

**BOSTON COMMUNITY LOAN FUND, INC.**

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

**BOSTON COMMUNITY LOAN FUND, INC.**

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DECEMBER 31, 2007 AND 2006**

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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, 2007 and 2006, 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, 2007 and 2006, 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  
February 1, 2008

**BOSTON COMMUNITY LOAN FUND, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006**

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 9,503,432	\$ 561,391
Cash and cash equivalents - escrow funds	2,487,309	498,726
Current portion of loans receivable, net of allowance for loan losses of \$586,840 and \$82,505 as of December 31, 2007 and 2006, respectively	29,773,230	11,867,663
Other current assets	537,677	403,379
Total current assets	<u>42,301,648</u>	<u>13,331,159</u>
<b>INVESTMENTS</b>	1,649,783	1,578,894
<b>LOANS RECEIVABLE</b> , net of current portion and allowance for loan losses of \$451,534 and \$235,067 as of December 31, 2007 and 2006, respectively	22,908,528	33,812,668
<b>AFFILIATE LOANS RECEIVABLE</b>	<u>2,300,000</u>	<u>2,300,000</u>
Total assets	<u>\$ 69,159,959</u>	<u>\$ 51,022,721</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of loans payable	\$ 3,682,723	\$ 4,086,082
Interest and accounts payable	324,772	276,099
Escrow funds	2,487,309	498,726
Total current liabilities	<u>6,494,804</u>	<u>4,860,907</u>
<b>LOANS PAYABLE</b> , net of current portion	39,104,695	23,502,543
<b>PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE</b>	<u>13,250,000</u>	<u>13,450,000</u>
Total liabilities	<u>58,849,499</u>	<u>41,813,450</u>
<b>NET ASSETS:</b>		
Unrestricted -		
General	6,591,417	5,210,898
Board designated for permanent loan capital and special programs	1,132,500	1,000,000
Board designated for loan loss reserves	1,711,417	1,991,647
Total unrestricted	<u>9,435,334</u>	<u>8,202,545</u>
Temporarily restricted -		
Permanent loan capital	875,126	874,226
Special Program Collaborative	-	132,500
Total temporarily restricted	<u>875,126</u>	<u>1,006,726</u>
Total net assets	<u>10,310,460</u>	<u>9,209,271</u>
Total liabilities and net assets	<u>\$ 69,159,959</u>	<u>\$ 51,022,721</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, 2007 AND 2006**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b><u>UNRESTRICTED NET ASSETS:</u></b>		
<b>OPERATING REVENUES:</b>		
Financial and earned revenue -		
Interest on loans, net	\$ 3,641,794	\$ 3,085,151
Interest on investments and cash equivalents	34,931	42,479
Less - interest expense	(1,527,943)	(1,447,999)
Loan fees and other	311,222	340,853
Net loan loss recovery (provision)	<u>(720,802)</u>	<u>67,275</u>
Total operating revenues	<u>1,739,202</u>	<u>2,087,759</u>
<b>OPERATING EXPENSES:</b>		
Personnel	1,289,303	1,135,807
Office operations	210,653	208,800
Accounting and investment fees	44,944	27,206
Consultants	35,665	38,243
Marketing	22,226	27,627
Legal	14,690	11,623
Insurance and other	13,890	14,247
Travel	<u>12,031</u>	<u>6,597</u>
Total operating expenses	<u>1,643,402</u>	<u>1,470,150</u>
Changes in unrestricted net assets from operations	95,800	617,609
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Net realized and unrealized gains (losses) on investments	4,489	(1,720)
Grants from affiliates for support of lending activities	1,000,000	1,500,000
Net assets released from purpose restrictions	<u>132,500</u>	<u>-</u>
Changes in unrestricted net assets	<u>1,232,789</u>	<u>2,115,889</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS:</u></b>		
Grants and contributions	900	950
Net assets released from restrictions	(132,500)	-
Grant from affiliate for support of lending activities	<u>-</u>	<u>132,500</u>
Changes in temporarily restricted net assets	<u>(131,600)</u>	<u>133,450</u>
Changes in net assets	<u><u>\$ 1,101,189</u></u>	<u><u>\$ 2,249,339</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, 2007 AND 2006**

