

BOSTON COMMUNITY LOAN FUND, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

BOSTON COMMUNITY LOAN FUND, INC.

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DECEMBER 31, 2008 AND 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boston Community Loan Fund, Inc.:

We have audited the accompanying statements of financial position of Boston Community Loan Fund, Inc. (a Massachusetts corporation, not for profit) (the Loan Fund) as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Loan Fund's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

As explained in Note 1 of the financial statements, Boston Community Loan Fund, Inc. is part of an affiliated group of companies and has entered into transactions with certain group members.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
April 4, 2009

BOSTON COMMUNITY LOAN FUND, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,438,635	\$ 9,503,432
Cash and cash equivalents - escrow funds	2,048,838	2,487,309
Current portion of loans receivable, net of allowance for loan losses of \$874,741 and \$586,840 as of December 31, 2008 and 2007, respectively	21,715,690	29,773,230
Other current assets	417,115	537,677
Total current assets	34,620,278	42,301,648
INVESTMENTS	1,724,063	1,649,783
LOANS RECEIVABLE , net of current portion and allowance for loan losses of \$1,140,069 and \$451,534 as of December 31, 2008 and 2007, respectively	39,821,548	22,908,528
AFFILIATE LOANS RECEIVABLE	5,300,000	2,300,000
Total assets	<u>\$ 81,465,889</u>	<u>\$ 69,159,959</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 9,303,865	\$ 3,682,723
Interest and accounts payable	318,629	324,772
Escrow funds	2,048,838	2,487,309
Total current liabilities	11,671,332	6,494,804
LOANS PAYABLE , net of current portion	43,899,590	39,104,695
PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE	15,250,000	13,250,000
Total liabilities	70,820,922	58,849,499
NET ASSETS:		
Unrestricted -		
General	6,561,349	6,591,417
Board designated for permanent loan capital and special programs	1,132,500	1,132,500
Board designated for loan loss reserves	2,075,042	1,711,417
Total unrestricted	9,768,891	9,435,334
Temporarily restricted	876,076	875,126
Total net assets	10,644,967	10,310,460
Total liabilities and net assets	<u>\$ 81,465,889</u>	<u>\$ 69,159,959</u>

The accompanying notes are an integral part of these statements.

BOSTON COMMUNITY LOAN FUND, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<u>UNRESTRICTED NET ASSETS:</u>		
OPERATING REVENUES:		
Financial and earned revenue -		
Interest on loans, net	\$ 4,181,399	\$ 3,641,794
Interest on investments and cash equivalents	296,495	34,931
Less - interest expense	(2,244,393)	(1,527,943)
Loan fees and other	539,270	311,222
Net loan loss provision	<u>(821,378)</u>	<u>(720,802)</u>
Total operating revenues	<u>1,951,393</u>	<u>1,739,202</u>
OPERATING EXPENSES:		
Personnel	1,257,699	1,289,303
Office operations	198,517	210,653
Consultants	51,057	35,665
Accounting and investment fees	48,729	44,944
Marketing	29,852	22,226
Travel	14,026	12,031
Insurance and other	13,165	13,890
Legal	<u>7,796</u>	<u>14,690</u>
Total operating expenses	<u>1,620,841</u>	<u>1,643,402</u>
Changes in unrestricted net assets from operations	330,552	95,800
OTHER CHANGES IN UNRESTRICTED NET ASSETS:		
Net realized and unrealized gains on investments	3,005	4,489
Grants from affiliates for support of new initiatives	-	1,000,000
Net assets released from purpose restrictions	<u>-</u>	<u>132,500</u>
Changes in unrestricted net assets	<u>333,557</u>	<u>1,232,789</u>
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>		
Grants and contributions	950	900
Net assets released from restrictions	<u>-</u>	<u>(132,500)</u>
Changes in temporarily restricted net assets	<u>950</u>	<u>(131,600)</u>
Changes in net assets	<u><u>\$ 334,507</u></u>	<u><u>\$ 1,101,189</u></u>

The accompanying notes are an integral part of these statements.

BOSTON COMMUNITY LOAN FUND, INC.

