BOSTON COMMUNITY CAPITAL
AND AFFILIATES

COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

CONTENTS
DECEMBER 31, 2006 AND 2005

Alexander Aronson Finning
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P.C.
21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
255 Park Avenue, Suite 801, Worcester, MA 01609
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined and consolidating statements of financial position of Boston Community Capital, Inc. and Affiliates (four Massachusetts corporations, not for profit and BCLF Ventures I, LLC and BCLF Ventures II, LLC) as of December 31, 2006, and the related combined and consolidating statements of activities, changes in net assets and members' investment, and cash flows for the year then ended. We have also audited the accompanying combined financial statements as of and for the year ended December 31, 2005. These combined and consolidating financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined 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 combined 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 combined and consolidating financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined and consolidating financial statements referred to above present fairly, in all material respects, the financial position of Boston Community Capital, Inc. and Affiliates as of December 31, 2006 and 2005, 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 1 and 2, the combined and consolidating financial statements for 2006 include BCLF Ventures I, LLC and BCLF Ventures II, LLC, which have been consolidated only for the year ended December 31, 2006, consistent with the guidance under Transition Method A of EITF 04-5.

As further described in Notes 2 and 3, the combined and consolidating financial statements for 2006 include certain program-related equity investments valued at $13,254,631 (approximately 19% of total assets) as of December 31, 2006. 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
February 2, 2007

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED AND CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

	OPERATIONS							
ASSETS	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL OPERATIONS	BCLF VENTURES, LLCs	ELIMINATIONS	TOTAL
CURRENT ASSETS:								
Cash and cash equivalents	$ 561,391	$ 219,452	$ 195,475	$ 1,058,377	$ 2,034,695	$ 958,469	$ -	$ 2,993,164
Cash and cash equivalents - escrow funds	498,726	2,740	-	1,000	502,466	-	-	502,466
Short-term investments in marketable securities	-	1,420,456	-	-	1,420,456	637,659	-	2,058,115
Current portion of loans and interest receivable, net of allowance for loan losses of $82,505	11,867,663	10,913	-	-	11,878,576	922,525	-	12,801,101
Other current assets	403,379	1,849	-	45,797	451,025	-	-	451,025
Total current assets	13,331,159	1,655,410	195,475	1,105,174	16,287,218	2,518,653	-	18,805,871
INVESTMENTS IN MARKETABLE SECURITIES	1,578,894	1,811,182	-	-	3,390,076	59,000	-	3,449,076
LOANS AND INTEREST RECEIVABLE, net of current portion and allowance for loan losses of $235,067	33,812,668	681,455	-	-	34,494,123	300,000	-	34,794,123
PROGRAM-RELATED EQUITY INVESTMENTS	-	-	-	-	-	13,254,631	-	13,254,631
INVESTMENTS IN AFFILIATES	-	6,999	3,079,145	-	3,086,144	-	(3,079,145)	6,999
EQUIPMENT AND IMPROVEMENTS, net	-	-	-	51,722	51,722	-	-	51,722
Total assets	$ 48,722,721	$ 4,155,046	$ 3,274,620	$ 1,156,896	$ 57,309,283	$ 16,132,284	$ (3,079,145)	$ 70,362,422
LIABILITIES AND NET ASSETS AND MEMBERS' INVESTMENT								
CURRENT LIABILITIES:								
Current portion of loans payable	$ 4,086,082	$ -	$ -	$ -	$ 4,086,082	$ -	$ -	$ 4,086,082
Interest and accounts payable	276,099	-	5,068	324,204	605,371	-	-	605,371
Escrow funds	498,726	2,740	-	1,000	502,466	-	-	502,466
Deferred revenue	-	6,681	-	-	6,681	-	-	6,681
Total current liabilities	4,860,907	9,421	5,068	325,204	5,200,600	-	-	5,200,600
LOANS PAYABLE, net of current portion	23,502,543	-	15,000	-	23,517,543	-	-	23,517,543
PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE:								
Gross loans received	13,450,000	-	-	-	13,450,000	-	-	13,450,000
Less - affiliate loans payable	(2,300,000)	-	2,400,000	(100,000)	-	-	-	-
Net permanent loan capital - subordinated loans payable	11,150,000	-	2,400,000	(100,000)	13,450,000	-	-	13,450,000
NET ASSETS AND MEMBERS' INVESTMENT:								
Unrestricted -								
General	5,210,898	4,138,626	175,407	214,203	9,739,134	-	-	9,739,134
Board designated for permanent loan capital	1,000,000	-	-	-	1,000,000	-	-	1,000,000
Board designated for loan loss reserves	1,991,647	-	-	-	1,991,647	-	-	1,991,647
Board designated for affiliate investments	-	6,999	679,145	-	686,144	-	-	686,144
Equipment and improvements	-	-	-	51,722	51,722	-	-	51,722
Total unrestricted	8,202,545	4,145,625	854,552	265,925	13,468,647	-	-	13,468,647
Temporarily restricted -								
Permanent loan capital	874,226	-	-	-	874,226	-	-	874,226
Special program collaborative	132,500	-	-	665,767	798,267	-	-	798,267
Total temporarily restricted	1,006,726	-	-	665,767	1,672,493	-	-	1,672,493
Sub-total net assets	9,209,271	4,145,625	854,552	931,692	15,141,140	-	-	15,141,140
Members' investment - BCLF Ventures, LLCs	-	-	-	-	-	16,132,284	(16,132,284)	-
Noncontrolling interests in members' investment of BCLF Ventures, LLCs	-	-	-	-	-	-	13,053,139	13,053,139
Total net assets and members' investment	9,209,271	4,145,625	854,552	931,692	15,141,140	16,132,284	(3,079,145)	28,194,279
Total liabilities and net assets and members' investment	$ 48,722,721	$ 4,155,046	$ 3,274,620	$ 1,156,896	$ 57,309,283	$ 16,132,284	$ (3,079,145)	$ 70,362,422

