



**COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

**CONTENTS
DECEMBER 31, 2007 AND 2006**

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1
COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS:	
Combined and Consolidating Statements of Financial Position	2 - 3
Combined and Consolidating Statements of Activities	4 - 5
Combined and Consolidating Statements of Changes in Net Assets and Members' Investment	6
Combined and Consolidating Statements of Cash Flows	7
Notes to Combined and Consolidating Financial Statements	8 - 31



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 Aura Mortgage Advisors, LLC, BCLF Ventures I, LLC, BCLF Ventures II, LLC, Massachusetts limited liability companies) (collectively, the Corporation) as of December 31, 2007 and 2006, and the related combined and consolidating statements of activities, changes in net assets and members' investment, and cash flows for the years then ended. 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 audits 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, 2007 and 2006, and the changes in their net assets and members' investment and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As further described in Notes 2 and 3, the combined and consolidating financial statements include certain program-related equity investments valued at \$12,989,092 and \$13,254,631, respectively (approximately 14% and 19%, respectively, of total assets) as of December 31, 2007 and 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.

A handwritten signature in cursive ink that reads "Alexander Aronson Finning & Co., P.C." The signature is written in a flowing, cursive script.

Wellesley, Massachusetts
February 1, 2008

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

COMBINED AND CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

<u>ASSETS</u>	OPERATIONS						<u>BCLF VENTURES, LLCs</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
	<u>LOAN FUND</u>	<u>MANAGED ASSETS</u>	<u>VENTURE FUND</u>	<u> HOLDING COMPANY</u>	<u>AURA MORTGAGE</u>	<u>TOTAL OPERATIONS</u>			
CURRENT ASSETS:									
Cash and cash equivalents	\$ 9,503,432	\$ 3,103,031	\$ 128,033	\$ 6,032,349	\$ 102,424	\$ 18,869,269	\$ 1,230,027	\$ -	\$ 20,099,296
Cash and cash equivalents - escrow funds	2,487,309	2,769	-	-	-	2,490,078	-	-	2,490,078
Short-term investments in marketable securities	-	948,813	-	-	-	948,813	60,038	-	1,008,851
Current portion of loans and interest receivable, net of allowance for loan losses of \$586,840	29,773,230	1,213	-	-	-	29,774,443	380,133	-	30,154,576
Other current assets	537,677	60,912	-	73,614	525	672,728	-	-	672,728
Total current assets	42,301,648	4,116,738	128,033	6,105,963	102,949	52,755,331	1,670,198	-	54,425,529
INVESTMENTS IN MARKETABLE SECURITIES									
LOANS AND INTEREST RECEIVABLE, net of current portion and allowance for loan losses of \$451,534	1,649,783	997,740	-	-	-	2,647,523	-	-	2,647,523
PROGRAM-RELATED EQUITY INVESTMENTS	-	-	-	-	-	-	12,989,092	-	12,989,092
INVESTMENTS IN AFFILIATES	-	11,420	3,113,253	-	-	3,124,673	-	(3,113,253)	11,420
EQUIPMENT AND IMPROVEMENTS, net	-	-	-	26,433	-	26,433	-	-	26,433
Total assets	<u>\$ 66,859,959</u>	<u>\$ 5,187,587</u>	<u>\$ 3,241,286</u>	<u>\$ 6,132,396</u>	<u>\$ 102,949</u>	<u>\$ 81,524,177</u>	<u>\$ 15,196,612</u>	<u>\$ (3,113,253)</u>	<u>\$ 93,607,536</u>
LIABILITIES, NET ASSETS AND MEMBERS' INVESTMENT									
CURRENT LIABILITIES:									
Current portion of loans payable	\$ 3,682,723	\$ -	\$ -	\$ -	\$ -	\$ 3,682,723	\$ -	\$ -	\$ 3,682,723
Interest and accounts payable	324,772	-	-	409,549	-	734,321	-	-	734,321
Escrow funds	2,487,309	2,769	-	-	-	2,490,078	-	-	2,490,078
Deferred revenue	-	6,681	-	-	-	6,681	-	-	6,681
Total current liabilities	6,494,804	9,450	-	409,549	-	6,913,803	-	-	6,913,803
LOANS PAYABLE, net of current portion	39,104,695	-	15,000	-	-	39,119,695	-	-	39,119,695
PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE:									
Gross loans received	13,250,000	-	-	-	-	13,250,000	-	-	13,250,000
Less - affiliate loans payable	(2,300,000)	-	2,400,000	(100,000)	-	-	-	-	-
Net permanent loan capital - subordinated loans payable	10,950,000	-	2,400,000	(100,000)	-	13,250,000	-	-	13,250,000
NET ASSETS AND MEMBERS' INVESTMENT:									
Unrestricted -									
General	6,591,417	5,166,717	113,033	374,872	102,949	12,348,988	-	-	12,348,988
Equipment and improvements	-	-	-	26,433	-	26,433	-	-	26,433
Board designated for permanent loan capital and special programs	1,132,500	-	-	-	-	1,132,500	-	-	1,132,500
Board designated for loan loss reserves	1,711,417	-	-	-	-	1,711,417	-	-	1,711,417
Board designated for affiliate investments	-	11,420	713,253	-	-	724,673	-	(5,000)	719,673
Total unrestricted	9,435,334	5,178,137	826,286	401,305	102,949	15,944,011	-	(5,000)	15,939,011
Temporarily restricted -									
Permanent loan capital	875,126	-	-	-	-	875,126	-	-	875,126
Special program collaborative	-	-	-	534,113	-	534,113	-	-	534,113
Energy advantage program	-	-	-	4,854,488	-	4,854,488	-	-	4,854,488
Other purpose restrictions	-	-	-	32,941	-	32,941	-	-	32,941
Total temporarily restricted	875,126	-	-	5,421,542	-	6,296,668	-	-	6,296,668
Sub-total net assets	10,310,460	5,178,137	826,286	5,822,847	102,949	22,240,679	-	(5,000)	22,235,679
Members' investment - BCLF Ventures, LLCs	-	-	-	-	-	-	15,196,612	(15,196,612)	-
Noncontrolling interests in members' investment of BCLF Ventures, LLCs	-	-	-	-	-	-	-	-	12,088,359
Total net assets and members' investment	10,310,460	5,178,137	826,286	5,822,847	102,949	22,240,679	15,196,612	(3,113,253)	34,324,038
Total liabilities, net assets and members' investment	<u>\$ 66,859,959</u>	<u>\$ 5,187,587</u>	<u>\$ 3,241,286</u>	<u>\$ 6,132,396</u>	<u>\$ 102,949</u>	<u>\$ 81,524,177</u>	<u>\$ 15,196,612</u>	<u>\$ (3,113,253)</u>	<u>\$ 93,607,536</u>

