related equity investments and loans receivable | - | - | - | - | - | (419,308) | - | (419,308) |
| Changes in operating assets and liabilities - | | | | | | | | |
| Interest receivable | - | (97,414) | - | (97,414) | - | (68,781) | - | (68,781) |
| Grant receivable | (100,000) | - | - | (100,000) | - | - | - | - |
| Other current assets | (15,661) | - | - | (15,661) | (210,150) | - | - | (210,150) |
| Interest and accounts payable | 493 | 171,524 | - | 172,017 | 117,397 | - | - | 117,397 |
| Deferred loan fees | 60,528 | - | - | 60,528 | (976) | - | - | (976) |
| Net cash provided by (used in) operating activities | 3,588,050 | (778,777) | - | 2,809,273 | 7,573,932 | (678,536) | - | 6,895,396 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | | | | |
| Investment in affiliates | (15,805) | - | - | (15,805) | (4,421) | - | - | (4,421) |
| Issuance of loans receivable | (18,582,719) | (100,000) | - | (18,682,719) | (19,665,089) | (130,704) | - | (19,795,793) |
| Principal payments of loans receivable | 8,691,162 | 4,447 | - | 8,695,609 | 12,573,302 | - | - | 12,573,302 |
| Purchase of equipment and improvements | (5,648) | - | - | (5,648) | (7,674) | - | - | (7,674) |
| Projects under development | (6,312,863) | - | - | (6,312,863) | - | - | - | - |
| Proceeds from sales and maturities of investments | 1,348,375 | 60,174 | - | 1,408,549 | 1,320,000 | 1,423,204 | - | 2,743,204 |
| Purchase of investments | (1,311,733) | - | - | (1,311,733) | (70,817) | (342,406) | - | (413,223) |
| Purchase of program-related equity investments | - | (98,072) | - | (98,072) | - | - | - | - |
| Net cash provided by (used in) investing activities | (16,189,231) | (133,451) | - | (16,322,682) | (5,854,699) | 950,094 | - | (4,904,605) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | | | | |
| Grants for capital and investment uses | 950 | - | - | 950 | 900 | - | - | 900 |
| Proceeds from loans payable | 11,559,437 | - | - | 11,559,437 | 19,336,087 | - | - | 19,336,087 |
| Payments on loans payable | (1,136,500) | - | - | (1,136,500) | (4,021,646) | - | - | (4,021,646) |
| Proceeds from subordinated loans payable | 2,000,000 | - | - | 2,000,000 | - | - | - | - |
| Principal payments on subordinated loans payable | - | - | - | - | (200,000) | - | - | (200,000) |
| Net cash provided by financing activities | 12,423,887 | - | - | 12,423,887 | 15,115,341 | - | - | 15,115,341 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (177,294) | (912,228) | - | (1,089,522) | 16,834,574 | 271,558 | - | 17,106,132 |
| **CASH AND CASH EQUIVALENTS,** beginning of year | 18,869,269 | 1,230,027 | - | 20,099,296 | 2,034,695 | 958,469 | - | 2,993,164 |
| **CASH AND CASH EQUIVALENTS,** end of year | $ 18,691,975 | $ 317,799 | $ - | $ 19,009,774 | $ 18,869,269 | $ 1,230,027 | $ - | $ 20,099,296 |
| **SUPPLEMENTAL DISCLOSURE -** | | | | | | | | |
| Cash paid for interest | $ 2,255,350 | $ - | $ - | $ 2,255,350 | $ 1,609,080 | $ - | $ - | $ 1,609,080 |
| **NON-CASH INVESTING AND FINANCING TRANSACTIONS:** | | | | | | | | |
| Exchange of program-related equity investments | $ - | $ - | $ - | $ - | $ - | $ 513,263 | $ - | $ 513,263 |
| Conversion of program-related equity investments to loans receivable | $ - | $ - | $ - | $ - | $ - | $ 210,083 | $ - | $ 210,083 |
| Projects under development included in accounts payable | $ 544,401 | $ - | $ - | $ 544,401 | $ - | $ - | $ - | $ - |

*The accompanying notes are an integral part of these combining and consolidating statements.*

## (1) OPERATIONS AND RELATED ENTITIES

### 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 four affiliated nonprofit corporations are collectively referred to as the Corporation.

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 are individually exempt from Federal income taxes as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (the Code). Donors may deduct contributions made to the Corporation within the requirements of the Code. Managed Assets is classified as an operating foundation and is subject to a 1% excise tax on net investment income, as defined under Section 4949(e) of the Code. Managed Assets is also subject to the Code's regulations governing required minimum expenditures for charitable purposes. The other three nonprofit corporations are classified as publicly supported organizations. The Corporation is also exempt from state income taxes.

Community Development Financial Institutions

The Loan Fund and the Venture Fund have been granted status as Community Development Financial Institutions (CDFIs) 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 $500,000 loan, which was paid off in 2007, and a $500,000 permanent loan capital-subordinated loan payable (see Note 8) from the Treasury.

(1) **OPERATIONS AND RELATED ENTITIES** (Continued)

**RELATED ENTITIES**

Consolidating Affiliates

**Aura Mortgage**

The Corporation formed Aura Mortgage Advisors, LLC (Aura Mortgage), a Massachusetts limited liability company, with the Venture Fund as its sole member. Aura Mortgage was formed for the purpose of acting as a mortgage broker for low-income people and communities. During 2008 and 2007, the Venture Fund made capital contributions of $300,000 and $480,000, respectively, to Aura Mortgage in support of startup activities occurring in 2007 and 2008.

**BCLF Ventures, LLCs**

The Corporation is related to two other Massachusetts limited liability companies through common Board of Director membership, management and financial investment. These limited liability companies are BCLF Ventures I, LLC (Ventures I, LLC), and BCLF Ventures II, LLC (Ventures II, LLC) (collectively, BCLF Ventures, LLCs). Each of the BCLF Ventures, LLCs report their individual financial results and financial position in separate financial statements. The Corporation implemented the consolidation guidance in the Financial Accounting Standards Board's Emerging Issues Task Force Issue 04-5, *Investor's Accounting for an Investment in a Limited Partnership When the Investor is the Sole General Partner and the Limited Partners have Certain Rights* (EITF 04-5) with respect to the Venture Fund's managing member interest in the BCLF Ventures, LLCs. EITF 04-5 provides that a sole managing member of a limited liability company (LLC) is presumed to control the LLC and should consolidate the LLC's financial statements with its own unless the investor members of the LLC maintain kick-out rights or substantive participating rights with respect to the operation of the LLC which overcome the presumption of control by the managing member. The investing members of the BCLF Ventures, LLCs do not maintain such rights and, therefore, the financial statements of the BCLF Ventures, LLCs have been consolidated with those of the Corporation.

Ventures I, LLC

In 1997, the Corporation formed 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 2008 and 2007. 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.

In accordance with Ventures I, LLC's operating agreement, annual profits and losses of Ventures I, LLC are allocated 50% to regular members and 50% to the manager member to the extent that aggregate cumulative net profits exceed aggregate cumulative net losses. Otherwise, profits and losses are allocated 99% to the regular members and 1% to the manager member.