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

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

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED AND CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:	OPERATIONS LOAN FUND	OPERATIONS MANAGED ASSETS	OPERATIONS VENTURE FUND	OPERATIONS HOLDING COMPANY	OPERATIONS TOTAL OPERATIONS	BCLF VENTURES, LLCs	ELIMINATIONS	TOTAL
OPERATING REVENUES:								
Financial and earned revenue -								
Interest on loans, net	$ 3,085,151	$ 46,524	$ -	$ 3,393	$ 3,135,068	$ 102,295	$ -	$ 3,237,363
Interest and other investment income	42,479	183,754	13,011	91,844	331,088	518,695	-	849,783
Less - interest expense	(1,447,999)	-	(72,000)	-	(1,519,999)	-	-	(1,519,999)
Management and upfront fees	-	1,767,003	645,900	-	2,412,903	-	(645,900)	1,767,003
Loan fees and other	340,853	-	-	50	340,903	-	-	340,903
Net loan loss recovery	67,275	-	-	-	67,275	-	-	67,275
Net financial and earned revenue	2,087,759	1,997,281	586,911	95,287	4,767,238	620,990	(645,900)	4,742,328
Grants and contributions	-	-	-	277,012	277,012	-	-	277,012
Net assets released from operating restrictions -								
Satisfaction of special program collaborative purpose restriction	-	-	-	95,400	95,400	-	-	95,400
Total operating revenues	2,087,759	1,997,281	586,911	467,699	5,139,650	620,990	(645,900)	5,114,740
OPERATING EXPENSES:								
Personnel	1,135,807	222,572	548,717	373,702	2,280,798	-	-	2,280,798
Office operations	208,800	15,037	22,085	31,221	277,143	-	-	277,143
Consultants	38,243	554	11,644	123,491	173,932	-	-	173,932
Legal	11,623	22,135	16,063	4,963	54,784	115,652	-	170,436
Marketing	27,627	1,064	6,375	71,191	106,257	-	-	106,257
Accounting and investment fees	27,206	733	8,697	2,682	39,318	23,511	-	62,829
Insurance and other	14,247	5,856	4,336	7,518	31,957	18,720	-	50,677
Travel	6,597	3,956	5,991	8,122	24,666	-	-	24,666
Management services	-	-	-	-	-	645,900	(645,900)	-
Total operating expenses before special program collaborative grants	1,470,150	271,907	623,908	622,890	2,988,855	803,783	(645,900)	3,146,738
SPECIAL PROGRAM COLLABORATIVE GRANTS	-	-	-	90,400	90,400	-	-	90,400
Total operating expenses	1,470,150	271,907	623,908	713,290	3,079,255	803,783	(645,900)	3,237,138
Changes in unrestricted net assets and members' investment from operations	617,609	1,725,374	(36,997)	(245,591)	2,060,395	(182,793)	-	1,877,602
OTHER CHANGES IN UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:								
Share of income of uncombined affiliates	-	-	518,463	-	518,463	-	(518,463)	-
Net realized and unrealized losses on investments in marketable securities	(1,720)	(7,436)	(527)	(3,718)	(13,401)	(51,036)	-	(64,437)
Unrealized gain on program-related equity investments	-	-	-	-	-	2,089,309	-	2,089,309
Impairment loss on program-related equity investments	-	-	-	-	-	(1,361,247)	-	(1,361,247)
Impairment loss on loans and interest receivable	-	-	-	-	-	(89,256)	-	(89,256)
Net asset transfers for support of lending activities	1,500,000	(1,500,000)	-	-	-	-	-	-
Changes in unrestricted net assets and members' investment	2,115,889	217,938	480,939	(249,309)	2,565,457	404,977	(518,463)	2,451,971
TEMPORARILY RESTRICTED NET ASSETS:								
Grants and contributions	950	-	-	-	950	-	-	950
Net assets released from restrictions	-	-	-	(95,400)	(95,400)	-	-	(95,400)
Net asset transfers for support of lending activities	132,500	-	-	(132,500)	-	-	-	-
Changes in temporarily restricted net assets	133,450	-	-	(227,900)	(94,450)	-	-	(94,450)
Changes in net assets and members' investment	$ 2,249,339	$ 217,938	$ 480,939	$ (477,209)	$ 2,471,007	$ 404,977	$ (518,463)	$ 2,357,521