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
COMBINED AND CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS	OPERATIONS					BCLF VENTURES, LLCs	ELIMINATIONS	TOTAL
	LOAN FUND	MANAGED ASSETS	VENTURE FUND	 HOLDING COMPANY	TOTAL OPERATIONS			
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	-	51,722	456,950	-	-	456,950
Total current assets	<u>13,331,159</u>	<u>1,655,410</u>	<u>195,475</u>	<u>1,111,099</u>	<u>16,293,143</u>	<u>2,518,653</u>	<u>-</u>	<u>18,811,796</u>
INVESTMENTS IN MARKETABLE SECURITIES								
LOANS AND INTEREST RECEIVABLE, net of current portion and allowance for loan losses of \$235,067	1,578,894	1,811,182	-	-	3,390,076	59,000	-	3,449,076
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	<u>\$ 48,722,721</u>	<u>\$ 4,155,046</u>	<u>\$ 3,274,620</u>	<u>\$ 1,162,821</u>	<u>\$ 57,315,208</u>	<u>\$ 16,132,284</u>	<u>\$ (3,079,145)</u>	<u>\$ 70,368,347</u>
LIABILITIES, 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	330,129	611,296	-	-	611,296
Escrow funds	498,726	2,740	-	1,000	502,466	-	-	502,466
Deferred revenue	-	6,681	-	-	6,681	-	-	6,681
Total current liabilities	<u>4,860,907</u>	<u>9,421</u>	<u>5,068</u>	<u>331,129</u>	<u>5,206,525</u>	<u>-</u>	<u>-</u>	<u>5,206,525</u>
LOANS PAYABLE, net of current portion	<u>23,502,543</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>23,517,543</u>	<u>-</u>	<u>-</u>	<u>23,517,543</u>
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	<u>11,150,000</u>	<u>-</u>	<u>2,400,000</u>	<u>(100,000)</u>	<u>13,450,000</u>	<u>-</u>	<u>-</u>	<u>13,450,000</u>
NET ASSETS AND MEMBERS' INVESTMENT:								
Unrestricted -								
General	5,210,898	4,138,626	175,407	214,203	9,739,134	-	-	9,739,134
Equipment and improvements	-	-	-	51,722	51,722	-	-	51,722
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
Total unrestricted	<u>8,202,545</u>	<u>4,145,625</u>	<u>854,552</u>	<u>265,925</u>	<u>13,468,647</u>	<u>-</u>	<u>-</u>	<u>13,468,647</u>
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	<u>1,006,726</u>	<u>-</u>	<u>-</u>	<u>665,767</u>	<u>1,672,493</u>	<u>-</u>	<u>-</u>	<u>1,672,493</u>
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
Total net assets and members' investment	<u>9,209,271</u>	<u>4,145,625</u>	<u>854,552</u>	<u>931,692</u>	<u>15,141,140</u>	<u>16,132,284</u>	<u>(3,079,145)</u>	<u>13,053,139</u>
Total liabilities, net assets and members' investment	<u>\$ 48,722,721</u>	<u>\$ 4,155,046</u>	<u>\$ 3,274,620</u>	<u>\$ 1,162,821</u>	<u>\$ 57,315,208</u>	<u>\$ 16,132,284</u>	<u>\$ (3,079,145)</u>	<u>\$ 70,368,347</u>

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

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

<u>UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:</u>	OPERATIONS						BCLF			<u>TOTAL</u>
	<u>LOAN FUND</u>	<u>MANAGED ASSETS</u>	<u>VENTURE FUND</u>	<u>HOLDING COMPANY</u>	<u>AURA MORTGAGE</u>	<u>TOTAL OPERATIONS</u>	<u>VENTURES, LLCs</u>	<u>ELIMINATIONS</u>		
OPERATING REVENUES:										
Financial and earned revenue -										
Interest on loans, net	\$ 3,641,794	\$ 28,642	\$ -	\$ 3,631	\$ 15,653	\$ 3,689,720	\$ 69,344	\$ (72,000)	\$ 3,687,064	
Interest and other investment income	34,931	151,105	11,137	75,525	-	272,698	60,110	-	332,808	
Less - interest expense	(1,527,943)	-	(72,000)	-	-	(1,599,943)	-	72,000	(1,527,943)	
Management and upfront fees	-	2,517,126	645,900	-	-	3,163,026	-	(645,900)	2,517,126	
Loan fees and other	311,222	-	-	54	-	311,276	-	-	311,276	
Net loan loss provision	(720,802)	-	-	-	-	(720,802)	-	-	(720,802)	
Net financial and earned revenue	1,739,202	2,696,873	585,037	79,210	15,653	5,115,975	129,454	(645,900)	4,599,529	
Grants and contributions	-	-	-	735,492	-	735,492	-	-	735,492	
Net assets released from operating restrictions -										
Satisfaction of special program collaborative purpose restriction	-	-	-	131,654	-	131,654	-	-	131,654	
Less - pass-through of special program costs	-	-	-	(277,166)	-	(277,166)	-	-	(277,166)	
Total operating revenues	1,739,202	2,696,873	585,037	669,190	15,653	5,705,955	129,454	(645,900)	5,189,509	
OPERATING EXPENSES:										
Personnel	1,289,303	183,571	584,685	404,950	190,079	2,652,588	-	-	2,652,588	
Office operations	210,653	12,561	15,902	39,773	27,116	306,005	-	-	306,005	
Marketing	22,226	855	5,130	57,275	80,660	166,146	-	-	166,146	
Legal	14,690	6,315	4,782	15,925	26,648	68,360	44,547	-	112,907	
Consultants	35,665	502	10,549	8,241	57,051	112,008	-	-	112,008	
Accounting and investment fees	44,944	633	13,293	4,431	-	63,301	32,122	-	95,423	
Insurance and other	13,890	4,327	4,109	1,370	3,750	27,446	16,640	-	44,086	
Travel	12,031	14	5,336	11,551	7,400	36,332	-	-	36,332	
Management services	-	-	-	-	-	-	645,900	(645,900)	-	
Total operating expenses	1,643,402	208,778	643,786	543,516	392,704	3,432,186	739,209	(645,900)	3,525,495	
Changes in unrestricted net assets and members' investment from operations	95,800	2,488,095	(58,749)	125,674	(377,051)	2,273,769	(609,755)	-	1,664,014	
OTHER CHANGES IN UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:										
Share of income of unconsolidated affiliates	-	-	29,108	-	-	29,108	-	(29,108)	-	
Net realized and unrealized gains (losses) on investments in marketable securities	4,489	19,417	1,375	9,706	-	34,987	(1,621)	-	33,366	
Realized gains on exchange of program-related equity investments and loans receivable	-	-	-	-	-	-	419,308	-	419,308	
Impairment loss on program-related equity investments	-	-	-	-	-	-	(743,604)	-	(743,604)	
Net asset transfers for support of lending activities	1,000,000	(1,000,000)	-	-	-	-	-	-	-	
Net asset transfers for support of mortgage broker activities	-	(475,000)	-	-	475,000	-	-	-	-	
Net assets released from purpose restrictions	132,500	-	-	-	-	132,500	-	-	132,500	
Changes in unrestricted net assets and members' investment	1,232,789	1,032,512	(28,266)	135,380	97,949	2,470,364	(935,672)	(29,108)	1,505,584	
TEMPORARILY RESTRICTED NET ASSETS:										
Grants and contributions	900	-	-	4,887,429	-	4,888,329	-	-	4,888,329	
Net assets released from restrictions	(132,500)	-	-	(131,654)	-	(264,154)	-	-	(264,154)	
Changes in temporarily restricted net assets	(131,600)	-	-	4,755,775	-	4,624,175	-	-	4,624,175	
Changes in net assets and members' investment	\$ 1,101,189	\$ 1,032,512	\$ (28,266)	\$ 4,891,155	\$ 97,949	\$ 7,094,539	\$ (935,672)	\$ (29,108)	\$ 6,129,759	