(1) **OPERATIONS AND RELATED ENTITIES** (Continued)

**RELATED ENTITIES** (Continued)

Consolidating Affiliates (Continued)

**BCLF Ventures, LLCs** (Continued)

Ventures II, LLC

In 2000, the Corporation formed 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 2008 and 2007. 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.

In accordance with Ventures II, LLC's operating agreement, annual profits and losses of Ventures II, LLC are allocated 75% to regular members and 25% to the manager member to the extent that aggregate cumulative net profits exceed aggregate cumulative net losses. Otherwise, profits and losses are allocated 99% to the regular members and 1% to the manager member.

The BCLF Ventures, LLCs also have regular members, including the Venture Fund, which is both the manager and a regular member of each fund. The BCLF Ventures, LLCs will terminate no later than July, 2010, unless extended another two years at the discretion of the Venture Fund, as provided in the operating agreements.

The BCLF Ventures, LLCs have elected to be treated as partnerships for income tax purposes. Items of income, loss, credits or deductions arising from BCLF Ventures, LLCs are reported by the regular members and manager member on their respective income tax returns. Accordingly, the accompanying combining and consolidating financial statements do not reflect any provisions or credits for income taxes.

Consolidated Affiliates

The following wholly-owned affiliates of the Holding Company have been consolidated with the Holding Company in the accompanying combining and consolidating financial statements:

**BCC Solar Energy Advantage, Inc.**

During 2008, the Corporation formed BCC Solar Energy Advantage, Inc. (SEA) a Massachusetts for-profit corporation, formed to facilitate the delivery of solar energy to affordable housing projects. The Holding Company owns 100% of SEA's common stock and all members of the Board of Directors are employees of the Corporation. During 2008, SEA substantially completed construction of solar panels at five affordable housing apartment complexes in Massachusetts (see Note 2) and will enter long-term contracts with the apartment complex owners to provide electricity to the apartment complexes. SEA anticipates that it will receive a Federal renewable energy grant in 2009 to support its activities.

## (1) OPERATIONS AND RELATED ENTITIES (Continued)

### RELATED ENTITIES (Continued)

Consolidated Affiliates (Continued)

**BCC Solar Energy Advantage, Inc.** (Continued)

During 2008, SEA generated no operating revenues and incurred approximately $150,000 of operating expenses related to organizing and developing business models. Management expects that SEA will generate operating losses for tax purposes and thus any deferred income tax asset arising from operating losses would be unrealizable and has not been recorded by SEA.

**NSP Residential, LLC**

During 2008, the Corporation formed NSP Residential, LLC (NSP), a Massachusetts limited liability company, formed to combat community deterioration and to improve general conditions where low-income people live and work. The Holding Company is NSP's only member and NSP has elected to be a disregarded entity for tax purposes. To further these purposes, NSP shall purchase residential properties and rehabilitate them to rent or sell the properties to low-income individuals. During 2008, NSP purchased two condo units, which it expects to renovate and remarket or rent in 2009 (see Note 2). During 2008, NSP generated no operating revenues and incurred approximately $16,000 of operating expenses associated with organizing activities.

Unconsolidated Affiliates

**BCC NMTC CDEs**

The Holding Company, the Venture Fund, Managed Assets, and the Loan Fund have also been granted status by the Treasury as Community Development Entities (CDEs). The Holding Company has received a $70 million allocation of qualified equity investments for purposes of the New Market Tax Credits (NMTC), which was fully syndicated through newly created limited liability companies by the end of 2006. During 2006, the Holding Company was awarded another allocation of $60 million, which was syndicated by the end of 2008. During 2008, the Holding Company was awarded a third allocation of $85 million, which has not been syndicated as of December 31, 2008.

The Holding Company has formed thirteen CDEs (collectively, the CDE LLCs), the first five of which have been used to syndicate the first allocation of NMTC, and the sixth and seventh of which have been used to syndicate the second allocation of NMTC:

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
BCC NMTC CDE VI, LLC
BCC NMTC CDE VII, LLC

(1) **OPERATIONS AND RELATED ENTITIES** (Continued)

**RELATED ENTITIES** (Continued)

Unconsolidated Affiliates (Continued)

**BCC NMTC CDEs** (Continued)

The additional six CDE LLCs have been formed for the third NMTC allocation and future NMTC allocations, but have conducted no financial activity to date. They are as follows:

BCC NMTC CDE VIII, LLC
BCC NMTC CDE IX, LLC
BCC NMTC CDE X, LLC
BCC NMTC CDE XI, LLC
BCC NMTC CDE XII, LLC
BCC NMTC CDE XIII, LLC

The CDE LLCs were formed as Massachusetts limited liability companies in which Managed Assets will serve as the Managing Member with a .01% interest and unrelated Investor Members as regular members with a 99.99% interest. The Investor Members of the active CDE LLCs maintain certain substantive participating rights within the meaning of EITF 04-5 (see page 9). Therefore, the CDE LLCs have not been consolidated or combined in the accompanying combining and consolidating financial statements of the Corporation. The active CDE LLCs have made qualified low-income community investments (QLICIs) within the meaning of the New Markets program and IRC Section 45D.

Managed Assets entered into an agreements with the Investor Members who provided approximately $130 million of cumulative qualified equity investments (QEI) as of December 31, 2008, to make QLICIs of the active CDE LLCs. By making QLICIs, the CDE LLCs will enable the Investor Members to claim approximately $44,500,000 of NMTC over credit periods of seven years. For its participation in establishing the CDE LLCs and underwriting the QLICIs made during 2008 and 2007, Managed Assets earned upfront fees of $1,503,476 and $4,672,223, respectively, which are included in management and upfront fees in the accompanying combining and consolidating statements of activities. Of the upfront fees earned during 2007 from BCC NMTC CDE VI, LLC, $2,461,697 was not collected but is to be paid in quarterly payments through 2009. Until full performance of the underlying QLICI is certain, management has recorded an allowance for doubtful accounts equal to the amount of the uncollected receivable. During 2008, $1,314,290 was paid to Managed Assets from BCC NMTC CDE VI, LLC, and is also included in management and upfront fees for 2008.

Terms of the agreements with the Investor Members require Managed Assets to maintain certain covenants to avoid recapture of NMTC, without which it could have to reimburse a portion of upfront fees it has received. At December 31, 2008, Managed Assets was in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Managed Assets also earned annual management fees of $619,857 and $306,600 for 2008 and 2007, respectively, in conjunction with the management of the CDE LLCs. These fees are also included within management and upfront fees in the accompanying combining and consolidating financial statements.