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

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

UNRESTRICTED NET ASSETS:	LOAN FUND	MANAGED ASSETS	VENTURE FUND	HOLDING COMPANY	TOTAL
OPERATING REVENUES:					
Financial and earned revenue -					
Interest on loans, net	$ 2,148,037	$ 64,715	$ -	$ 3,346	$ 2,216,098
Interest and other investment income	243,880	30,109	6,022	21,075	301,086
Less - interest expense	(1,185,765)	(75,330)	(72,000)	-	(1,333,095)
Management and upfront fees	-	5,933,679	665,900	-	6,599,579
Loan fees and other	423,424	-	-	73	423,497
Net loan loss provision	(6,187)	-	-	-	(6,187)
Net financial and earned revenue	1,623,389	5,953,173	599,922	24,494	8,200,978
Grants and contributions	1,398,750	-	-	410,216	1,808,966
Net assets released from operating restrictions -					
Satisfaction of special program collaborative purpose restriction	-	-	-	581,333	581,333
Satisfaction of time restriction	-	-	-	100,000	100,000
Total operating revenues	3,022,139	5,953,173	599,922	1,116,043	10,691,277
OPERATING EXPENSES:					
Personnel	980,163	155,112	524,619	342,413	2,002,307
Office operations	196,255	6,855	45,617	21,107	269,834
Consultants	58,365	782	4,059	73,320	136,526
Legal	4,571	41,424	406	12,941	59,342
Marketing	27,240	989	6,133	68,869	103,231
Accounting and investment fees	13,827	502	2,605	34,958	51,892
Insurance and other	7,984	307	1,290	15,431	25,012
Travel	6,899	135	11,932	9,371	28,337
Total operating expenses before special program collaborative grants	1,295,304	206,106	596,661	578,410	2,676,481
SPECIAL PROGRAM COLLABORATIVE GRANTS	-	-	-	581,333	581,333
Total operating expenses	1,295,304	206,106	596,661	1,159,743	3,257,814
Changes in unrestricted net assets from operations	1,726,835	5,747,067	3,261	(43,700)	7,433,463
OTHER CHANGES IN UNRESTRICTED NET ASSETS:					
Share of losses of uncombined affiliates	-	-	(477,867)	-	(477,867)
Realized gain on interest rate swap termination	-	3,009	-	-	3,009
Unrealized gain on carrying value of interest rate swap contracts	-	45,254	-	-	45,254
Net realized and unrealized losses on investments in marketable securities	(3,744)	(463)	(92)	(324)	(4,623)
Net asset transfers:					
Support of lending activities	2,000,000	(2,000,000)	-	-	-
Other inter-affiliate support	(26,328)	610	(2,391)	28,109	-
Changes in unrestricted net assets	3,696,763	3,795,477	(477,089)	(15,915)	6,999,236
TEMPORARILY RESTRICTED NET ASSETS:					
Grants and contributions	950	-	-	-	950
Net assets released from restrictions	-	-	-	(681,333)	(681,333)
Changes in temporarily restricted net assets	950	-	-	(681,333)	(680,383)
Changes in net assets	$ 3,697,713	$3,795,477	$ (477,089)	$ (697,248)	$ 6,318,853

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED AND CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	OPERATIONS										
	UNRESTRICTED		UNRESTRICTED - BOARD DESIGNATED			TEMPORARILY RESTRICTED					
			LOAN FUND			LOAN FUND					
	GENERAL	EQUIPMENT AND IMPROVE-MENTS	PERMANENT LOAN CAPITAL	LOAN LOSS RESERVES	AFFILIATE INVESTMENTS	PERMANENT LOAN CAPITAL	SPECIAL PROGRAM COLLABORATIVE	TIME RESTRICTIONS	BCLF VENTURES, LLCs	ELIMINATIONS	TOTAL
NET ASSETS, December 31, 2004	$ 1,057,455	$ 31,149	$ 1,000,000	$ 1,176,801	$ 638,549	$ 872,326	$ 1,475,000	$ 100,000	$ -	$ -	$ 6,351,280
Changes in net assets	7,509,321	(32,218)	-	-	(477,867)	950	(581,333)	(100,000)	-	-	6,318,853
Board transfers of unrestricted net assets	(685,457)	83,610	-	596,291	5,556	-	-	-	-	-	-
NET ASSETS, December 31, 2005	7,881,319	82,541	1,000,000	1,773,092	166,238	873,276	893,667	-	-	-	12,670,133
MEMBERS' INVESTMENT, December 31, 2005	-	-	-	-	-	-	-	-	15,727,307	(2,560,682)	13,166,625
Changes in net assets and members' investment	2,083,957	(36,963)	-	-	518,463	950	(95,400)	-	404,977	(518,463)	2,357,521
Board transfers of unrestricted net assets	(226,142)	6,144	-	218,555	1,443	-	-	-	-	-	-
NET ASSETS AND MEMBERS' INVESTMENT, December 31, 2006	$ 9,739,134	$ 51,722	$ 1,000,000	$ 1,991,647	$ 686,144	$ 874,226	$ 798,267	$ -	$ 16,132,284	$ (3,079,145)	$ 28,194,279