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
COMBINED AND CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	OPERATIONS					BCLF			TOTAL	
	LOAN FUND	MANAGED ASSETS	VENTURE FUND	 HOLDING COMPANY	TOTAL	VENTURES, LLCs	ELIMINATIONS			
UNRESTRICTED NET ASSETS AND MEMBERS' INVESTMENT:										
OPERATING REVENUES:										
Financial and earned revenue -										
Interest on loans, net	\$ 3,085,151	\$ 46,524	\$ -	\$ 3,393	\$ 3,135,068	\$ 102,295	\$ (72,000)	\$ 3,165,363		
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)	-	72,000	(1,447,999)		
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		
Less - pass-through of special program costs	-	-	-	(90,400)	(90,400)	-	-	(90,400)		
Total operating revenues	2,087,759	1,997,281	586,911	377,299	5,049,250	620,990	(645,900)	5,024,340		
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		
Marketing	27,627	1,064	6,375	71,191	106,257	-	-	106,257		
Legal	11,623	22,135	16,063	4,963	54,784	115,652	-	170,436		
Consultants	38,243	554	11,644	123,491	173,932	-	-	173,932		
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	1,470,150	271,907	623,908	622,890	2,988,855	803,783	(645,900)	3,146,738		
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 unconsolidated 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 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 from 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 AND CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS AND MEMBERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	OPERATIONS											
	UNRESTRICTED		UNRESTRICTED - BOARD DESIGNATED				TEMPORARILY RESTRICTED					
	UNRESTRICTED		LOAN FUND				LOAN FUND					
	EQUIPMENT AND IMPROVE- MENTS	PERMANENT LOAN CAPITAL AND SPECIAL PROGRAMS	LOAN LOSS RESERVES	AFFILIATE INVESTMENTS	PERMANENT LOAN CAPITAL	SPECIAL PROGRAM COLLABORATIVE	ENERGY ADVANTAGE PROGRAM	OTHER PURPOSE RESTRICTIONS	BCLF VENTURES, LLCs	ELIMI- NATIONS		TOTAL
GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL	GENERAL
NET ASSETS AND MEMBERS' INVESTMENT, December 31, 2005	\$ 7,881,319	\$ 82,541	\$ 1,000,000	\$ 1,773,092	\$ 166,238	\$ 873,276	\$ 893,667	\$ -	\$ -	15,727,307	(2,560,682)	\$ 25,836,758
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
Changes in net assets and members' investment	2,341,719	(32,963)	132,500	-	29,108	900	(264,154)	4,854,488	32,941	(935,672)	(29,108)	6,129,759
Board transfers of unrestricted net assets	268,135	7,674	-	(280,230)	9,421	-	-	-	-	-	(5,000)	-
NET ASSETS AND MEMBERS' INVESTMENT, December 31, 2007	<u>\$ 12,348,988</u>	<u>\$ 26,433</u>	<u>\$ 1,132,500</u>	<u>\$ 1,711,417</u>	<u>\$ 724,673</u>	<u>\$ 875,126</u>	<u>\$ 534,113</u>	<u>\$ 4,854,488</u>	<u>\$ 32,941</u>	<u>\$ 15,196,612</u>	<u>\$ (3,113,253)</u>	<u>\$ 34,324,038</u>