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>UNRESTRICTED</u>	<u>UNRESTRICTED - BOARD DESIGNATED</u>		<u>TEMPORARILY RESTRICTED</u>		
		<u>PERMANENT LOAN CAPITAL AND SPECIAL PROGRAMS</u>	<u>LOAN LOSS RESERVES</u>	<u>PERMANENT LOAN CAPITAL</u>	<u>SPECIAL PROGRAM COLLABORATIVE</u>	<u>TOTAL</u>
NET ASSETS, December 31, 2006	\$ 5,210,898	\$ 1,000,000	\$ 1,991,647	\$ 874,226	\$ 132,500	\$ 9,209,271
Changes in net assets	1,100,289	132,500	-	900	(132,500)	1,101,189
Board transfers of unrestricted net assets	<u>280,230</u>	<u>-</u>	<u>(280,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, December 31, 2007	6,591,417	1,132,500	1,711,417	875,126	-	10,310,460
Changes in net assets	333,557	-	-	950	-	334,507
Board transfers of unrestricted net assets	<u>(363,625)</u>	<u>-</u>	<u>363,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS, December 31, 2008	<u>\$ 6,561,349</u>	<u>\$ 1,132,500</u>	<u>\$ 2,075,042</u>	<u>\$ 876,076</u>	<u>\$ -</u>	<u>\$ 10,644,967</u>

The accompanying notes are an integral part of these statements.

BOSTON COMMUNITY LOAN FUND, INC.

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

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 334,507	\$ 1,101,189
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(3,005)	(4,489)
Net loan loss provision	976,436	720,802
Grants for capital and investment uses	(950)	(1,000,900)
Forgiven loans payable included in contributions	(6,900)	(115,648)
Changes in operating assets and liabilities -		
Other current assets	120,562	(134,298)
Interest and accounts payable	(6,143)	48,673
Deferred loan fees	60,528	(976)
	<u>1,475,035</u>	<u>614,353</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of affiliate loans receivable	(3,000,000)	-
Issuance of loans receivable	(18,582,719)	(19,665,089)
Principal payments of loans receivable	8,690,275	11,943,836
Net payments of investment trading activity	<u>(71,275)</u>	<u>(66,400)</u>
Net cash used in investing activities	<u>(12,963,719)</u>	<u>(7,787,653)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants for capital and investment uses	950	1,000,900
Proceeds from loans payable	11,559,437	19,336,087
Payments on loans payable	(1,136,500)	(4,021,646)
Proceeds from subordinated loans payable	2,000,000	-
Payments on subordinated loans payable	<u>-</u>	<u>(200,000)</u>
Net cash provided by financing activities	<u>12,423,887</u>	<u>16,115,341</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	935,203	8,942,041
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,503,432</u>	<u>561,391</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 10,438,635</u></u>	<u><u>\$ 9,503,432</u></u>
SUPPLEMENTAL DISCLOSURE -		
Cash paid for interest	<u><u>\$ 2,255,350</u></u>	<u><u>\$ 1,609,080</u></u>

The accompanying notes are an integral part of these statements.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

(1) 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 Venture Fund is also the sole member of Aura Mortgage Advisors, LLC (Aura Mortgage), a Massachusetts limited liability company, which was formed in 2006. The Holding Company is the sole member of NSP Residential, LLC (NSP), a Massachusetts limited liability company, which was formed in 2008. The Holding Company is also the sole investor of Solar Energy Advantage, Inc. (SEA), a Massachusetts for-profit corporation, which was formed in 2008. The four affiliated nonprofits also maintain interests in other limited liability companies which have no direct relationships or transactions with the Loan Fund. Because the affiliated nonprofit corporations are controlled by a common Board of Directors and management, the affiliated nonprofits, and five other affiliated companies, report their collective financial results and financial position in separately issued combining and consolidating financial statements.

Nonprofit Status

The Loan Fund is exempt from Federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Loan Fund within the requirements of the Internal Revenue Code.

Community Development Financial Institution

The Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it 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 from the Treasury.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007 (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of 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 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 statements of cash flows, cash and cash equivalents consist of all highly liquid investments purchased with a maturity of three months or less. The cash and cash equivalents of the Loan Fund are held in accounts in the name of the Holding Company, and the management of the Holding Company manages the cash resources for the affiliated nonprofits jointly. The accompanying financial statements include the allocable portion of cash and cash equivalents for the Loan Fund.