## (1) OPERATIONS AND RELATED ENTITIES (Continued)

**RELATED ENTITIES** (Continued)

Unconsolidated Affiliates (Continued)

**BCC NMTC CDEs** (Continued)

For each CDE I-VI LLC, Managed Assets will earn backend fees of 5% of the highest amount invested in QLICIs over each seven-year credit period, but not to exceed 5% of 89.5% of the QEI funded by the Investor Members. No portion of backend fees has been considered earned as of December 31, 2008, as they are contingent upon compliance with covenants that would cause a recapture of NMTC. Management expects to maintain compliance through the seven-year life of each NMTC, at which time these backend fees will be earned and payable to Managed Assets.

Backend fees from the various CDE LLCs are expected to be earned and paid as follows:

| | Amount | Date |
|---|---|---|
| BCC NMTC CDE I, LLC | $1,272,500 | January, 2012 |
| BCC NMTC CDE II, LLC | $ 399,713 | September, 2013 |
| BCC NMTC CDE III, LLC | $ 257,500 | July, 2012 |
| BCC NMTC CDE IV, LLC | $ 956,500 | December, 2012 |
| BCC NMTC CDE V, LLC | $ 245,095 | March through April, 2013 |
| BCC NMTC CDE VI, LLC | $2,100,000 | November, 2014 |

## (2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combining and consolidating financial statements include the four nonprofit organizations that comprise the Corporation on a combining basis. All significant intercompany balances and transactions have been eliminated in the presentation of the accompanying combining and consolidating financial statements.

Principles of Consolidation

The combining and consolidating financial statements also include the consolidating subsidiaries, Aura Mortgage and BCLF Ventures, LLCs. NSP and SEA are included on a consolidated basis within the financial statements of the Holding Company. All significant intercompany balances and transactions have been eliminated in the accompanying combining and consolidating financial statements.

## (2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Estimates

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

### Cash and Cash Equivalents and Concentration of Risk

For the purpose of the combining and consolidating statements of cash flows, cash and cash equivalents consist of all highly liquid investments purchased with a maturity of three months or less. Cash and cash equivalents are maintained in four banks in Massachusetts and are insured within limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with their balances, to minimize potential risk.

The Corporation also held cash balances of $5,340,413 and $2,490,078 in escrow for outside parties as of December 31, 2008 and 2007, respectively.

### Investments in Marketable Securities

During 2008, management adopted the criteria of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under SFAS 157 are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

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

Management values its investments in marketable securities using observable, or level 1, inputs. Adopting SFAS 157 did not result in any change in the measurement of the carrying value of the investments in marketable securities, as they have historically been recorded at fair market value (see Note 3).

Fixed term securities maturing in less than one year are categorized as short-term. Realized gains or losses are recognized upon sale and unrealized gains or losses are recorded based on changes in market value. Investments in marketable securities are not insured and are subject to market fluctuations. Investment income from marketable securities is recognized when earned.

(2) **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Program-Related Equity Investments

Program-related equity investments consist of equity investments made by BCLF Ventures, LLCs in privately held corporations that provide job opportunities to low-income people. These investments represent minority interests in the respective corporations. Management of the Ventures Fund is represented on the Board of Directors of these corporations and consistently monitors each entity's financial condition.

Management values program-related investments in good faith. Changes in estimated values are reported in the accompanying combining and consolidating statements of operations as unrealized gains or losses as applicable. 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. Realized gains or losses are reported upon sale or exchange.

Prior to the adoption of SFAS 157 in 2008, BCLF Ventures, LLCs initially recorded these investments at cost. Management recognized increases and decreases from the initial values only when information or events concerning an individual investment indicated a new valuation that was determinable and reasonably certain.

Management adopted the requirements of SFAS 157 on a prospective basis for 2008. The adoption of SFAS 157 required a change in certain valuation methods previously used. The cumulative effect of these changes as if the valuations were changed December 31, 2007, was a net increase of accumulated appreciation of program-related equity investments of $1,685,871, which is reported in the accompanying combining and consolidating statement of activities for 2008.

Investments in Affiliates

The Corporation accounts for its non-marketable interests in certain investee companies using the equity method where its investment is significant and it is able to exercise significant influence on the activities of the investees. Under the equity method, the cost of the investment is increased by the Corporation's share of earnings of the investees and reduced by distributions from the investees. For insubstantial investments, the Corporation uses the cost method. Under the cost method, the Corporation records its investments in investees at cost, and recognizes as income dividends received that are distributed from net accumulated earnings of the investees (see Note 4).

Equipment and Improvements and Depreciation

The Corporation records all significant expenditures for equipment and improvements with useful lives in excess of one year at cost, if purchased, or at the fair market value on the date received, if donated. Renewals and betterments are capitalized as additions to the related asset accounts while repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of three to five years.

(2) **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Equipment and Improvements and Depreciation (Continued)

Equipment and improvements as of December 31, 2008 and 2007, are as follows:

| | 2008 | 2007 |
|---|---|---|
| Computer equipment | $139,591 | $133,943 |
| Leasehold improvements | 80,070 | 80,070 |
| Office equipment | 77,493 | 77,493 |
| | 297,154 | 291,506 |
| Less - accumulated depreciation | 284,366 | 265,073 |
| | $ 12,788 | $ 26,433 |

Depreciation expense was $19,293 and $32,963 in 2008 and 2007, respectively, and is included in office operations in the accompanying combining and consolidating statements of activities.

Projects Under Development

During 2008, in connection with the activities of SEA and NSP (see Note 1), the Holding Company incurred acquisition and construction progress costs of $6,857,264, which are reflected as projects under development in the accompanying combining and consolidating statement of financial position. Costs related to SEA include improvements related to installing solar energy panels at five low income housing properties. Costs related to NSP include the purchase of two condominium units in low-income communities. The SEA project is expected to be placed in service in 2009. Acquisition and construction progress costs as of December 31, 2008, are as follows:

| | |
|---|---|
| SEA solar energy panels and installation | $6,795,308 |
| NSP condominiums | 61,956 |
| | $6,857,264 |

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 and special programs, loan loss reserves, and affiliate investments, and the Corporation's net carrying value of equipment and improvements. During 2008 and 2007, the Board of Directors designated $363,625 and released $280,230, respectively, of the Loan Fund's general unrestricted net assets for loan loss reserves (see Note 6).

The Board of Directors may authorize transfers of the unrestricted general net assets among the affiliates to support new initiatives. In 2008, Managed Assets transferred $1,000,000 to the Holding Company and $400,000 to the Venture Fund. In 2007, Managed Assets transferred $1,000,000 to the Loan Fund and $475,000 to the Venture Fund.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

**Unrestricted net assets** (Continued)

The Corporation's Board of Directors has 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.

During 2007, the Corporation transferred $132,500 of previously unrestricted net assets to Board designated net assets for qualifying activities of the Loan Fund.

**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:

| | 2008 | 2007 |
|---|---|---|
| Purpose restricted: | | |
| Energy Advantage Program | $4,798,852 | $4,854,488 |
| Loan Fund - permanent loan capital | 876,076 | 875,126 |
| Special Program Collaborative | 407,075 | 534,113 |
| Other purpose restrictions | 230,587 | 32,941 |
| Total temporarily restricted | $6,312,590 | $6,296,668 |

Permanent loan capital is the term the Corporation uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meeting debt covenants and providing for potential loan losses. The Corporation has three categories of permanent loan capital: net assets temporarily restricted by donors, net assets designated by the Board of Directors, and subordinated loans payable (see Note 8).