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, 2007 AND 2006

	2007				2006			
	OPERATIONS	BCLF VENTURES, LLCs	ELIMI- NATIONS	TOTAL	OPERATIONS	BCLF VENTURES, LLCs	ELIMI- NATIONS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:								
Changes in net assets and members' investment	\$ 7,094,539	\$ (935,672)	\$ (29,108)	\$ 6,129,759	\$ 2,471,007	\$ 404,977	\$ (518,463)	\$ 2,357,521
Adjustments to reconcile changes in net assets and members' investment to net cash provided by (used in) operating activities:								
Depreciation	32,963	-	-	32,963	36,963	-	-	36,963
Net realized and unrealized (gains) losses on investments in marketable securities	(34,987)	1,621	-	(33,366)	13,401	51,036	-	64,437
Net loan loss provision (recovery)	720,802	-	-	720,802	(67,275)	-	-	(67,275)
Realized gains on exchange of program-related equity investments and loans receivable	-	(419,308)	-	(419,308)	-	-	-	-
Unrealized gain on program-related equity investments	-	-	-	-	-	(2,089,309)	-	(2,089,309)
Impairment loss on program-related equity investments	-	743,604	-	743,604	-	1,361,247	-	1,361,247
Impairment loss on loans and interest receivable	-	-	-	-	-	89,256	-	89,256
Share of income of unconsolidated affiliates	(29,108)	-	29,108	-	(518,463)	-	518,463	-
Grants for capital and investment uses	(900)	-	-	(900)	(950)	-	-	(950)
Forgiven loans payable included in contributions	(115,648)	-	-	(115,648)	(95,750)	-	-	(95,750)
Changes in operating assets and liabilities -								
Interest receivable	-	(68,781)	-	(68,781)	-	(41,156)	-	(41,156)
Grants receivable	-	-	-	-	1,398,750	-	-	1,398,750
Other current assets	(210,150)	-	-	(210,150)	(61,493)	-	-	(61,493)
Interest and accounts payable	117,397	-	-	117,397	72,464	-	-	72,464
Deferred loan fees	(976)	-	-	(976)	35,985	-	-	35,985
Net cash provided by (used in) operating activities	<u>7,573,932</u>	<u>(678,536)</u>	<u>-</u>	<u>6,895,396</u>	<u>3,284,639</u>	<u>(223,949)</u>	<u>-</u>	<u>3,060,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Investment in affiliates	(9,421)	-	5,000	(4,421)	(1,443)	-	-	(1,443)
Issuance of loans receivable	(19,665,089)	(130,704)	-	(19,795,793)	(15,586,830)	(200,000)	-	(15,786,830)
Principal payments of loans receivable	12,573,302	-	-	12,573,302	12,665,634	-	-	12,665,634
Purchase of equipment and improvements	(7,674)	-	-	(7,674)	(6,144)	-	-	(6,144)
Proceeds from sales and maturities of investments	1,320,000	1,423,204	-	2,743,204	1,288,070	2,401,258	-	3,689,328
Purchase of investments	(70,817)	(342,406)	-	(413,223)	(1,576,606)	(2,341,357)	-	(3,917,963)
Purchase of program-related equity investments	-	-	-	-	-	(244)	-	(244)
Net cash provided by (used in) investing activities	<u>(5,859,699)</u>	<u>950,094</u>	<u>5,000</u>	<u>(4,904,605)</u>	<u>(3,217,319)</u>	<u>(140,343)</u>	<u>-</u>	<u>(3,357,662)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:								
Grants for capital and investment uses	900	-	-	900	950	-	-	950
Capital contribution to affiliate	5,000	-	(5,000)	-	-	-	-	-
Proceeds from loans payable	19,336,087	-	-	19,336,087	16,858,872	-	-	16,858,872
Payments on loans payable	(4,021,646)	-	-	(4,021,646)	(21,798,937)	-	-	(21,798,937)
Proceeds from subordinated loans payable	-	-	-	-	1,000,000	-	-	1,000,000
Payments on subordinated loans payable	(200,000)	-	-	(200,000)	-	-	-	-
Net cash provided by (used in) financing activities	<u>15,120,341</u>	<u>-</u>	<u>(5,000)</u>	<u>15,115,341</u>	<u>(3,939,115)</u>	<u>-</u>	<u>-</u>	<u>(3,939,115)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,834,574	271,558	-	17,106,132	(3,871,795)	(364,292)	-	(4,236,087)
CASH AND CASH EQUIVALENTS, beginning of year	2,034,695	958,469	-	2,993,164	5,906,490	1,322,761	-	7,229,251
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 18,869,269</u>	<u>\$ 1,230,027</u>	<u>\$ -</u>	<u>\$ 20,099,296</u>	<u>\$ 2,034,695</u>	<u>\$ 958,469</u>	<u>\$ -</u>	<u>\$ 2,993,164</u>
SUPPLEMENTAL DISCLOSURE -								
Cash paid for interest	<u>\$ 1,609,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,080</u>	<u>\$ 1,465,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,465,699</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS:								
Conversion of loans receivable to program-related equity investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,910	\$ -	\$ 252,910
Forfeiture of marketable securities pledged as collateral	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 200,000
Exchange of program-related equity investments	\$ -	\$ 513,263	\$ -	\$ 513,263	\$ -	\$ -	\$ -	\$ -
Conversion of program-related equity investments to loans receivable	\$ -	\$ 210,083	\$ -	\$ 210,083	\$ -	\$ -	\$ -	\$ -

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

(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 \$500,000 loan (see Note 7), which was paid off in 2007, and a \$500,000 permanent loan capital-subordinated loan payable (see Note 8) from the Treasury.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(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. During 2007, the Venture Fund made a \$5,000 cash capital contribution to Aura Mortgage, which has been eliminated in the accompanying combined and consolidating financial statements. Also in 2007, Managed Assets transferred \$475,000 to Aura Mortgage (see page 14) to support formal operations which began 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 Ventures I, LLC's contributed capital, payable monthly. The Venture Fund earned fees of \$150,900 in both 2007 and 2006. 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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(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 2007 and 2006. 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 was syndicated through newly created limited liability companies in 2005 and 2006. During 2006, the Holding Company was awarded another allocation of \$60 million, approximately \$44 million of which was syndicated in 2007. The remaining approximately \$16 million of the second NMTC allocation has not been syndicated as of December 31, 2007.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(1) OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Unconsolidated Affiliates (Continued)

BCC NMTC CDEs (Continued)

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, and the sixth of which has been used to syndicate part of the second allocation of NMTC:

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

The additional three CDEs have been formed for the remainder of the second NMTC allocation and future NMTC allocations, but have conducted no financial activity to date. They are as follows:

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 the Investor Member who provided approximately \$114 million of cumulative qualified equity investments (QEI) as of December 31, 2007, to make QLICIs of the active CDE LLCs. By making QLICIs, the CDE LLCs will enable the Investor Member to claim approximately \$44,500,000 of NMTC over credit periods of seven years. For its participation in establishing the CDE LLCs and underwriting the QLICIs made during 2007 and 2006, Managed Assets earned upfront fees of \$4,672,223 and \$1,515,753, respectively. Of the upfront fees earned during 2007 from BCC NMTC CDE VI, LLC, \$2,461,697 was not collected but is to be paid in quarterly payments through 2009. Until full performance of the underlying QLICI is certain, management has recorded an allowance for doubtful accounts equal to the amount of the uncollected receivable.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(1) OPERATIONS AND RELATED ENTITIES (Continued)

RELATED ENTITIES (Continued)

Unconsolidated Affiliates (Continued)

BCC NMTC CDEs (Continued)

Terms of the agreement with the Investor Member 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, 2007, Managed Assets was in compliance with all covenants that would cause a recapture of NMTC and management expects to maintain compliance throughout the seven-year life of each NMTC.