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED AND CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006				2005
	OPERATIONS	BCLF VENTURES, LLCs	ELIMINATIONS	TOTAL	OPERATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in net assets ad members' investment	$ 2,471,007	$ 404,977	$ (518,463)	$ 2,357,521	$ 6,318,853
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Depreciation	36,963	-	-	36,963	32,218
Net realized and unrealized losses on investments in marketable securities	13,401	51,036	-	64,437	4,623
Increase (decrease) in allowance for loan losses	(67,275)	-	-	(67,275)	19,259
Unrealized gain on program-related equity investments	-	(2,089,309)	-	(2,089,309)	-
Impairment loss on program-related equity investments	-	1,361,247	-	1,361,247	-
Impairment loss on loans and interest receivable	-	89,256	-	89,256	-
Share of income (loss) of uncombined affiliates	(518,463)	-	518,463	-	477,867
Grants for capital and investment uses	(950)	-	-	(950)	(950)
Forgiven loans payable included in contributions	(95,750)	-	-	(95,750)	(110,500)
Unrealized gain on carrying value of interest rate swap valuation	-	-	-	-	(45,254)
Changes in operating assets and liabilities -					
Interest receivable	-	(41,156)	-	(41,156)	-
Grants receivable	1,398,750	-	-	1,398,750	(548,750)
Other current assets	(61,493)	-	-	(61,493)	(174,270)
Interest and accounts payable	72,464	-	-	72,464	72,042
Deferred loan fees	35,985	-	-	35,985	146,832
Deferred revenue	-	-	-	-	6,681
Net cash provided by (used in) operating activities	3,284,639	(223,949)	-	3,060,690	6,198,651
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment in affiliates	(1,443)	-	-	(1,443)	(5,556)
Issuance of loans receivable	(15,586,830)	(200,000)	-	(15,786,830)	(20,936,907)
Principal payments of loans receivable	12,665,634	-	-	12,665,634	9,232,664
Purchase of equipment and improvements	(6,144)	-	-	(6,144)	(73,884)
Proceeds from sales and maturities of investments	1,288,070	2,401,258	-	3,689,328	11,697,362
Purchase of investments	(1,576,606)	(2,341,357)	-	(3,917,963)	(12,086,833)
Purchase of program-related equity investments	-	(244)	-	(244)	-
Net cash used in investing activities	(3,217,319)	(140,343)	-	(3,357,662)	(12,173,154)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Grants for capital and investment uses	950	-	-	950	950
Proceeds from loans payable	16,858,872	-	-	16,858,872	20,050,791
Payments on loans payable	(21,798,937)	-	-	(21,798,937)	(16,070,254)
Proceeds from subordinated loans payable	1,000,000	-	-	1,000,000	1,300,000
Principal payments on capital lease obligations	-	-	-	-	(9,726)
Net cash provided by (used in) financing activities	(3,939,115)	-	-	(3,939,115)	5,271,761
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,871,795)	(364,292)	-	(4,236,087)	(702,742)
CASH AND CASH EQUIVALENTS, beginning of year	5,906,490	1,322,761	-	7,229,251	6,609,232
CASH AND CASH EQUIVALENTS, end of year	$ 2,034,695	$ 958,469	$ -	$ 2,993,164	$ 5,906,490
SUPPLEMENTAL DISCLOSURE -					
Cash paid for interest	$ 1,465,699	$ -	$ -	$ 1,465,699	$ 1,267,297
NON-CASH INVESTING AND FINANCING TRANSACTIONS:					
Disposal of fully depreciated equipment and improvements	$ -	$ -	$ -	$ -	$ 58,885
Conversion of loans receivable to program-related equity investments	$ -	$ 252,910	$ -	$ 252,910	$ -
Forfeiture of marketable securities pledged as collateral	$ -	$ 200,000	$ -	$ 200,000	$ -

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

Nonprofit Status

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

Community Development Financial Institution

The Loan Fund and the Venture Fund have been granted status as Community Development Financial Institutions (CDFI) by the U.S. Department of the Treasury (the Treasury) qualifying them for certain awards and support from the Treasury. The Loan Fund received a financial assistance grant commitment of $1,398,750 in 2005, which was paid in 2006. The Loan Fund has also received a $500,000 loan (see Note 7) 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

In August, 2006, 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. The financial statements of Aura Mortgage have been consolidated with the Venture Fund in the accompanying combined and consolidating financial statements for 2006. During 2006, the Venture Fund made only a $5,000 cash capital contribution to Aura Mortgage, which has been eliminated in the accompanying combined and consolidating financial statements. Aura Mortgage is expected to begin formal operations in 2007.

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. During 2006, 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 are required to be 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 2006 and 2005. 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 the 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)

Ventures II, LLC

In 2000, the Corporation formed BCLF Ventures II, LLC (Ventures II, LLC). Ventures II, LLC is a Massachusetts for-profit limited liability company organized for the same purposes as Ventures I, LLC. Ventures II, LLC also entered into a management agreement with the Venture Fund to act as its manager member. Under the terms of this agreement, the Venture Fund supervises the activities of Ventures II, LLC for an annual management fee of 3% of Ventures II, LLC's contributed capital, payable monthly. The Venture Fund earned fees of $495,000 in both 2006 and 2005. 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 the 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.

Ventures I, LLC and Ventures II, LLC also have regular members, including the Venture Fund, which is both the manager and a regular member of each fund. Ventures I, LLC and Ventures II, LLC will terminate no later than July and December, 2010, respectively, 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 combined and consolidating financial statements do not reflect any provisions or credits for income taxes.

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 (CDE). The Holding Company has received a $70 million allocation of New Market Tax Credits (NMTC), which were syndicated through newly created limited liability companies in 2005 and 2006. During 2006, the Holding Company was awarded another allocation of $60 million, which had not been syndicated as of December 31, 2006.

The Holding Company has formed nine CDEs (collectively, the CDE LLCs), the first five of which have been used to syndicate the first 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

(1) <u>OPERATIONS AND RELATED ENTITIES</u> (Continued)

RELATED ENTITIES (Continued)

<u>Unconsolidated Affiliates</u> (Continued)

<u>BCC NMTC CDEs</u> (Continued)

The additional four CDEs have been formed for future NMTC allocations, but have conducted no financial activity to date. They are as follows:

BCC NMTC CDE VI, LLC
BCC NMTC CDE VII, LLC
BCC NMTC CDE VIII, LLC
BCC NMTC CDE IX, 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 investors as regular members with a 99.99% interest. The Investor Member (see below) of the active CDE LLCs maintains 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 combined and consolidating financial statements of the Corporation (also see Note 2). 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 agreement with an investor who provided $70 million of qualified equity investments (QEI) during 2005 and 2006 to make QLICIs of the active CDE LLCs. By making QLICIs, the CDE LLCs will enable the investor to claim approximately $27,300,000 of NMTC over a credit period of seven years. For its participation in establishing the CDE LLCs and underwriting the QLICIs made during 2006 and 2005, Managed Assets earned upfront fees of $1,515,753 and $5,834,247, respectively. Terms of the agreement require Managed Assets to maintain certain covenants to avoid recapture of NMTC, without which it could have to reimburse a portion of the upfront fee it has received. At December 31, 2006, 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 the NMTC.