No 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 combining and consolidating statements of financial position.

Special Program Collaborative net assets consist of the remaining 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 2008 and 2007, $127,038 and $131,654, respectively, was expended for grants and other project costs and is included in pass-through of special program costs in the accompanying combining and consolidating statements of activities.

Energy Advantage Program net assets consist of the unspent proceeds and accumulated earned interest from a grant of $5,000,000 received in 2007, which is restricted for a partnership between the Corporation and other agencies to design and implement a financing program to support the installation of on-site renewable energy systems for low-income housing across Massachusetts.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

**Temporarily restricted net assets** (Continued)

During 2008, $121,101 was expended for project design, feasibility, and engineering costs for this program and was released from restrictions which is included in pass-through of special program costs in the accompanying 2008 combining and consolidating statements of activities. The Holding Company also used approximately $3.7 million in support of SEA's solar panel project under development (see Note 1 and page 16). These funds have not been released from restriction as it is the Corporation's policy to release temporarily restricted grants used to acquire depreciable property over the service life of such property.

**Members' Investment** represents the net capital investment of BCLF Ventures, LLCs regular and manager members. The regular and manager membership interests of the Ventures Fund have been eliminated in consolidation (see Note 4) resulting in presentation of only the non-controlling interest of other regular members in the consolidated totals.

Revenue Recognition

Revenues from interest on loans and investments, management and upfront fees, loan fees, and other sources are recognized as unrestricted revenue as earned on an accrual basis. Interest on loans is presented net of interest of $2,822,520 and $1,878,953 collected on behalf of loan participants (see Notes 5 and 7) in 2008 and 2007, respectively. The Corporation amortizes loan fees over the term of the loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying combining and consolidating statements of financial position (see Note 5).

Grants and contributions with no restrictions or conditions are recognized as unrestricted revenue when received or unconditionally pledged to the Corporation. Donor restricted grants and contributions with time or purpose restrictions are recognized as temporarily restricted net assets when received or unconditionally pledged. 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 increases in unrestricted net assets.

Provisions are made for estimated investment and loan losses based on management's evaluation of each investment. Loss recoveries are recorded in the year of recovery. The allowance for loan losses is established through a provision for loan losses charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectibility through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral and current economic conditions that may affect the borrower's ability to repay.

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

All investments in marketable securities owned by the Corporation or its Affiliates are valued using level 1 inputs as defined under SFAS 157 (see Note 2).

Investments in Marketable Securities – Operations

Fair market values, including unrealized appreciation (depreciation) of investments in marketable securities – operations at December 31, 2008 and 2007, are summarized as follows:

| 2008 | Cost | Fair Market Value | Unrealized Appreciation (Depreciation) |
|---|---|---|---|
| Certificates of deposit | $1,824,895 | $1,824,895 | $ - |
| U.S. Government securities | 1,634,655 | 1,637,610 | 2,955 |
| Corporate debt securities | 110,510 | 100,194 | (10,316) |
| Total investments | $3,570,060 | $3,562,699 | $ (7,361) |

| 2007 | Cost | Fair Market Value | Unrealized Appreciation (Depreciation) |
|---|---|---|---|
| Certificates of deposit | $1,750,904 | $1,750,904 | $ - |
| U.S. Government securities | 1,714,817 | 1,744,142 | 29,325 |
| Corporate debt securities | 110,510 | 101,290 | (9,220) |
| Total investments | $3,576,231 | $3,596,336 | $ 20,105 |

Net investment gains (losses) were as follows:

| | 2008 | 2007 |
|---|---|---|
| Net unrealized gains (losses) | $(27,466) | $ 146,581 |
| Net realized gains (losses) | 30,471 | (111,594) |
| | $ 3,005 | $ 34,987 |

The Corporation generally holds these securities from the purchase date until maturity. Realized 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.

(3) **INVESTMENTS** (Continued)

Investments in Marketable Securities – BCLF Ventures, LLCs

Investments in marketable securities of BCLF Ventures, LLCs, are classified as available for sale securities and are recorded at fair market value (see Note 1). During 2008 and 2007, respectively, the investments in marketable securities of BCLF Ventures I, LLC, and BCLF Ventures II, LLC, were liquidated. Investments in marketable securities of BCLF Ventures I, LLC, consist of the following at December 31, 2007:

| | Cost | Fair Market Value | Unrealized Depreciation |
|---|---|---|---|
| U.S. Government securities | $59,933 | $60,038 | $ 105 |

Net investment gains (losses) were as follows for the year ended December 31:

| 2008 | Ventures I, LLC |
|---|---|
| Net realized gains | $ 241 |
| Net unrealized losses | (105) |
| Total | $ 136 |

| 2007 | Ventures I, LLC | Ventures II, LLC | Total |
|---|---|---|---|
| Net unrealized gains | $ 3,260 | $ 82,711 | $ 85,971 |
| Net realized losses | (2,347) | (85,245) | (87,592) |
| Total | $ 913 | $ (2,534) | $ (1,621) |

(3) **INVESTMENTS** (Continued)

Program-Related Equity Investments – BCLF Ventures, LLCs

BCLF Ventures, LLCs, had made the following program-related equity investments (see Note 1), all in companies in Massachusetts as of December 31:

**2008**

| Ventures I, LLC | Number of Investee Companies | Investment Principal | Net Appreciation (Depreciation) | Allowance For Impairment | Investment Balance |
|---|---|---|---|---|---|
| Investments carried at cost | 1 | $ 50,000 | $ - | $ - | $ 50,000 |
| Appreciated investments | 1 | 500,000 | 2,711,209 | - | 3,211,209 |
| Depreciated investments | 2 | 842,446 | (416,506) | - | 425,940 |
| Impaired investments | 2 | 1,200,244 | - | (950,122) | 250,122 |
| Balance, December 31, 2008 | 6 | $ 2,592,690 | $2,294,703 | $ (950,122) | $ 3,937,271 |
| **Ventures II, LLC** | | | | | |
| Investments carried at cost | 1 | $ 1,433,900 | $ - | $ - | $ 1,433,900 |
| Appreciated investments | 3 | 4,866,360 | 2,665,589 | - | 7,531,949 |
| Depreciated investments | 1 | 987,603 | (656,855) | | 330,748 |
| Impaired investments | 4 | 4,497,185 | - | (4,497,185) | - |
| Balance, December 31, 2008 | 9 | $11,785,048 | $2,008,734 | $(4,497,185) | $ 9,296,597 |
| Totals | | $14,377,738 | $4,303,437 | $(5,447,307) | $13,233,868 |