Managed Assets also earned annual management fees of \$306,600 and \$251,250 for the years ended December 31, 2007 and 2006, respectively, in conjunction with the management of the CDE LLCs.

Managed Assets will earn a backend fee of 5% of the highest amount invested in QLICIs over each seven-year credit period, but not to exceed 5% of 89.5% of the QEI funded by the Investor Member. No portion of backend fees has been considered earned as of December 31, 2007.

(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, Aura Mortgage and BCLF Ventures, LLCs. All significant intercompany balances and transactions have been eliminated in the accompanying combined and consolidating financial statements.

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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,490,078 and \$502,466 in escrow for outside parties as of December 31, 2007 and 2006, respectively.

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 its investment is significant 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 (see Note 4).

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Equipment and improvements as of December 31, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Computer equipment	\$133,943	\$126,269
Leasehold improvements	80,070	80,070
Office equipment	<u>77,493</u>	<u>77,493</u>
	291,506	283,832
Less - accumulated depreciation	<u>265,073</u>	<u>232,110</u>
	<u>\$ 26,433</u>	<u>\$ 51,722</u>

Depreciation expense was \$32,963 and \$36,963 in 2007 and 2006, 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 and special programs, loan loss reserves, and affiliate investments, and the Corporation's net carrying value of equipment and improvements. During 2007 and 2006, the Board of Directors released \$280,230 and designated \$218,555, 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 \$1,000,000 and \$1,500,000 for 2007 and 2006, respectively. Transfers from Managed Assets to Aura Mortgage to support mortgage broker activities were \$475,000 for 2007 (see also page 9).

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:

	<u>2007</u>	<u>2006</u>
Purpose restricted:		
Energy Advantage Program	\$4,854,488	\$ -
Loan Fund - permanent loan capital	875,126	874,226
Special Program Collaborative	534,113	798,267
Other purpose restrictions	<u>32,941</u>	<u>-</u>
Total temporarily restricted	<u>\$6,296,668</u>	<u>\$1,672,493</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

Net Assets (Continued)

Temporarily restricted net assets (Continued)

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

No outside donor has imposed an obligation on the Corporation to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses.

Accordingly, donor-restricted permanent loan capital awards have been classified as temporarily restricted net assets in the accompanying 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 2007 and 2006, \$131,654 and \$95,400, respectively, was expended for grants and other project costs and is included in special program costs 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. 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.

Energy Advantage Program net assets consist of the unspent proceeds and accumulated earned interest from a grant of \$5,000,000 received in 2007, which is restricted for a partnership between the Corporation and other agencies to design and implement a financing program to support the installation of on-site renewable energy systems for low-income housing across Massachusetts. During 2007, \$220,265 was expended for project design, feasibility, and engineering costs for this program and was released from restrictions, including \$145,512 distributed to outside parties which is included in special program costs in the accompanying 2007 combined and consolidating statements of activities.

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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,878,953 and \$1,398,418 to loan participants (see Notes 5 and 7) in 2007 and 2006, respectively. The Corporation amortizes loan fees over the term of the loans. Unamortized loan fees are included as an adjustment to 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. The allowance for loan losses is established through a provision for loan losses charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectibility through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral and current economic conditions that may affect the borrower's ability to repay.

Expense Allocation

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

(3) INVESTMENTS

Investments in Marketable Securities – Operations

Fair market values, including unrealized appreciation (depreciation) of investments in marketable securities – operations at December 31, 2007 and 2006, are summarized as follows:

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

**NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**
(Continued)

(3) INVESTMENTS (Continued)

Investments in Marketable Securities – Operations

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

Net investment gains (losses) were as follows:

	<u>2007</u>	<u>2006</u>
Net unrealized gains (losses)	\$ 146,581	\$ (5,922)
Net realized losses	<u>(111,594)</u>	<u>(7,479)</u>
	<u><u>\$ 34,987</u></u>	<u><u>\$(13,401)</u></u>

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

Investments in Marketable Securities – BCLF Ventures, LLCs

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

<u>2007</u>	<u>Ventures I, LLC</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Appreciation</u>
	U.S. Government securities	<u><u>\$ 59,933</u></u>	<u><u>\$ 60,038</u></u>	<u><u>\$ 105</u></u>
<u>2006</u>	<u>Ventures I, LLC</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Depreciation</u>
	U.S. Government securities	\$ 82,280	\$ 79,125	\$ (3,155)
<u>Ventures II, LLC</u>				
	Corporate debt securities	<u><u>700,245</u></u>	<u><u>617,534</u></u>	<u><u>(82,711)</u></u>
	Total	<u><u>\$782,525</u></u>	<u><u>\$696,659</u></u>	<u><u>\$(85,866)</u></u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(4) INVESTMENTS IN AFFILIATES

Net investment gains (losses) were as follows:

	<u>2007</u>	Ventures I, LLC	Ventures II, LLC	<u>Total</u>
Net unrealized gains		\$ 3,260	\$ 82,711	\$ 85,971
Net realized losses		<u>(2,347)</u>	<u>(85,245)</u>	<u>(87,592)</u>
Total		<u>\$ 913</u>	<u>\$ (2,534)</u>	<u>\$ (1,621)</u>
	<u>2006</u>	Ventures I, LLC	Ventures II, LLC	<u>Total</u>
Net unrealized gains		\$ 565	\$ 101,240	\$ 101,805
Net realized losses		<u>(97)</u>	<u>(152,744)</u>	<u>(152,841)</u>
Total		<u>\$ 468</u>	<u>\$ (51,504)</u>	<u>\$ (51,036)</u>