Managed Assets also earned annual management fees of $251,250 and $99,432 for the years ended December 31, 2006 and 2005, respectively, in conjunction with the management of the CDE LLCs. The Venture Fund also earned an additional $20,000 for the year ended December 31, 2005, for its part in starting the CDE LLCs.

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

(2) SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

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

Principles of Consolidation

The combined and consolidating financial statements also include the consolidated subsidiaries, BCLF Ventures, LLCs. All significant intercompany balances and transactions have been eliminated in the accompanying combined and consolidating financial statements.

The Corporation implemented the consolidation requirements of EITF 04-5 (see Note 1) in 2006 using Transition Method A, which allows implementation for the current year's financial statements only. Accordingly, the accompanying combined and consolidating statements of changes in net assets and members' investment has been adjusted to include the members' investment of BCLF Ventures LLCs as of December 31, 2005, as follows:

Ventures I, LLC	$ 3,251,445
Ventures II, LLC	12,475,862
	$15,727,307

Financial statements of future periods of the Corporation will be presented as consolidated with BCLF Ventures, LLCs on a fully comparative basis.

Estimates

The preparation of combined 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 combined 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 combined 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. The Federal Deposit Insurance Corporation (FDIC) insures balances up to $100,000. 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 $502,466 and $510,297 in escrow for outside parties as of December 31, 2006 and 2005, respectively.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in Marketable Securities

The Corporation's and BCLF Ventures, LLCs' investments in marketable securities are 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.

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 Ventures Fund is represented on the Board of Directors of these corporations and consistently monitors each corporation's financial condition.

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

Investments in Affiliates

The Corporation accounts for its non-marketable interests in certain investee companies using the equity method where it is able to exercise significant influence on the activities of the investee. Under the equity method, the cost of the investment is increased by the Corporation's share of earnings of the investee and reduced by distributions from the investee. For investments where it does not exercise significant influence, 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. Also 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, 2006 and 2005, are as follows:

	2006	2005
Computer equipment	$126,269	$120,125
Leasehold improvements	80,070	80,070
Office equipment	77,493	77,493
	283,832	277,688
Less – accumulated depreciation	232,110	195,147
	$ 51,722	$ 82,541

Depreciation expense was $36,963 and $32,218 in 2006 and 2005, respectively, and is included in office operations in the accompanying combined and consolidating statements of activities.

Net Assets

Unrestricted net assets include those net resources of the Corporation that bear no external restrictions. These include the Corporation's general net assets, net assets designated by the Board of Directors for permanent loan capital, loan loss reserves, and affiliate investments, and the Corporation's net carrying value of equipment and improvements. During 2006 and 2005, the Board of Directors designated $218,555 and $596,291, respectively, of the Loan Fund's general unrestricted net assets for loan loss reserves (see Note 6).

The Board of Directors periodically authorizes transfers of the unrestricted general net assets among the affiliates comprising the Corporation. Transfers from Managed Assets to the Loan Fund to support lending activities were $1,500,000 and $2,000,000 for 2006 and 2005, respectively. During 2005, the Corporation also made various transfers to (from) affiliates for other programmatic activities as reported on the combined statement of activities.

Temporarily restricted net assets are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Temporarily restricted net assets consist of the following as of December 31, 2006 and 2005:

	2006	2005
Purpose restricted:		
Loan Fund - permanent loan capital	$ 874,226	$ 873,276
Special Program Collaborative	798,267	893,667
Total temporarily restricted	$1,672,493	$1,766,943

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).

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily restricted net assets (Continued)

No outside donor has imposed an obligation on the Corporation to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses. Accordingly, donor-restricted permanent loan capital awards have been classified as temporarily restricted net assets in the accompanying combined and consolidating statements of financial position. The Corporation's Board of Directors designated $1,000,000, the proceeds of two unrestricted grant awards from the Treasury (see Note 1), as permanent loan capital in unrestricted net assets.

Special Program Collaborative net assets consist of the unspent proceeds of a grant of $1,475,000 received in 2004 which is designated for a collaborative between the Corporation and other agencies to promote ecologically efficient designs and technical assistance to community development corporations. A significant portion of the proceeds of this grant is expected to be distributed to collaborative members and other agencies. During 2006 and 2005, $95,400 and $581,333, respectively, was expended for grants and is included in special program collaborative net assets released from operating restrictions in the accompanying combined and consolidating statements of activities. During 2006, the Corporation also transferred $132,500 for use in qualifying activities in the Loan Fund.

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 expense of $1,398,418 and $915,446 paid to loan participants (see Notes 5 and 7) in 2006 and 2005, respectively. The Corporation amortizes loan fees over the term of the loans. Unamortized loan fees are included as an adjustment of the carrying value of loans receivable in the accompanying combined 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 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.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

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

(3) INVESTMENTS

Investments in Marketable Securities – Operations

Fair market values, including unrealized appreciation or depreciation of investments in marketable securities – operations at December 31, 2006 and 2005, are summarized as follows:

2006	**Cost**	**Fair Market Value**	**Unrealized Depreciation**
U.S. Government securities	$2,114,858	$2,103,154	$ (11,704)
Certificates of deposit	1,680,056	1,680,056	-
Corporate debt securities	1,142,094	1,027,322	(114,772)
Total investments	$4,937,008	$4,810,532	$(126,476)

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

Net investment gains (losses) were as follows:

	2006	**2005**
Unrealized losses	$ (5,922)	$(75,857)
Realized gains (losses)	(7,479)	71,234
	$(13,401)	$ (4,623)

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

(3) **INVESTMENTS** (Continued)