**2007**

| Ventures I, LLC | Number of Investee Companies | Investment Principal | Appreciation | Allowance For Impairment | Investment Balance |
|---|---|---|---|---|---|
| Investments carried at cost | 3 | $ 892,446 | $ - | $ - | $ 892,446 |
| Appreciated investments | 1 | 500,000 | 2,158,354 | - | 2,658,354 |
| Impaired investments | 2 | 1,200,244 | - | (950,122) | 250,122 |
| Balance, December 31, 2007 | 6 | $ 2,592,690 | $2,158,354 | $ (950,122) | $ 3,800,922 |
| **Ventures II, LLC** | | | | | |
| Investments carried at cost | 5 | $ 7,652,257 | $ - | $ - | $ 7,652,257 |
| Appreciated investments | 1 | 745,650 | 305,955 | - | 1,051,605 |
| Impaired investments | 3 | 3,289,069 | - | (3,284,569) | 4,500 |
| Balance, December 31, 2007 | 9 | $11,686,976 | $ 305,955 | $(3,284,569) | $ 8,708,362 |
| Totals | | $14,279,666 | $2,464,309 | $(4,234,691) | $12,509,284 |

(3) **INVESTMENTS** (Continued)

Program-Related Equity Investments – BCLF Ventures, LLCs (Continued)

The following table presents the program-related equity investments by level within the valuation framework as of December 31, 2008:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Ventures I, LLC | $325,473 | $ - | $3,611,798 | $3,937,271 |
| Ventures II, LLC | $ - | $ - | $9,296,597 | $9,296,597 |

As indicated above, management values most program-related equity investments using unobservable, or level 3, inputs. These inputs include the consideration of recently occurring external events with independent parties, as well as a variety of valuation techniques based on multiples of earnings or revenues and hypothetical sale or liquidation scenarios.

A reconciliation of the level 3 program-related equity investment activity for 2008 follows:

| | Ventures I, LLC | Ventures II, LLC |
|---|---|---|
| December 31, 2007 | $3,258,467 | $ 8,708,362 |
| Net payments, purchases and sales | - | 98,072 |
| Net transfers in (out) | - | - |
| Realized gains (losses) | - | - |
| Unrealized appreciation (depreciation): | | |
| Current year | (424,072) | (635,287) |
| Cumulative effect of adoption of SFAS 157 | 777,403 | 1,125,450 |
| December 31, 2008 | $3,611,798 | $ 9,296,597 |

During 2007, Ventures I, LLC exchanged its common stock investment and loans receivable in one investee for the common stock of the purchaser of this investee at a gain of $419,308, which is included in net realized gain from the exchange of program-related equity investments and loans receivable in the accompanying combining and consolidating statements of activities.

One corporation represents approximately 82% of Venture I, LLC's total program-related equity investments as of December 31, 2008. Two corporations represent approximately 86% of Venture I, LLC's total program-related equity investments as of December 31, 2007.

During 2008, Ventures II, LLC recognized an impairment loss of $1,208,116 relating to investments in one investee company who discontinued operations during the year. During 2007, an investment was sold at a loss of $743,604. These losses are included in impairment loss on program-related equity investments and loan and interest receivable in the accompanying combining and consolidating statement of activities. There were no additional known or expected impairments in the BCLF Ventures, LLCs as of December 31, 2008 and 2007.

During 2007, $210,083 of program-related equity investments of Ventures II, LLC were converted to loans receivable.

## (4) INVESTMENTS IN AFFILIATES

BCLF Ventures, LLCs

The financial statements of BCLF Ventures, LLCs are included in the accompanying combining and consolidating financial statements for 2008 and 2007 (see Notes 1 and 2). Summarized individual financial statements as of and for the years ended December 31, 2008 and 2007, for BCLF Ventures, LLCs, follow:

| 2008<br>**Balance Sheets** | **Ventures I, LLC** | **Ventures II, LLC** | **Total** |
|---|---|---|---|
| Cash and cash equivalents | $ 266,473 | $ 51,326 | $ 317,799 |
| Loans and interest receivable | 662,507 | 670,136 | 1,332,643 |
| Program-related equity investments | 3,937,271 | 9,296,597 | 13,233,868 |
| Total assets | $4,866,251 | $10,018,059 | $14,884,310 |
| Accounts payable | $ 31,759 | $ 139,765 | $ 171,524 |
| Members investment | 4,834,492 | 9,878,294 | 14,712,786 |
| Total liabilities/members' investment | $4,866,251 | $10,018,059 | $14,884,310 |
| **Statements of Operations** | | | |
| Interest and other investment income | $ 70,605 | $ 58,158 | $ 128,763 |
| Operating expenses | 460,781 | 520,869 | 981,650 |
| | (390,176) | (462,711) | (852,887) |
| Other investment activity: | | | |
| Net realized and unrealized gains on investments in marketable securities | 136 | - | 136 |
| Impairment loss on program-related equity investments and loan and interest receivable | - | (1,465,703) | (1,465,703) |
| Net unrealized gain (loss) on program-related equity investments | (424,072) | 572,829 | 148,757 |
| Net loss before accounting change | (814,112) | (1,355,585) | (2,169,697) |
| Cumulative effect of change in accounting principle | 560,421 | 1,125,450 | 1,685,871 |
| Comprehensive net loss | $ (253,691) | $ (230,135) | $ (483,826) |

(4) **INVESTMENTS IN AFFILIATES** (Continued)

BCLF Ventures, LLCs (Continued)

**2007**

| **Balance Sheets** | **Ventures I, LLC** | **Ventures II, LLC** | **Total** |
|---|---|---|---|
| Cash and cash equivalents | $ 658,160 | $ 571,867 | $ 1,230,027 |
| Investments in marketable securities | 60,038 | - | 60,038 |
| Loans and interest receivable | 569,063 | 828,200 | 1,397,263 |
| Program-related equity investments | 3,800,922 | 8,708,362 | 12,509,284 |
| Total assets | $5,088,183 | $10,108,429 | $15,196,612 |
| Members' investment | $5,088,183 | $10,108,429 | $15,196,612 |
| **Statements of Operations** | | | |
| Interest and other investment income | $ 50,330 | $ 79,124 | $ 129,454 |
| Operating expenses | 211,172 | 528,037 | 739,209 |
| | (160,842) | (448,913) | (609,755) |
| Other investment activity: | | | |
| Net realized and unrealized gains (losses) on investments in marketable securities | 913 | (2,534) | (1,621) |
| Impairment loss on program-related equity investments | - | (743,604) | (743,604) |
| Realized gains on exchange of program-related equity investments and loans receivable | 419,308 | - | 419,308 |
| Net income (loss) | $ 259,379 | $ (1,195,051) | $ (935,672) |

(4) **INVESTMENTS IN AFFILIATES** (Continued)

BCLF Ventures, LLCs (Continued)

As of December 31, 2008 and 2007, the BCLF Ventures, LLCs were capitalized as follows:

| **2008** | **Ventures I, LLC** | **Ventures II, LLC** | **Total** |
|---|---|---|---|
| Manager member - Venture Fund | $ 48,345 | $ 98,783 | $ 147,128 |
| Regular members - | | | |
| Venture Fund | 1,896,177 | 895,613 | 2,791,790 |
| Other members | 2,889,970 | 8,883,898 | 11,773,868 |
| Sub-total regular members | 4,786,147 | 9,779,511 | 14,565,658 |
| Total capital | $4,834,492 | $ 9,878,294 | $14,712,786 |
| **2007** | | | |
| Manager member - Venture Fund | $ 50,882 | $ 101,084 | $ 151,966 |
| Regular members - | | | |
| Venture Fund | 2,039,962 | 916,325 | 2,956,287 |
| Other members | 2,997,339 | 9,091,020 | 12,088,359 |
| Sub-total regular members | 5,037,301 | 10,007,345 | 15,044,646 |
| Total capital | $5,088,183 | $10,108,429 | $15,196,612 |

Original members' capital contributions were $5,030,000 and $16,500,000 for Ventures I, LLC and Ventures II, LLC, respectively.