Cash and cash equivalents are maintained by the Holding Company in four banks in Massachusetts and are insured within the limits of the Federal Deposit Insurance Loan Fund (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 Loan Fund also held cash balances of \$2,048,838 and \$2,487,309 in escrow for outside parties as of December 31, 2008 and 2007, respectively.

Investments

The investments for the Loan Fund are also held in the name of the Holding Company, which manages the investments for the affiliated nonprofits jointly. The accompanying financial statements include the allocable portion of investments for the Loan Fund (see Note 3).

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.

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 are not insured and are subject to market fluctuations. Investment income is recognized when earned.

Net Assets

Unrestricted net assets include those net resources of the Loan Fund that bear no external restrictions. These include the Loan Fund's general net assets and net assets designated by the Board of Directors for permanent loan capital and special programs and loan loss reserves. 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 5).

The Board of Directors periodically authorizes transfers of the unrestricted general net assets among the related affiliates (see Note 1). Transfers from Managed Assets to the Loan Fund to support lending activities were \$1,000,000 for 2007 and are shown as grants from affiliate for support of new initiatives in the accompanying 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 are purpose restricted for permanent loan capital as of December 31, 2008 and 2007.

Permanent loan capital is the term the Loan Fund 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 Loan Fund 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.

No outside donor has imposed an obligation on the Loan Fund 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 statements of financial position. The Loan Fund'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.

During 2006, the Holding Company transferred \$132,500 of donor-restricted funds for a Special Program Collaborative for use in qualifying activities in the Loan Fund. The Holding Company is a member of a collaborative with other agencies to promote ecologically efficient designs and technical assistance to community development corporations. This amount was considered released from restriction in 2007, but added to Board designated net assets to be held and used for purposes of the Collaborative.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues from interest on loans and investments, 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 \$2,822,520 and \$1,878,953 to loan participants (see Notes 4 and 6) in 2008 and 2007, respectively. The Loan Fund amortizes loan fees over the terms of the loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying statements of financial position (see Note 4).

Grants and contributions with no restrictions or conditions are recognized as unrestricted revenue when received or unconditionally pledged to the Loan Fund. 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.

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

The four affiliated nonprofits (see Note 1) share various common expenses, including management salaries, benefits, and facility expenses. The accompanying financial statements include the share of these expenses allocable to the Loan Fund.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(Continued)

(3) INVESTMENTS

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

<u>2008</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ 1,824,895	\$ 1,824,895	\$ -
U.S. Government securities	1,634,655	1,637,610	2,955
Corporate debt securities	<u>110,510</u>	<u>100,194</u>	<u>(10,316)</u>
Total investments held by the Holding Company	3,570,060	3,562,699	(7,361)
Less - amounts held allocated to the other affiliates (see Note 2)	<u>(1,713,390)</u>	<u>(1,838,636)</u>	<u>(125,246)</u>
Total investments of the Loan Fund	<u>\$ 1,856,670</u>	<u>\$ 1,724,063</u>	<u>\$(132,607)</u>
<u>2007</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Certificates of deposit	\$ 1,750,904	\$ 1,750,904	\$ -
U.S. Government securities	1,714,817	1,744,142	29,325
Corporate debt securities	<u>110,510</u>	<u>101,290</u>	<u>(9,220)</u>
Total investments held by the Holding Company	3,576,231	3,596,336	20,105
Less - amounts held allocated to the other affiliates (see Note 2)	<u>(1,823,940)</u>	<u>(1,946,553)</u>	<u>(122,613)</u>
Total investments of the Loan Fund	<u>\$ 1,752,291</u>	<u>\$ 1,649,783</u>	<u>\$(102,508)</u>

Net realized and unrealized gains (losses) of the Loan Fund were as follows for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Net realized gains (losses)	\$ 33,104	\$(14,317)
Net unrealized gains (losses)	<u>(30,099)</u>	<u>18,806</u>
	<u>\$ 3,005</u>	<u>\$ 4,489</u>

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

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(Continued)

(4) LOANS RECEIVABLE

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.