Investments in Marketable Securities – BCLF Ventures, LLCs

Investments in marketable securities of BCLF Venture, LLCs are classified as available for sale securities, recorded at fair market value (see Note 1), and consist of the following at December 31, 2006:

Ventures I, LLC	**Cost**	**Fair Market Value**	**Unrealized Depreciation**
U.S. Government securities	$ 82,280	$ 79,125	$ (3,155)
Ventures II, LLC			
Corporate debt securities	700,245	617,534	(82,711)
Total	$782,525	$696,659	$(85,866)

Net investment gains (losses) were as follows:

	Ventures I, LLC	**Ventures II, LLC**	**Total**
Net unrealized gains	$565	$ 101,240	$ 101,805
Net realized losses	(97)	(152,744)	(152,841)
Total	$468	$ (51,504)	$ (51,036)

Program-Related Equity Investments – BCLF Ventures, LLCs

BCLF Ventures, LLCs had made the following investments, all in companies in Massachusetts as of December 31, 2006:

Ventures I, LLC	**Number of Investee Companies**	**Investment Principal**	**Appreciation**	**Allowance For Impairment**	**Investment Balance**
Investments carried at cost	3	$ 858,991	$ -	$ -	$ 858,991
Appreciated investments	1	500,000	2,158,354	-	2,658,354
Impaired investments	2	1,200,244	-	(950,122)	250,122
Balance, December 31, 2006	6	$ 2,559,235	$2,158,354	$ (950,122)	$ 3,767,467

(3) INVESTMENTS (Continued)

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

Ventures II, LLC	Number of Investee Companies	Investment Principal	Appreciation	Allowance For Impairment	Investment Balance
Investments carried at cost	5	$ 7,519,934	$ -	$ -	$ 7,519,934
Appreciated investments	3	745,650	305,955	-	1,051,605
Impaired investments	1	3,456,590	-	(2,540,965)	915,625
Balance, December 31, 2006	9	$11,722,174	$ 305,955	$(2,540,965)	$ 9,487,164
Totals		$14,281,409	$2,464,309	$(3,491,087)	$13,254,631

During 2006, Ventures I, LLC sold its common stock investment in one investee at a gain of $332,338, which is included in other investment income in the accompanying combined and consolidating statement of activities. During 2006, one investment's value was increased from its originally recorded cost basis by $1,783,354, based on the implied value of Ventures I, LLC's share in relation to a new round of equity financing in the investee company. During 2006, Ventures I, LLC also recognized an impairment loss of $250,122 on one of its investments.

Ventures II, LLC recognized impairment losses totaling $1,111,125 relating to investments in two investee companies including $911,125 representing half of Venture II, LLC's investment in one investee company. Another investee began bankruptcy proceedings that resulted in a loss of a certificate of deposit for $200,000 that Ventures II, LLC had used to guarantee the debt of this company. Also, during 2006, one investment value in Ventures II, LLC was increased from its originally recorded cost basis by $305,955 based on the implied value of Ventures II, LLC's share in relation to a new round of equity financing in the investee company.

There were no additional known or expected impairments in the BCLF Ventures, LLCs as of December 31, 2006.

(4) INVESTMENTS IN AFFILIATES

BCLF Ventures, LLCs

The financial statements of BCLF Ventures, LLCs are included in the accompanying combined and consolidating financial statements for 2006 (see Notes 1 and 2), summarized individual financial statements as of and for the year ended December 31, 2006 for BCLF Ventures, LLCs follows:

Balance Sheets	**Ventures I, LLC**	**Ventures II, LLC**	**Total**
Cash and cash equivalents	$ 313,837	$ 644,632	$ 958,469
Investments in marketable securities	79,125	617,534	696,659
Loans and interest receivable, net	668,375	554,150	1,222,525
Program-related equity investments	3,767,467	9,487,164	13,254,631
	$4,828,804	$11,303,480	$16,132,284
Members' investments	$4,828,804	$11,303,480	$16,132,284

Statements of Operations	**Ventures I, LLC**	**Ventures II, LLC**	**Total**
Interest and other investment income	$ 398,014	$ 222,976	$ 620,990
Operating expenses	265,099	538,684	803,783
	132,915	(315,708)	(182,793)
Other investment activity:			
Net realized and unrealized gains (losses) on investments in marketable securities	468	(51,504)	(51,036)
Net unrealized gains and impairment losses on program-related equity investments	1,533,232	(805,170)	728,062
Impairment loss on loans and interest receivable	(89,256)	-	(89,256)
Net income (loss)	$1,577,359	$ (1,172,382)	$ 404,977

The BCLF Ventures, LLCs have regular members including the Venture Fund which was admitted as both a manager and regular member. Investor members may only resign from the BCLF Ventures, LLCs with the consent of the manager member.

(4) INVESTMENTS IN AFFILIATES (Continued)

BCLF Ventures, LLCs (Continued)

As of December 31, 2006, the BCLF Ventures, LLCs were capitalized as follows:

	Ventures I, LLC	Ventures II, LLC	Total
Manager member - Venture Fund	$ 48,288	$ 113,035	$ 161,323
Regular members -			
Venture Fund	1,893,942	1,023,880	2,917,822
Other members	2,886,574	10,166,565	13,053,139
Sub-total regular members	4,780,516	11,190,445	15,970,961
Total capital	$4,828,804	$11,303,480	$16,132,284

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, 2004	$1,503,091	$1,535,458	$3,038,549
Share of loss	(196,561)	(281,306)	(477,867)
Net investment, December 31, 2005	1,306,530	1,254,152	2,560,682
Share of gain (loss)	635,700	(117,237)	518,463
Net investment, December 31, 2006	$1,942,230	$1,136,915	$3,079,145

(4) INVESTMENTS IN AFFILIATES (Continued)

CDE LLCs

The combined and consolidating financial statements do not include the CDE LLCs (see page 10). Managed Assets will not maintain a significant membership interest in these entities and accounts for them using the cost method.