Activity related to the Venture Fund's investment in these entities, which is recorded on the equity method (see Note 1), is as follows:

| | **Ventures I, LLC** | **Ventures II, LLC** | **Total** |
|---|---|---|---|
| Net investment, December 31, 2006 | $1,942,230 | $1,136,915 | $3,079,145 |
| Share of gain (loss) | 148,614 | (119,506) | 29,108 |
| Net investment, December 31, 2007 | 2,090,844 | 1,017,409 | 3,108,253 |
| Share of loss | (146,322) | (23,013) | (169,335) |
| Net investment, December 31, 2008 | $1,944,522 | $ 994,396 | $2,938,918 |

## (4) INVESTMENTS IN AFFILIATES (Continued)

Aura Mortgage

Also included in the Venture Fund's investments in affiliates is the Venture Fund's net investment in Aura Mortgage (see Note 1), which it carries on the equity method of accounting. The net investment was $269,814 and $102,949 as of December 31, 2008 and 2007, respectively, and has been eliminated in the accompanying combining and consolidating financial statements.

CDE LLCs

The combining and consolidating financial statements do not include the financial statements of the CDE LLCs (see Note 1). Managed Assets will not maintain a significant membership interest in these entities and accounts for them using the cost method.

As of December 31, 2008 and 2007, Managed Assets had the following amounts invested in the CDE LLCs:

| | 2008 | 2007 |
|---|---|---|
| BCC NMTC CDE I, LLC | $ 2,844 | $ 2,844 |
| BCC NMTC CDE II, LLC | 892 | 892 |
| BCC NMTC CDE III, LLC | 575 | 575 |
| BCC NMTC CDE IV, LLC | 2,137 | 2,137 |
| BCC NMTC CDE V, LLC | 551 | 551 |
| BCC NMTC CDE VI, LLC | 4,421 | 4,421 |
| BCC NMTC CDE VII, LLC | 15,805 | - |
| | $27,225 | $11,420 |

## (5) LOANS AND INTEREST RECEIVABLE

Loan Fund

***Portfolio Lending***

The Loan Fund offers a variety of loan products of both short and long-term maturity. The Loan Fund offers term loans, as well as revolving and non-revolving lines of credit, for the following purposes:

**Site acquisition**: for acquisition of property for development, whether for commercial or housing developments.

**Construction**: for construction or rehabilitation of residential (single family and multi-family) and commercial properties.

**Permanent**: for long-term financing for newly constructed or rehabilitated or existing multi-family housing, community facilities or commercial real estate.

(5) **LOANS AND INTEREST RECEIVABLE** (Continued)

Loan Fund (Continued)

***Portfolio Lending*** (Continued)

**Organizational**: for organizational capacity building, recapitalization and/or providing operating capital.

**Predevelopment**: for financing the upfront cost of real estate development projects prior to construction, such as for permitting, design and due diligence.

Loans receivable bear interest at rates ranging from approximately one to ten percent (1% - 10%) and mature at various dates through 2042. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities. Loans receivable are generally made in connection with affordable housing and community development projects and are primarily collateralized by first or second mortgages on the property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender or other forms of collateral. There are two and three unsecured loans receivable, respectively, at December 31, 2008 and 2007, totaling $500,000 and $783,907. The Corporation's five largest outstanding loans receivable were approximately 36% and 37% of the portfolio as of December 31, 2008 and 2007, respectively.

The Loan Fund's loans, as described above, are as follows at December 31:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| Type | Number Of Loans | Net Loan Amount | Number Of Loans | Net Loan Amount |
| Site acquisition | 25 | $23,120,883 | 22 | $16,427,852 |
| Construction | 37 | 13,714,755 | 40 | 16,288,604 |
| Permanent | 19 | 11,778,682 | 19 | 6,287,174 |
| Organizational | 13 | 8,585,801 | 16 | 8,955,367 |
| Predevelopment | 9 | 6,597,961 | 9 | 5,946,641 |
| | 103 | $63,798,082 | 106 | $53,905,638 |

Loans receivable of the Loan Fund are presented net of third party loan participations of $50,574,452 and $33,284,904 as of December 31, 2008 and 2007, respectively. All loan participations qualify as loan sales in accordance with Financial Accounting Standards Board Statement No. 140, *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities.*

## (5) LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

***Portfolio Lending*** (Continued)

Scheduled repayments of principal of loans receivable for the years ending after December 31, 2008, are as follows:

| Year | |
|---|---|
| 2009 | $22,590,431 |
| 2010 | 11,721,570 |
| 2011 | 887,589 |
| 2012 | 7,975,270 |
| 2013 | 1,910,523 |
| Thereafter | 18,712,699 |
| | 63,798,082 |
| Adjustment for deferred loan fees (see Note 2) | (246,034) |
| Less - allowance for loan losses (see Note 6) | (2,014,810) |
| | $61,537,238 |

The majority of the Loan Fund's loans receivable are secured by real estate holdings in Massachusetts and could be affected by adverse real estate markets in the state.

The Loan Fund had committed approximately $14,100,000 and $17,800,000 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, 2008 and 2007, respectively. The Corporation has 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 7), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2008, the Corporation had forecasted net cash outflows of approximately $7,000,000 during the first quarter of 2009. The actual net cash outflows were approximately $1.3 million.

The Loan Fund also has a non-expiring loan guarantee agreement with the United States Department of Agriculture (USDA). The guarantee is intended to strengthen the Loan Fund's ability to finance loans to businesses in rural areas and thus stimulate economic growth in these areas. As of December 31, 2008, there is a guarantee of $4,600,000 for one loan from USDA under this agreement. During 2008 and 2007, the Loan Fund has not received any amounts under this agreement.

## (5) LOANS AND INTEREST RECEIVABLE (Continued)

*Special Tax-Credit Lending*

During 2008, the Loan Fund entered an arrangement to act as the non-profit intermediary to improve the economic value of Massachusetts historic and state low-income tax credits of an affordable housing development in Sharon, Massachusetts. The Loan Fund received a donation of tax credits from the project's sponsor and made a loan to a limited liability company from the proceeds of the Loan Fund's resale of the credits to an outside investor. This loan is a non-interest bearing note in the principal amount of $11,914,700 with a maturity date of 52 years (2060), at which time the loan is due and payable to the Loan Fund. As part of the arrangement, the Loan fund received .5% of the total loan amount ($59,574) as a fee. This fee is included in loan fees and other in the accompanying combining and consolidating statement of activities. This loan has specific restrictions surrounding its use and due to its long-term deferred nature and likelihood of collectibility, the note is fully reserved.