	<u>UNRESTRICTED</u>	<u>UNRESTRICTED - BOARD DESIGNATED</u>		<u>TEMPORARILY RESTRICTED</u>		
		PERMANENT LOAN CAPITAL AND SPECIAL PROGRAMS	LOAN LOSS RESERVES	PERMANENT LOAN CAPITAL	SPECIAL PROGRAM COLLABORATIVE	<u>TOTAL</u>
	<u>GENERAL</u>					
<b>NET ASSETS</b> , December 31, 2005	\$ 3,313,564	\$ 1,000,000	\$ 1,773,092	\$ 873,276	\$ -	\$ 6,959,932
Changes in net assets	2,115,889	-	-	950	132,500	2,249,339
Board transfers of unrestricted net assets	<u>(218,555)</u>	<u>-</u>	<u>218,555</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b> , 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>
<b>NET ASSETS</b> , December 31, 2007	<u><u>\$ 6,591,417</u></u>	<u><u>\$ 1,132,500</u></u>	<u><u>\$ 1,711,417</u></u>	<u><u>\$ 875,126</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,310,460</u></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, 2007 AND 2006**

	<u><b>2007</b></u>	<u><b>2006</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,101,189	\$ 2,249,339
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized gains (losses) on investments	(4,489)	1,720
Net loan loss provision (recovery)	720,802	(67,275)
Grants for capital and investment uses	(1,000,900)	(1,500,950)
Forgiven loans payable included in contributions	(115,648)	(95,750)
Changes in operating assets and liabilities -		
Grants receivable	-	1,398,750
Other current assets	(134,298)	(83,560)
Interest and accounts payable	48,673	25,852
Deferred loan fees	(976)	35,985
	<u>614,353</u>	<u>1,964,111</u>
Net cash provided by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Issuance of loans receivable	(19,665,089)	(15,586,830)
Principal payments of loans receivable	11,943,836	12,561,236
Net proceeds (payments) of investment trading activity	<u>(66,400)</u>	<u>2,954,783</u>
Net cash used in investing activities	<u>(7,787,653)</u>	<u>(70,811)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Grants for capital and investment uses	1,000,900	1,500,950
Proceeds from loans payable	19,336,087	16,858,872
Payments on loans payable	(4,021,646)	(21,798,937)
Proceeds from subordinated loans payable	-	1,000,000
Payments on subordinated loans payable	<u>(200,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>16,115,341</u>	<u>(2,439,115)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,942,041	(545,815)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>561,391</u>	<u>1,107,206</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 9,503,432</u></u>	<u><u>\$ 561,391</u></u>
<b>SUPPLEMENTAL DISCLOSURE -</b>		
Cash paid for interest	<u><u>\$ 1,609,080</u></u>	<u><u>\$ 1,465,699</u></u>

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

## **BOSTON COMMUNITY LOAN FUND, INC.**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006**

#### **(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 affiliated nonprofits also maintain interests in other limited liability companies which have no direct relationships or transactions with the Loan Fund. Because the four affiliated nonprofit corporations are controlled by a common Board of Directors and management, the affiliated nonprofits report their collective financial results and financial position in separately issued combined 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 (see Note 6), which was paid off in 2007, and a \$500,000 permanent loan capital-subordinated loan payable (see Note 7) from the Treasury.

#### **(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.



**BOSTON COMMUNITY LOAN FUND, INC.**

**NOTES TO 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 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. The Federal Deposit Insurance Loan Fund (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 Loan Fund also held cash balances of \$2,487,309 and \$498,726 in escrow for outside parties as of December 31, 2007 and 2006, 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).

Investments 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 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 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 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 and \$1,500,000 for 2007 and 2006, respectively, and are shown as grants from affiliate for support of lending activities in the accompanying statements of activities.

**BOSTON COMMUNITY LOAN FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

(Continued)

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

Net Assets (Continued)

**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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Purpose restricted:		
Permanent loan capital	\$875,126	\$ 874,226
Special Program Collaborative	<u>-</u>	<u>132,500</u>
Total temporarily restricted	<u>\$875,126</u>	<u>\$1,006,726</u>

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 (see Note 7).