As of December 31, 2006 and 2005, Managed Assets had the following amounts invested in the CDE LLCs:

	2006	2005
BCC NMTC CDE I, LLC	$2,844	$2,844
BCC NMTC CDE II, LLC	892	-
BCC NMTC CDE III, LLC	575	575
BCC NMTC CDE IV, LLC	2,137	2,137
BCC NMTC CDE V, LLC	551	-
	$6,999	$5,556

(5) LOANS AND INTEREST RECEIVABLE

Loan Fund

Loans receivable of the Loan Fund consist of approximately 115 and 100 individual loans and are presented net of third party loan participations of $31,536,411 and $19,364,001 as of December 31, 2006 and 2005, respectively. All loan participations are accounted for in accordance with Financial Accounting Standards Board Statement No. 140, *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities*. All borrowers are nonprofit community organizations and businesses which benefit low-income individuals and communities.

Loans receivable bear interest at rates ranging from one to ten percent (1% - 10%) and mature at various dates through 2042. Loans receivable are generally made in connection with affordable housing and community development projects and most are collateralized by first or second mortgages on property of the borrower. The Corporation's five largest outstanding loans receivable were approximately 33% and 41% of the portfolio as of December 31, 2006 and 2005, respectively.

Scheduled repayments of principal of loans receivable for the years ending after December 31, 2006, are as follows:

Year	
2007	$11,950,168
2008	5,532,618
2009	1,507,444
2010	1,989,325
2011	555,150
Thereafter	24,649,680
	46,184,385
Adjustment for deferred loan fees (see Note 2)	(186,482)
Less - allowance for loan losses (see Note 6)	(317,572)
	$45,680,331

(5) LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

The Loan Fund had committed approximately $10,000,000 and $4,000,000 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, 2006 and 2005, respectively. The Corporation has in place liquidity management policies and procedures to manage the timing of expected disbursements on these loans. Among the tools available to manage liquidity are lines of credit with financial institutions (see Note 7), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2006, the Corporation had forecasted net cash outflows of approximately $8,800,000 during the first quarter of 2007.

Managed Assets

During 2002, Managed Assets purchased from two financial institutions thirteen mortgage loans receivable from a nonprofit organization with total initial principal of $4,200,858 (see Note 7). These loans are secured by residential properties, due in monthly installments of principal and interest, bear interest at 6.25% and mature in January, 2033. As part of the loan purchase, Managed Assets had entered into loans payable agreements with a bank and interest rate swap agreements. During 2005, these loans were repaid in full and Managed Assets terminated the final related interest rate swap contract (see Note 7).

Principal maturities of the remaining loans receivable as of December 31, 2006, are as follows:

Year	
2007	$ 10,913
2008	11,627
2009	12,389
2010	13,025
2011	13,516
Thereafter	630,898
Total	$692,368

BCLF Ventures, LLCs

Loans receivable of BCLF Ventures, LLCs consist of unsecured notes receivable from companies in which the BCLF Ventures, LLCs have also made program-related equity investments (see Note 3). As of December 31, 2006, all amounts in Ventures I, LLC are considered due on demand. During 2006, $252,910 of loans receivable in Ventures II, LLC were converted to program-related equity investments.

(5) LOANS AND INTEREST RECEIVABLE (Continued)

BCLF Ventures, LLCs (Continued)

Loans and interest receivable are as follows as of December 31, 2006:

	Ventures I, LLC	Ventures II, LLC	Total
Number of companies	2	1	
Number of notes	6	2	
Interest rates	10 – 14%	4.5% - prime (8.25% at December 31, 2006)	
Loan principal	$643,730	$520,500	$1,164,230
Interest receivable	24,645	33,650	58,295
Total	$668,375	$554,150	$1,222,525

During the year ended December 31, 2006, Ventures I, LLC recognized impairment losses on loans and interest receivable in the amount of $89,256 and due to the financial performance of certain portfolio companies.

(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 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, 2006 and 2005:

	2006	2005
Board designated net assets for loan loss reserves (see Note 2)	$1,991,647	$1,773,092
Allowance for loan losses (see below)	317,572	384,847
	$2,309,219	$2,157,939

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. 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.

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

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

	2006	2005
Balance, beginning of year	$384,847	$365,588
Change in allowance	(67,275)	19,259
Balance, end of year	$317,572	$384,847

(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 $4,000,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2014. In the ordinary course of operations, the Loan Fund negotiates extensions of maturity with many investors.

Some of these loans contain specific operating covenants, all of which the Corporation was in compliance with as of December 31, 2006 and 2005. Loans payable of the Loan Fund are unsecured with recourse to the general assets of the Loan Fund.

The Corporation also has available two lines of credit with financial institutions. In January, 2004, the Corporation entered into an unsecured revolving line of credit agreement with a financial institution in the principal amount of $7,000,000. During 2005, available credit on this line was increased to $12,000,000. With the December, 2005 amendment, the interest rate was changed to 30-day London Inter-Bank Offered Rate (LIBOR) plus 2% (7.07% and 6.4% at December 31, 2006 and 2005, respectively). As of December 31, 2005, $5,500,000 was outstanding under this agreement. There were no amounts outstanding as of December 31, 2006. The line of credit is payable one year after demand is made by the financial institution. In January, 2006, the Corporation received from this financial institution proposed terms of a $50 million syndicated line of credit, of which the financial institution would participate at $12 million. Management continues to negotiate this proposal as of the date of this report.