Managed Assets

Managed Assets purchased from two financial institutions thirteen mortgage loans receivable from a nonprofit organization with a total initial principal balance of $4,200,858. During 2007, Managed Assets collected twelve of the thirteen mortgage loans receivable. The remaining loan is secured by residential properties, due in monthly installments of principal and interest, bears interest at 6.25% and matures in January, 2033.

Principal maturities of the remaining loan receivable as of December 31, 2008, are as follows:

| Year | |
|---|---|
| 2009 | $ 1,250 |
| 2010 | 1,287 |
| 2011 | 1,325 |
| 2012 | 1,365 |
| 2013 | 1,405 |
| Thereafter | 55,383 |
| Total | $62,015 |

BCLF Ventures, LLCs

Loans receivable of BCLF Ventures, LLCs consist of unsecured notes receivable from companies in which BCLF Ventures, LLCs have also made program-related equity investments (see Note 3).

## (5) LOANS AND INTEREST RECEIVABLE (Continued)

BCLF Ventures, LLCs (Continued)

Loans and interest receivable are as follows as of December 31:

| 2008 | Ventures I, LLC | Ventures II, LLC | Total |
|---|---|---|---|
| Number of companies | 2 | 2 | |
| Number of notes | 2 | 3 | |
| Interest rates | 14% and 5% | prime -5% | |
| Loan principal | $604,063 | $ 807,822 | $1,411,885 |
| Interest receivable | 58,444 | 119,901 | 178,345 |
| Less - impaired loan and interest receivable | - | (257,587) | (257,587) |
| | 662,507 | 670,136 | 1,332,643 |
| Less - current portion | 132,699 | 320,136 | 452,835 |
| Non-current portion | $529,808 | $ 350,000 | $ 879,808 |
| **2007** | | | |
| Number of companies | 1 | 2 | |
| Number of notes | 1 | 3 | |
| Interest rates | 14% | prime -4.5% | |
| Loan principal | $558,510 | $ 757,822 | $1,316,332 |
| Interest receivable | 10,553 | 70,378 | 80,931 |
| | 569,063 | 828,200 | 1,397,263 |
| Less - current portion | 89,255 | 290,878 | 380,133 |
| Non-current portion | $ 479,808 | $ 537,322 | $1,017,130 |

The prime rate related to the above notes was 3.25% and 7.25% as of December 31, 2008 and 2007, respectively.

Remaining maturities of principal of loans receivable of BCLF Ventures, LLCs are as follows at December 31:

| | |
|---|---|
| 2009 | $294,755 |
| 2010 | $879,808 |

## (5) LOANS AND INTEREST RECEIVABLE (Continued)

BCLF Ventures, LLCs (Continued)

During 2008, $257,587 of a loan receivable and related interest receivable related to program-related equity investments became impaired in Ventures II, LLC. This amount is included in impairment loss on program-related equity investments and loan and interest receivable in the accompanying combining and consolidating statement of activities. During 2008 and 2007, there were no additional impairment losses on loans or interest receivable in the BCLF Ventures, LLCs.

## (6) ALLOWANCE FOR LOAN LOSSES AND LOAN LOSS RESERVES

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

| | 2008 | 2007 |
|---|---|---|
| Board designated net assets for loan loss reserves (see Note 2) | $2,075,042 | $1,711,417 |
| Allowance for loan losses (see below) | 2,014,810 | 1,038,374 |
| | $4,089,852 | $2,749,791 |

An allowance for loan losses is an estimate of expected loan losses. The loan loss allowance is based on expected losses as determined under the Loan Fund's risk rating system (see Note 2). In addition, the Loan Fund'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 at least 5% of total loans receivable of the Loan Fund.

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

| | 2008 | 2007 |
|---|---|---|
| Balance, beginning of year | $1,038,374 | $ 317,572 |
| Change in allowance | 976,436 | 720,802 |
| Balance, end of year | $2,014,810 | $1,038,374 |

## (7) LOANS PAYABLE

Loan Fund

Loans payable of the Loan Fund represent loans by approximately 300 lenders ("investors") in principal amounts ranging from $500 to $21,025,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2018. In the ordinary course of operations, the Loan Fund negotiates extensions of maturity with many investors. Loans payable of the Loan Fund are unsecured with recourse to the general assets of the Loan Fund.

The Corporation has available four lines of credit with financial institutions. The Corporation had an unsecured revolving line of credit agreement with a financial institution in the principal amount of $12,000,000 until May, 2007, when the Corporation and the financial institution signed an agreement for a syndicated line of credit for a maximum of $50,000,000, with $38,000,000 of this amount being participated out to other financial institutions. During 2007, there was a $3,000,000 participation from another financial institution, which brought the total available line of credit to $15,000,000 at December 31, 2007. The interest rate on this line is a 30-day London Inter-Bank Offered Rate (LIBOR), plus 2% (2.46% and 6.60% at December 31, 2008 and 2007, respectively). There were no amounts outstanding under this agreement as of December 31, 2008 and 2007. The line of credit expires in May, 2009, and is renewable annually thereafter.

The Corporation also has a $4,000,000 unsecured revolving line of credit with Fannie Mae (a government-sponsored enterprise) which expires in December, 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, 2008 and 2007). As of December 31, 2008 and 2007, $4,000,000 was outstanding under this agreement.

In 2007, the Corporation entered into a $15,000,000 unsecured non-revolving line of credit with a financial institution which expires in December, 2016. Outstanding advances under this line of credit bear interest at the financial institution's seven-year cost of funds, plus 125 basis points (4.12% and 4.94% at December 31, 2008 and 2007, respectively) on the date of the draw. This line of credit must be drawn down prior to December 31, 2009. Proceeds from this line of credit are to be used only to finance qualifying New Markets Tax Credit loans in certain states. During 2008, $7,780,000 was drawn down on this line of credit. The first draw of $4,820,000 bears interest at a fixed rate of 4.26% and the second draw of $2,960,000 bears interest at a fixed rate of 4.12%. The interest rates are different because as the line of credit is drawn down, on the current rate is utilized and locked-in on that specific date. In 2007, the Corporation also entered into a $5,000,000 unsecured revolving line of credit with the same financial institution which expires in December, 2011. Outstanding advances under this line of credit bear interest at 4%. There were no amounts outstanding under this agreement as of December 31, 2008 and 2007.