Program-Related Equity Investments – BCLF Ventures, LLCs

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

	<u>2007</u>	Number of Investee Companies	Investment Principal	Appreciation	Allowance For Impairment	Investment Balance
Ventures I, LLC						
Investments carried at cost	3	\$ 1,372,254	\$ -	\$ -	\$ 1,372,254	
Appreciated investments	1	500,000	2,158,354	-	-	2,658,354
Impaired investments	2	<u>1,200,244</u>	<u>-</u>	<u>(950,122)</u>	<u>-</u>	<u>250,122</u>
Balance, December 31, 2007	<u>6</u>	<u>\$ 3,072,498</u>	<u>\$2,158,354</u>	<u>\$ (950,122)</u>	<u>-</u>	<u>\$ 4,280,730</u>
Ventures II, LLC						
Investments carried at cost	5	\$ 7,652,257	\$ -	\$ -	\$ 7,652,257	
Appreciated investments	3	745,650	305,955	-	-	1,051,605
Impaired investments	1	<u>3,289,069</u>	<u>-</u>	<u>(3,284,569)</u>	<u>-</u>	<u>4,500</u>
Balance, December 31, 2007	<u>9</u>	<u>\$11,686,976</u>	<u>\$ 305,955</u>	<u>\$ (3,284,569)</u>	<u>-</u>	<u>\$ 8,708,362</u>
Totals		<u>\$14,759,474</u>	<u>\$2,464,309</u>	<u>\$ (4,234,691)</u>	<u>-</u>	<u>\$12,989,092</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(4) INVESTMENTS IN AFFILIATES (Continued)

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

<u>2006</u>					
<u>Ventures I, LLC</u>	<u>Number of Investee Companies</u>	<u>Investment Principal</u>	<u>Appreciation</u>	<u>Allowance For Impairment</u>	<u>Investment Balance</u>
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	<u>\$ 2,559,235</u>	<u>\$2,158,354</u>	<u>\$ (950,122)</u>	<u>\$ 3,767,467</u>
<u>Ventures II, LLC</u>	<u>Number of Investee Companies</u>	<u>Investment Principal</u>	<u>Appreciation</u>	<u>Allowance For Impairment</u>	<u>Investment Balance</u>
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	<u>\$11,722,174</u>	<u>\$ 305,955</u>	<u>\$ (2,540,965)</u>	<u>\$ 9,487,164</u>
Totals		<u>\$14,281,409</u>	<u>\$2,464,309</u>	<u>\$ (3,491,087)</u>	<u>\$13,254,631</u>

During 2007, Ventures I, LLC exchanged its common stock investment and loans receivable in one investee for the common stock of the purchaser of this investee at a gain of \$419,308, which is included in realized gains from the exchange of program-related equity investments and loans receivable in the accompanying combined and consolidating statement of activities. During 2006, Ventures I, LLC received preferred dividend returns in one investee of \$332,338, which is included in interest and 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.

During 2006, 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. During 2007, the remainder of this investment was disposed at a loss of \$743,604. During 2006, 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. 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, 2007.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

BCLF Ventures, LLCs

The financial statements of BCLF Ventures, LLCs are included in the accompanying combined and consolidating financial statements for 2007 and 2006 (see Notes 1 and 2). Summarized individual financial statements as of and for the years ended December 31, 2007 and 2006, for BCLF Ventures, LLCs follow:

<u>2007</u>		Ventures I, LLC	Ventures II, LLC	Total
<u>Balance Sheets</u>				
Cash and cash equivalents	\$ 658,160	\$ 571,867	\$ 1,230,027	
Investments in marketable securities	60,038	-	60,038	
Loans and interest receivable, net	89,255	828,200	917,455	
Program-related equity investments	<u>4,280,730</u>	<u>8,708,362</u>	<u>12,989,092</u>	
Total assets	<u>\$5,088,183</u>	<u>\$10,108,429</u>	<u>\$15,196,612</u>	
Members' investment	<u>\$5,088,183</u>	<u>\$10,108,429</u>	<u>\$15,196,612</u>	
<u>Statements of Operations</u>		Ventures I, LLC	Ventures II, LLC	Total
Interest and other investment income	\$ 50,330	\$ 79,124	\$ 129,454	
Operating expenses	<u>211,172</u>	<u>528,037</u>	<u>739,209</u>	
	(160,842)	(448,913)	(609,755)	
Other investment activity:				
Net realized and unrealized gains (losses) on investments in marketable securities	913	(2,534)	(1,621)	
Impairment losses on program- related equity investments	-	(743,604)	(743,604)	
Realized gains from the exchange of program-related equity investments and loans receivable	<u>419,308</u>	<u>-</u>	<u>419,308</u>	
Net income (loss)	<u>\$ 259,379</u>	<u>\$ (1,195,051)</u>	<u>\$ (935,672)</u>	

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

BCLF Ventures, LLCs (Continued)

<u>2006</u>	<u>Balance Sheets</u>	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	<u>3,767,467</u>	<u>9,487,164</u>	<u>13,254,631</u>	
Total assets	<u>\$4,828,804</u>	<u>\$11,303,480</u>	<u>\$16,132,284</u>	
Members' investment	<u>\$4,828,804</u>	<u>\$11,303,480</u>	<u>\$16,132,284</u>	
<u>Statements of Operations</u>				
Interest and other investment income	\$ 398,014	\$ 222,976	\$ 620,990	
Operating expenses	<u>265,099</u>	<u>538,684</u>	<u>803,783</u>	
	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	<u>(89,256)</u>	<u>-</u>	<u>(89,256)</u>	
Net income (loss)	<u>\$1,577,359</u>	<u>\$ (1,172,382)</u>	<u>\$ 404,977</u>	

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.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(4) INVESTMENTS IN AFFILIATES (Continued)

BCLF Ventures, LLCs (Continued)

As of December 31, 2007 and 2006, the BCLF Ventures, LLCs were capitalized as follows:

	<u>2007</u>	Ventures I, LLC	Ventures II, LLC	Total
Manager member - Venture Fund		\$ 50,882	\$ 101,084	\$ 151,966
Regular members - Venture Fund		2,039,962	916,325	2,956,287
Other members		<u>2,997,339</u>	<u>9,091,020</u>	<u>12,088,359</u>
Sub-total regular members		<u>5,037,301</u>	<u>10,007,345</u>	<u>15,044,646</u>
Total capital		<u>\$5,088,183</u>	<u>\$10,108,429</u>	<u>\$15,196,612</u>
	<u>2006</u>	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		<u>2,886,574</u>	<u>10,166,565</u>	<u>13,053,139</u>
Sub-total regular members		<u>4,780,516</u>	<u>11,190,445</u>	<u>15,970,961</u>
Total capital		<u>\$4,828,804</u>	<u>\$11,303,480</u>	<u>\$16,132,284</u>

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, 2005	\$1,306,530	\$1,254,152	\$2,560,682
Share of gain (loss)	<u>635,700</u>	<u>(117,237)</u>	<u>518,463</u>
Net investment, December 31, 2006	1,942,230	1,136,915	3,079,145
Share of gain (loss)	<u>148,614</u>	<u>(119,506)</u>	<u>29,108</u>
Net investment, December 31, 2007	<u>\$2,090,844</u>	<u>\$1,017,409</u>	<u>\$3,108,253</u>

Also included in the Venture Fund's investments in affiliates as of December 31, 2007, is the \$5,000 capital contribution it made to Aura Mortgage (see Note 1) during 2007.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(4) INVESTMENTS IN AFFILIATES (Continued)

CDE LLCs

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

As of December 31, 2007 and 2006, Managed Assets had the following amounts invested in the CDE LLCs:

	<u>2007</u>	<u>2006</u>
BCC NMTC CDE I, LLC	\$2,844	\$2,844
BCC NMTC CDE II, LLC	892	892
BCC NMTC CDE III, LLC	575	575
BCC NMTC CDE IV, LLC	2,137	2,137
BCC NMTC CDE V, LLC	551	551
BCC NMTC CDE VI, LLC	<u>4,421</u>	<u>-</u>
	<u>\$11,420</u>	<u>\$6,999</u>

(5) LOANS AND INTEREST RECEIVABLE

Loan Fund

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.

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

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

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

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(5) LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

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 are primarily collateralized by first or second mortgages on property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender or other forms of collateral. There are three unsecured loans receivable totaling \$783,907 and \$496,352 at December 31, 2007 and 2006, respectively. The Corporation's five largest outstanding loans receivable were approximately 37% and 33% of the portfolio as of December 31, 2007 and 2006, respectively.

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

<u>Type</u>	2007		2006	
	<u>Number Of Loans</u>	<u>Net Loan Amount</u>	<u>Number Of Loans</u>	<u>Net Loan Amount</u>
Site acquisition	22	\$16,427,852	22	\$12,512,007
Construction	40	16,288,604	42	12,959,971
Organizational	16	8,955,367	17	8,445,608
Permanent	19	6,287,174	19	3,888,785
Predevelopment	9	<u>5,946,641</u>	<u>15</u>	<u>8,378,014</u>
	<u>106</u>	<u>\$53,905,638</u>	<u>115</u>	<u>\$46,184,385</u>

Loans receivable of the Loan Fund consist of approximately 106 and 115 individual loans and are presented net of third party loan participations of \$33,284,904 and \$31,536,411 as of December 31, 2007 and 2006, 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*. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities.

Scheduled repayments of principal of loans receivable for the years ending after December 31, 2007, are as follows:

<u>Year</u>	
2008	\$30,360,070
2009	4,227,037
2010	2,829,826
2011	205,890
2012	7,114,387
Thereafter	<u>9,168,428</u>
	<u>53,905,638</u>
Adjustment for deferred loan fees (see Note 2)	(185,506)
Less - allowance for loan losses (see Note 6)	<u>(1,038,374)</u>
	<u>\$52,681,758</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

**NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**
(Continued)

(5) LOANS AND INTEREST RECEIVABLE (Continued)

Loan Fund (Continued)

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 had committed approximately \$17,800,000 and \$10,000,000 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, 2007 and 2006, 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, 2007, the Corporation had forecasted net cash outflows of approximately \$15,000,000 during the first quarter of 2008.

The Loan Fund also has a 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, 2007, there is a guarantee of \$4,600,000 for one loan receivable from USDA under this agreement. During 2007 and 2006, the Loan Fund has not received any amounts under this agreement.

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. During 2007, Managed Assets was repaid on twelve of the thirteen mortgage loans receivable. The remaining loan is secured by residential properties, due in monthly installments of principal and interest, bears interest at 6.25% and matures in January, 2033.

Principal maturities of the remaining loan receivable as of December 31, 2007, are as follows:

<u>Year</u>	
2008	\$ 1,213
2009	1,250
2010	1,287
2011	1,325
2012	1,365
Thereafter	<u>56,462</u>
Total	<u>\$62,902</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(5) LOANS AND INTEREST RECEIVABLE (Continued)

BCLF Ventures, LLCs

Loans receivable of BCLF Ventures, LLCs consist of unsecured notes receivable from companies in which BCLF Ventures, LLCs have also made program-related equity investments (see Note 3). As of December 31, 2007, 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. During 2007, \$210,083 of program-related equity investments in Ventures II, LLC were converted to loans receivable.

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

	<u>2007</u>	<u>Ventures I, LLC</u>	<u>Ventures II, LLC</u>	<u>Total</u>
Number of companies		1	2	
Number of notes		1	3	
Interest rates		14%	4.5% - prime (7.25% at December 31, 2007)	
Loan principal	\$ 78,702	\$757,822	\$ 836,524	
Interest receivable	<u>10,553</u>	<u>70,378</u>	<u>80,931</u>	
Total	<u><u>\$ 89,255</u></u>	<u><u>\$828,200</u></u>	<u><u>\$ 917,455</u></u>	
	<u>2006</u>	<u>Ventures I, LLC</u>	<u>Ventures II, LLC</u>	<u>Total</u>
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	<u>24,645</u>	<u>33,650</u>	<u>58,295</u>	
Total	<u><u>\$668,375</u></u>	<u><u>\$554,150</u></u>	<u><u>\$1,222,525</u></u>	

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

2008	\$299,202	
2009	\$ -	
2010	\$300,000	
2011	\$ -	
2012	\$237,322	

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

BCLF Ventures, LLCs (Continued)

During the year ended December 31, 2006, Ventures I, LLC recognized impairment losses on loans and interest receivable in the amount of \$89,256 due to the financial performance of certain portfolio companies. During the year ended December 31, 2007, there were no additional impairment losses on loans or interest receivable.