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.

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 \$1,878,953 and \$1,398,418 to loan participants (see Notes 4 and 6) in 2007 and 2006, respectively. The Loan Fund amortizes loan fees over the terms of the loans. Unamortized 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.

**BOSTON COMMUNITY LOAN FUND, INC.**

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

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

Revenue Recognition (Continued)

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.

**(3) INVESTMENTS**

Fair market values including unrealized appreciation (depreciation) of investments 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	<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>
<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 held by the Holding Company	4,937,008	4,810,532	(126,476)
Less - amounts held allocated to the other affiliates (see Note 2)	<u>(3,236,800)</u>	<u>(3,231,638)</u>	<u>(5,162)</u>
Total investments of the Loan Fund	<u>\$ 1,700,208</u>	<u>\$ 1,578,894</u>	<u>\$(121,314)</u>

**BOSTON COMMUNITY LOAN FUND, INC.**

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

**(3) INVESTMENTS (Continued)**

Net realized and unrealized gains (loss) of the Loan Fund were as follows:

	<u>2007</u>	<u>2006</u>
Net unrealized gain (losses)	\$ 18,806	\$ (760)
Net realized losses	<u>(14,317)</u>	<u>(960)</u>
Loan fund	<u>\$ 4,489</u>	<u>\$(1,720)</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.

**(4) LOANS RECEIVABLE**

Loans Receivable

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.

Loans receivable bear interest at rates ranging from one to ten percent (1% - 10%) and mature at various dates through 2042. Loans receivable are generally made in connection with affordable housing and community development projects and most are collateralized by first or second mortgages on property of the borrower. There are three unsecured loans receivable totaling \$783,907 and \$496,352, at December 31, 2007 and 2006, respectively. The Loan Fund's five largest outstanding loans receivable were approximately 37% and 33% of the portfolio as of December 31, 2007 and 2006, respectively.

**BOSTON COMMUNITY LOAN FUND, INC.**

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

**(4) LOANS RECEIVABLE (Continued)**

Loans Receivable (Continued)

The Loan Funds' loans, as described above, at December 31, 2007 and 2006, are as follows:

<u>Type</u>	<u>2007</u>		<u>2006</u>	
	<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	<u>9</u>	<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>
	53,905,638
Adjustment for deferred loan fees (see Note 2)	(185,506)
Less - allowance for loan losses (see Note 5)	<u>(1,038,374)</u>
	<u>\$52,681,758</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.

# BOSTON COMMUNITY LOAN FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

(Continued)

### (4) LOANS RECEIVABLE (Continued)

#### Loans Receivable (Continued)

The Loan Fund has 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 Loan Fund has in place liquidity management policies and procedures to manage the timing of expected disbursements on these loans. Among the tools available to manage liquidity are lines of credit with financial institutions (see Note 6), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2007, the Loan Fund had forecasted net cash outflows of approximately \$15,000,000 during the first quarter of 2008.

#### Guarantee Agreement

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.

### (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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Board designated net assets for loan loss reserves (see Note 1)	\$1,711,417	\$1,991,647
Allowance for loan losses	<u>1,038,374</u>	<u>317,572</u>
	<u>\$2,749,791</u>	<u>\$2,309,219</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.

**BOSTON COMMUNITY LOAN FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

(Continued)

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

The loan loss allowance, which has been allocated proportionally to the long-term and current portions of the loan portfolio in the accompanying 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>\$1,038,374</u>	<u>\$317,572</u>

**(6) LOANS PAYABLE**

Loans payable of the Loan Fund represent loans by approximately 300 lenders ("investors") in principal amounts ranging from \$500 to \$4,000,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2014. In the ordinary course of operations, the Loan Fund negotiates extensions of maturity with many investors. 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 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 Loan Fund 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 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 (4.94% 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 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 these agreements as of December 31, 2007.

**BOSTON COMMUNITY LOAN FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

(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, 2007 and 2006, 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>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>

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

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

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

Permanent loan capital – subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (36 and 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 Loan Fund 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



**BOSTON COMMUNITY LOAN FUND, INC.**

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

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

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 certain investments of the Venture Fund. 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 \$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.