The above loans payable and lines of credit require the Corporation to maintain certain financial ratios and other covenants as specified in the agreements. As of December 31, 2008 and 2007, the Corporation was in compliance with these covenants. The balance of loans payable of the Loan Fund were as follows as of December 31:

| | 2008 | 2007 |
|---|---|---|
| Lines of credit | $11,780,000 | $ 4,000,000 |
| Other loans payable | 41,423,455 | 38,787,418 |
| | $53,203,455 | $42,787,418 |

(7) **LOANS PAYABLE** (Continued)

Maturities

Maturities of all loans payable as of December 31, 2008, are as follows:

| Year | Loan Fund | Venture Fund | Total |
|---|---|---|---|
| 2009 | $ 9,303,865 | $ - | $ 9,303,865 |
| 2010 | 4,074,296 | - | 4,074,296 |
| 2011 | 5,790,132 | - | 5,790,132 |
| 2012 | 6,529,797 | - | 6,529,797 |
| 2013 | 1,266,646 | - | 1,266,646 |
| Thereafter | 26,238,719 | 15,000 | 26,253,719 |
| Total loans | $53,203,455 | $15,000 | $53,218,455 |

The current maturities as of December 31, 2008 and 2007, include $485,285 and $469,000, respectively, of loan principal which has matured, but not been paid or formally extended. Management is negotiating extensions of these amounts.

(8) **PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE**

Permanent loan capital – subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (38 and 36 individual loans as of December 31, 2008 and 2007, 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 loan terms and agreements of the Corporation and the lenders.

Earliest maturity dates of principal as of December 31, 2008, are as follows:

| | |
|---|---|
| 2010 | $ 650,000 |
| 2017 | $14,100,000 |
| 2021 | $ 500,000 |

As of December 31, 2008 and 2007, $2,300,000 of the proceeds of these loans were 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 4). The Venture Fund has also borrowed $100,000 from the Holding Company for the same purpose. During 2008, $3,000,000 of the proceeds were loaned from the Loan Fund to SEA to finance a portion of certain investments. These loans bear interest at three percent payable quarterly and are unsecured. Interest on these intercompany borrowings totaled $93,885 and $72,000 in 2008 and 2007, respectively. The remaining proceeds of $9,950,000 and $10,950,000 as of December 31, 2008 and 2007, respectively, have been held as permanent loan capital of the Loan Fund.

## (9) LEASE COMMITMENTS

The Corporation has a lease agreement which terminates October, 2009, to rent office space in Roxbury, Massachusetts. The Corporation had also entered into short-term lease agreements to rent office space in Framingham and Attleboro, Massachusetts. Under these leases, the Corporation is obligated for monthly rental payments and is also responsible for its share of utilities. For the Roxbury lease, the Corporation is also responsible for its share of real estate taxes. Subsequent to December 31, 2008, the Corporation terminated the lease in Framingham and entered into a new lease in Attleboro. Total expense under these facility leases was $133,241 and $130,036 for 2008 and 2007, respectively, and is included in office operations in the accompanying combining and consolidating statements of activities. As the lease in Roxbury is scheduled to terminate during 2009, the future minimum lease payment, excluding real estate taxes and utilities, is $90,821. The future minimum lease payments for the new Attleboro lease are $4,550 for 2009 and $4,200 for 2010.

The Corporation has operating lease agreements for office equipment through June, 2009, an agreement with a company to provide ongoing telecommunications and data services to the Corporation through March, 2011, an agreement with a company to provide ongoing information technology services to the Corporation through October, 2010, and an agreement with a company to provide ongoing data backup to the Corporation through October, 2009. Future minimum payments under these agreements are as follows:

| | |
|---|---|
| 2009 | $83,739 |
| 2010 | $61,797 |
| 2011 | $ 3,220 |

## (10) PENSION PLAN

The Corporation has adopted an Internal Revenue Code (IRC) Section 401(k) plan managed by an investment manager, which includes a Roth 401(k) option. Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. The Corporation provides a 100% match for all employee contributions up to 4% of their total wages not exceeding $205,000 annually. All employees age 21 and over are eligible to participate in the plan. Pension expense for 2008 and 2007 was $82,603 and $74,532, respectively, and is included in personnel in the accompanying combining and consolidating statements of activities.

## (11) CONTINGENCY

Ventures I, LLC

During 2008 and 2007, Ventures I, LLC pursued litigation against one of the companies in which it has a program-related equity investment and a loan receivable. Ventures I, LLC alleged misuse of the invested funds and was seeking recovery of these funds, as well as legal fees associated with the lawsuit, from the investee. In December, 2008, the court ruled in favor of Ventures I, LLC in this matter. The court ordered the investee to maximize the possibility that it will be able to redeem Ventures I, LLC's stock investment in the investee (approximately $1.5 million) and to satisfy the outstanding balance on the note held by Ventures I, LLC from the investee (approximately $235,000). Negotiations on how to satisfy this judgment between Ventures I, LLC and the investee are ongoing. As of December 31, 2008 and 2007, no gain has been recorded in the accompanying combining and consolidating statements of activities because Ventures I, LLC is unable to estimate how much it will be able to collect from the investee.

## (12) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation discloses estimated fair values for its significant financial instruments. Because no ready market exists for a significant portion of the financial instruments, some fair values are based on management's estimates using the criteria of SFAS 157 (see Note 2). These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The assumptions used by management assume normal market conditions and do not contemplate the effects of current turmoil in the financial markets. Changes in assumptions could significantly affect the estimates.

The following fair value estimates, methods and assumptions were used to estimate the fair value of each class of significant financial instruments, for which it is practical to estimate that value.

**Cash and Cash Equivalents:** The carrying amount of cash and cash equivalents approximates fair value.

**Investments in marketable securities:** The fair value of investments is based upon quoted market prices.

**Program-related equity investments:** The fair value of program-related equity investments is based upon both observable (level one) inputs and unobservable (level three) inputs, such as internal financial statements, discussions with investment bankers, and independent valuations of the investee companies, as per SFAS 157. Management adopted SFAS 157 in 2008 to value the BCLF Ventures, LLCs' program-related equity investments (see Note 2).

**Loans and Interest Receivable:** The fair values of loans receivable in the portfolio have been determined by segregating the portfolio by major classification, such as segregating fixed interest rate loans from adjustable interest rate loans. The fair values of fixed rate loans are calculated by discounting future cash flows through their weighted average months to maturity, using a weighted average interest rate for new financings within the Corporation's market. Loans with an adjustable interest rate tied to prime or some other floating rate move within the market and are considered by management to be at fair value.

**Loans Payable:** The fair values of loans payable are calculated by discounting cash flows through their weighted average months to maturity, using rates currently offered for new issuances within the Corporation's market.

The following table summarizes carrying amounts and fair values for financial instruments at December 31, 2008:

| | Carrying Amount | Fair Value |
|---|---|---|
| Cash and cash equivalents | $24,350,187 | $24,350,187 |
| Investments in marketable securities | $ 3,562,699 | $ 3,562,699 |
| Program-related equity investments | $13,233,868 | $13,233,868 |
| Loans and interest receivable, net | $62,931,896 | $63,735,692 |
| Loans payable | $53,218,455 | $52,805,399 |

## (13) RECLASSIFICATIONS

Certain amounts in the 2007 combining and consolidating financial statements have been reclassified to conform with the 2008 presentation.