During the year ended December 31, 2007, Ventures I, LLC exchanged its common stock investment and loans receivable in one investee for the common stock of the purchaser of this investee (see Note 4).

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

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

	<u>2007</u>	<u>2006</u>
Board designated net assets for loan loss reserves (see Note 2)	\$1,711,417	\$1,991,647
Allowance for loan losses (see below)	<u>1,038,374</u>	<u>317,572</u>
	<u><u>\$2,749,791</u></u>	<u><u>\$2,309,219</u></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 the combined and consolidating financial statements, consists of the following:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 317,572	\$384,847
Change in allowance	<u>720,802</u>	<u>(67,275)</u>
Balance, end of year	<u><u>\$1,038,374</u></u>	<u><u>\$317,572</u></u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(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 \$10,000,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2017. In the ordinary course of operations, the Loan Fund negotiates extensions of maturity with many investors. Loans payable of the Loan Fund are unsecured with recourse to the general assets of the Loan Fund.

The Corporation has available four lines of credit with financial institutions. The Corporation had an unsecured revolving line of credit agreement with a financial institution in the principal amount of \$12,000,000 until May, 2007, when the Corporation and the financial institution signed an agreement for a syndicated line of credit for a maximum of \$50,000,000, with \$38,000,000 of this amount being participated out to other financial institutions. During 2007, there was a \$3,000,000 participation from another financial institution, which brought the total 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% (6.60% and 7.07% at December 31, 2007 and 2006, respectively). There were no amounts outstanding under this agreement as of December 31, 2007 and 2006. The line of credit matures in May, 2009, and is renewable annually thereafter.

The Corporation also has a \$4,000,000 unsecured 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, 2007 and 2006). As of December 31, 2007 and 2006, \$4,000,000 was outstanding under this agreement.

In 2007, the Corporation entered into a \$15,000,000 unsecured non-revolving line of credit with a financial institution which expires in December, 2016. Outstanding advances under this line of credit bear interest at the financial institution's seven-year cost of funds, plus 125 basis points (4.94% at December 31, 2007). 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. In 2007, the Corporation also entered into a \$5,000,000 unsecured revolving line of credit with the same financial institution which expires in December, 2011. Outstanding advances under this line of credit bear interest at 4%. There were no amounts outstanding under these agreements as of December 31, 2007.

The above loans payable and lines of credit require the Corporation to maintain certain financial ratios and other covenants as specified in the agreements. As of December 31, 2007 and 2006, the Corporation was in compliance with these covenants. The balance of loans payable of the Loan Fund were as follows as of December 31:

	<u>2007</u>	<u>2006</u>
Lines of credit	\$ 4,000,000	\$ 4,000,000
Other loans payable	<u>38,787,418</u>	<u>23,588,625</u>
	<u>\$42,787,418</u>	<u>\$27,588,625</u>

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

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

Maturities

Maturities of all loans payable as of December 31, 2007, are as follows:

<u>Year</u>	<u>Loan Fund</u>	<u>Venture Fund</u>	<u>Total</u>
2008	\$ 3,682,723	\$ -	\$ 3,682,723
2009	7,613,200	-	7,613,200
2010	3,858,956	-	3,858,956
2011	5,275,499	-	5,275,499
2012	6,289,050	-	6,289,050
Thereafter	<u>16,067,990</u>	<u>15,000</u>	<u>16,082,990</u>
Total loans	<u>\$42,787,418</u>	<u>\$15,000</u>	<u>\$42,802,418</u>

The current maturities as of December 31, 2007 and 2006, include \$469,000 and \$208,446, 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 (36 and 37 individual loans as of December 31, 2007 and 2006, 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, 2007, are as follows:

2010	\$ 650,000
2017	\$12,100,000
2021	\$ 500,000

As of December 31, 2007 and 2006, \$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. Interest on these intercompany borrowings totaled \$72,000 in 2007 and 2006. The remaining proceeds of \$10,950,000 and \$11,150,000 as of December 31, 2007 and 2006, respectively, have been held as permanent loan capital of the Loan Fund.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES

NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006 (Continued)

(9) LEASES AND OTHER COMMITMENTS

The Corporation has a lease agreement which terminates October, 2009, to rent office space in Roxbury, Massachusetts. In 2007, the Corporation entered into a new lease agreement to rent office space in Framingham, Massachusetts, through April, 2008, with an option to extend the lease for one year. Under these leases, the Corporation is obligated for monthly rental payments and is also responsible for its share of utilities. For the Roxbury lease, the Corporation is also responsible for its share of real estate taxes. Total expense under these facility leases was \$130,036 and \$119,265 for 2007 and 2006, 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 these agreement are as follows:

2008	\$108,594
2009	\$ 90,470

The Corporation has operating lease agreements for office equipment and an agreement with a company to provide ongoing telecommunications and data services to the Corporation through April, 2008, an agreement with a company to provide ongoing information technology services to the Corporation through October, 2008, and an agreement with a company to provide ongoing data backup to the Corporation through October, 2009. Future minimum payments under these agreements are as follows:

2008	\$60,115
2008	\$13,567
2009	\$ 4,900

(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 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 2007 and 2006 was \$74,532 and \$72,157, respectively, and is included in personnel in the accompanying combined and consolidating statements of activities.

(11) CONTINGENCIES

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 3 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. Associated legal fees 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, 2007, the outcome of this lawsuit is uncertain and thus no recovery has been accrued in the accompanying combined and consolidating financial statements.

BOSTON COMMUNITY CAPITAL, INC. AND AFFILIATES
NOTES TO COMBINED AND CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

(11) CONTINGENCIES (Continued)

Ventures II, LLC

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 3). As a result, a gain in the amount of \$200,000 is contingent upon the outcome of the lawsuit. As of December 31, 2007, the outcome of this lawsuit is uncertain and thus no recovery has been accrued in the accompanying combined and consolidating financial statements.

(12) RECLASSIFICATIONS

Certain amounts in the 2006 combined financial statements have been reclassified to conform with the 2007 presentation.