The Corporation has a $4,000,000 revolving line of credit with Fannie Mae 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, 2006 and 2005). As of December 31, 2006 and 2005, $4,000,000 was outstanding under this agreement.

(7) LOANS PAYABLE (Continued)

Loan Fund (Continued)

The above loans payable and lines of credit require the Corporation to maintain certain financial ratios as specified in the agreements. As of December 31, 2006 and 2005, the Corporation was in compliance with these covenants. The balance of loans payable of the Loan Fund were as follows as of December 31:

	2006	2005
Lines of credit	$ 4,000,000	$ 9,500,000
Other loans payable	23,588,625	23,124,440
	$27,588,625	$32,624,440

Managed Assets

As part of the loan receivable purchase (see Note 5), Managed Assets entered into a variable rate loan payable agreement with a bank. To hedge against potential interest rate exposure under the floating rate notes, the Corporation entered into an Interest Rate Swap Agreement and three interest rate swap contracts with the same bank. The contracts provided for a guaranteed fixed rate of 5.28% for the first advance and 5.78% for subsequent advances.

During 2005, the Corporation terminated the last interest rate swap contract resulting in an unrealized gain of $45,254 and a realized gain of $3,009.

Maturities

Maturities of all loans payable as of December 31, 2006, are as follows:

Year	Loan Fund	Venture Fund	Total
2007	$ 4,086,082	$ -	$ 4,086,082
2008	2,038,750	-	2,038,750
2009	7,480,171	-	7,480,171
2010	3,017,268	-	3,017,268
2011	5,535,469	-	5,535,469
Thereafter	5,430,885	15,000	5,445,885
Total loans	$27,588,625	$15,000	$27,603,625

The current maturities as of December 31, 2006 and 2005, include $208,446 and $585,000, 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 (37 and 36 individual loans as of December 31, 2006 and 2005, respectively) from financial and other institutions bearing simple interest at rates between 2% and 4%. These loans have substantially the same terms including interest-only payments required annually until maturity. These loans are subordinate and junior to all other obligations of the Loan Fund.

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

Earliest maturity dates of principal as of December 31, 2006, are as follows:

2010	$ 650,000
2016	$12,300,000
2021	$ 500,000

As of December 31, 2006 and 2005, $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. The remaining proceeds of $11,150,000 and $10,150,000 as of December 31, 2006 and 2005, respectively, have been held as permanent loan capital of the Loan Fund.

(9) LEASES AND OTHER COMMITMENTS

The Corporation has a lease agreement which terminates October, 2009, to rent office space in Roxbury, Massachusetts. The Corporation is obligated for monthly rental payments and is also responsible for its share of real estate taxes and utilities. Total expense under the facility lease was $119,265 and $105,095 for 2006 and 2005, respectively, and is included in office operations in the accompanying combined and consolidating statements of activities. Future minimum lease payments, excluding real estate taxes and utilities, under this agreement are as follows:

2007	$104,070
2008	$106,494
2009	$ 90,470

The Corporation also leases office equipment under two operating leases with payments through June, 2009. Future minimum payments under these agreements are as follows:

2007	$16,413
2008	$16,413
2009	$ 7,687

(9) LEASES AND OTHER COMMITMENTS (Continued)

The Corporation has an agreement with a company to provide ongoing telecommunications and data services to the Corporation through April, 2008, and an agreement with a company to provide ongoing information technology services to the Corporation through October, 2008. Future minimum payments under these agreements are as follows:

2007	\$52,187
2008	\$37,822

(10) PENSION PLAN

The Corporation has adopted an Internal Revenue Code (IRC) Section 401(k) plan managed by an investment manager. Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. The Corporation provides a 100% match for all employee contributions up to the lesser of 4% of their total wages not exceeding \$205,000 annually. All employees age 21 and over are eligible to participate in the plan. During 2006, the Corporation amended the plan to include a Roth 401(k) option. Pension expense for 2006 and 2005 was \$72,157 and \$58,529, respectively, and is included in personnel in the accompanying combined and consolidating statements of activities.

(11) CONDITIONAL GRANT

A donor has awarded the Corporation a \$5,000,000 grant, none of which had been received at December 31, 2006. This grant commitment is conditional upon the Corporation meeting certain requirements and negotiating certain terms. Accordingly, it is not reflected in the accompanying combined and consolidating financial statements at December 31, 2006.

(12) CONTINGENCY

Ventures I, LLC

Ventures I, LLC is currently pursuing litigation against one of the companies in which it has a program-related equity investment and a loan receivable investment (see Notes 4 and 5). Ventures I, LLC alleges misuse of the invested funds and is seeking recovery of \$314,000, as well as any legal fees associated with the lawsuit, from the investee. Legal fees associated are recorded in the accompanying combined and consolidating statement of activities. Ventures I, LLC's recovery of these amounts is contingent upon the outcome of the lawsuit. As of December 31, 2006, the outcome of this lawsuit is uncertain and no gain has been recorded in the accompanying combined and consolidating financial statements.

(12) CONTINGENCY (Continued)

Ventures II, LLC

BCLF Ventures II, LLC is currently involved in pending litigation with one of the companies in which it had an investment which was written off in 2006. This litigation relates to the loss of a certificate of deposit for $200,000 that Ventures II, LLC had used to guarantee the debt of this company (see Note 4). As a result, a gain in the amount of $200,000 is contingent upon the outcome of the lawsuit. As of December 31, 2006, the outcome of this lawsuit is uncertain and thus the gain has not been accrued in the accompanying combined and consolidating financial statements.

(13) RECLASSIFICATIONS

Certain amounts in the 2005 combined financial statements have been reclassified to conform with the 2006 presentation.