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% - 10.35%) 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 most are collateralized by first or second mortgages on the property of the borrower. There are two and three unsecured loans receivable, respectively, at December 31, 2008 and 2007, totaling \$500,000 and \$783,907, respectively. The Loan Fund'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:

<u>Type</u>	<u>2008</u>		<u>2007</u>	
	<u>Number Of Loans</u>	<u>Net Loan Amount</u>	<u>Number Of Loans</u>	<u>Net Loan Amount</u>
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	<u>9</u>	<u>6,597,961</u>	<u>9</u>	<u>5,946,641</u>
	<u>103</u>	<u>\$63,798,082</u>	<u>106</u>	<u>\$53,905,638</u>

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(Continued)

(4) LOANS RECEIVABLE (Continued)

Portfolio Lending (Continued)

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 are accounted for in accordance with Financial Accounting Standards Board Statement No. 140, *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities*.

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

<u>Year</u>	
2009	\$22,590,431
2010	11,721,570
2011	887,589
2012	7,975,270
2013	1,910,523
Thereafter	<u>18,712,699</u>
	63,798,082
Adjustment for deferred loan fees (see Note 2)	(246,034)
Less - allowance for loan losses (see Note 5)	<u>(2,014,810)</u>
	<u>\$61,537,238</u>

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

The Loan Fund has 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 Loan Fund 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 6), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2008, the Loan Fund 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.

Guarantee Agreement

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.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(Continued)

(4) LOANS 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 payable and due 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 statement of activities. This loan has specific restrictions surrounding its use and due to the likelihood of collectibility, the note is fully reserved.

(5) 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:

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

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 financial statements, consists of the following:

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$1,038,374	\$ 317,572
Change in allowance	<u>976,436</u>	<u>720,802</u>
Balance, end of year	<u>\$2,014,810</u>	<u>\$1,038,374</u>

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
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(Continued)**

(6) LOANS PAYABLE

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 Loan Fund has available four lines of credit with financial institutions. The Loan Fund and the other nonprofit affiliates 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 Loan Fund 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 Loan Fund 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 Loan Fund 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 interest rate of 4.12%. The interest rates are different because as the line of credit is drawn down, the current rate is utilized and locked-in on that specific date.

In 2007, the Loan Fund 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.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

(6) LOANS PAYABLE (Continued)

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

	<u>2008</u>	<u>2007</u>
Lines of credit	\$11,780,000	\$ 4,000,000
Other loans payable	<u>41,423,455</u>	<u>38,787,418</u>
	<u>\$53,203,455</u>	<u>\$42,787,418</u>

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

<u>Year</u>	
2009	\$ 9,303,865
2010	4,074,296
2011	5,790,132
2012	6,529,797
2013	1,266,646
Thereafter	<u>26,238,719</u>
Total loans	<u>\$53,203,455</u>

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.

(7) 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 Loan Fund and the lenders.

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

2010	\$ 650,000
2018	\$14,100,000
2021	\$ 500,000

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

(7) PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE (Continued)

As of December 31, 2008 and 2007, \$2,300,000 of the proceeds of these loans was loaned to the Venture Fund to finance a portion of certain investments of the Venture Fund. During 2008, \$3,000,000 of the proceeds were loaned to SEA to finance a portion of certain investments. These loans bear interest at three percent payable quarterly and are unsecured. These are reflected as affiliate loans receivable in the accompanying statements of financial position. 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.

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Loan Fund discloses estimated fair values for its significant financial instruments. Because no market exists for a significant portion of the financial instruments, fair values are based on management's estimates regarding various financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. 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: The fair value of investments is based upon quoted market prices.

Loans Receivable: The fair values of loans receivable in the portfolio are determined by segregating the portfolio by type, such as loans having a fixed interest rate and loans having an adjustable interest rate. 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 Loan Fund'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 Loan Fund's market.

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

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$12,487,473	\$12,487,473
Investments	\$ 1,724,063	\$ 1,724,063
Loans receivable, net	\$61,537,238	\$62,341,034
Loans payable	\$53,203,455	\$52,790,399