

BOSTON COMMUNITY LOAN FUND, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

BOSTON COMMUNITY LOAN FUND, INC.

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DECEMBER 31, 2009 AND 2008**

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

21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
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 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, 2009 and 2008, 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, 2009 and 2008, 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 to 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. As required under accounting principles generally accepted in the United States of America, the financial statements of the Loan Fund are also consolidated with those of the affiliated group.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
March 11, 2010

BOSTON COMMUNITY LOAN FUND, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,675,694	\$ 10,438,635
Cash and cash equivalents - escrow funds	6,179,539	2,048,838
Current portion of loans and interest receivable, net of allowance for loan losses of \$2,363,827 and \$1,789,151 as of December 31, 2009 and 2008, respectively	23,207,304	20,955,954
Other current assets	<u>103,200</u>	<u>122,484</u>
Total current assets	<u>39,165,737</u>	<u>33,565,911</u>
INVESTMENTS	1,801,470	1,724,063
LOANS AND INTEREST RECEIVABLE , net of current portion, and allowance for loan losses of \$772,253 and \$225,659 as of December 31, 2009 and 2008, respectively	41,947,241	40,875,915
AFFILIATE LOANS RECEIVABLE	<u>5,300,000</u>	<u>5,300,000</u>
Total assets	<u><u>\$ 88,214,448</u></u>	<u><u>\$ 81,465,889</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current portion of loans payable	\$ 9,783,408	\$ 9,303,865
Current portion of permanent loan capital - subordinated loans payable	172,698	-
Interest and accounts payable	552,408	318,629
Escrow funds	<u>6,179,539</u>	<u>2,048,838</u>
Total current liabilities	16,688,053	11,671,332
LOANS PAYABLE , net of current portion	43,489,831	43,899,590
PERMANENT LOAN CAPITAL - SUBORDINATED		
LOANS PAYABLE , net of current portion	<u>15,077,302</u>	<u>15,250,000</u>
Total liabilities	<u>75,255,186</u>	<u>70,820,922</u>
NET ASSETS:		
Unrestricted -		
General	8,617,773	6,561,349
Board designated for permanent loan capital and special programs	1,132,500	1,132,500
Board designated for loan loss reserves	<u>2,331,898</u>	<u>2,075,042</u>
Total unrestricted	12,082,171	9,768,891
Temporarily restricted	<u>877,091</u>	<u>876,076</u>
Total net assets	<u>12,959,262</u>	<u>10,644,967</u>
Total liabilities and net assets	<u><u>\$ 88,214,448</u></u>	<u><u>\$ 81,465,889</u></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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<u>UNRESTRICTED NET ASSETS:</u>		
OPERATING REVENUES:		
Financial and earned revenues -		
Interest on loans, net	\$ 4,539,971	\$ 4,181,399
Investment income	149,295	299,500
Less - interest expense	(2,581,427)	(2,263,908)
Loan fees and other	356,651	558,785
Net loan loss provision	<u>(1,097,271)</u>	<u>(821,378)</u>
Net financial and earned revenue	1,367,219	1,954,398
Grants and contributions	<u>1,000,000</u>	<u>-</u>
Total operating revenues	<u>2,367,219</u>	<u>1,954,398</u>
OPERATING EXPENSES:		
Personnel	1,258,275	1,257,699
Office operations	134,630	197,330
Accounting and investment fees	47,672	48,729
Consultants	47,043	51,057
Marketing	32,303	31,039
Travel	15,861	14,026
Insurance and other	13,263	13,165
Legal	<u>4,892</u>	<u>7,796</u>
Total operating expenses	<u>1,553,939</u>	<u>1,620,841</u>
Changes in unrestricted net assets from operations	813,280	333,557
OTHER CHANGES IN UNRESTRICTED NET ASSETS -		
Grants from affiliate for support of new initiatives	<u>1,500,000</u>	<u>-</u>
Changes in unrestricted net assets	<u>2,313,280</u>	<u>333,557</u>
<u>TEMPORARILY RESTRICTED NET ASSETS -</u>		
Grants and contributions	<u>1,015</u>	<u>950</u>
Changes in temporarily restricted net assets	<u>1,015</u>	<u>950</u>
Changes in net assets	<u><u>\$ 2,314,295</u></u>	<u><u>\$ 334,507</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, 2009 AND 2008**

	<u>UNRESTRICTED</u>	<u>UNRESTRICTED - BOARD DESIGNATED</u>		<u>TEMPORARILY RESTRICTED</u>	
	<u>GENERAL</u>	<u>PERMANENT LOAN CAPITAL AND SPECIAL PROGRAMS</u>	<u>LOAN LOSS RESERVES</u>	<u>PERMANENT LOAN CAPITAL</u>	<u>TOTAL</u>
NET ASSETS, December 31, 2007	\$ 6,591,417	\$ 1,132,500	\$ 1,711,417	\$ 875,126	\$ 10,310,460
Changes in net assets	333,557	-	-	950	334,507
Transfers of unrestricted net assets	<u>(363,625)</u>	<u>-</u>	<u>363,625</u>	<u>-</u>	<u>-</u>
NET ASSETS, December 31, 2008	6,561,349	1,132,500	2,075,042	876,076	10,644,967
Changes in net assets	2,313,280	-	-	1,015	2,314,295
Transfers of unrestricted net assets	<u>(256,856)</u>	<u>-</u>	<u>256,856</u>	<u>-</u>	<u>-</u>
NET ASSETS, December 31, 2009	<u>\$ 8,617,773</u>	<u>\$ 1,132,500</u>	<u>\$ 2,331,898</u>	<u>\$ 877,091</u>	<u>\$ 12,959,262</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, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,314,295	\$ 334,507
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net loan loss provision and adjustment for non-accrual	1,097,271	821,378
Grants for capital and investment uses	(1,015)	(950)
Forgiven loans payable included in contributions	-	(6,900)
Changes in operating assets and liabilities -		
Other current assets	19,284	3,879
Interest and accounts payable	233,779	(6,143)
Deferred loan fees	21,579	60,528
Interest receivable	<u>(450,495)</u>	<u>116,683</u>
Net cash provided by operating activities	<u>3,234,698</u>	<u>1,322,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of affiliate loans receivable	-	(3,000,000)
Issuance of loans receivable	(12,312,897)	(18,582,719)
Principal payments of loans receivable	8,321,866	8,845,333
Net investment activity	<u>(77,407)</u>	<u>(74,280)</u>
Net cash used in investing activities	<u>(4,068,438)</u>	<u>(12,811,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Grants for capital and investment uses	1,015	950
Proceeds from loans payable	1,302,784	11,559,437
Principal payments on loans payable	(1,233,000)	(1,136,500)
Proceeds from subordinated loans payable	<u>-</u>	<u>2,000,000</u>
Net cash provided by financing activities	<u>70,799</u>	<u>12,423,887</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(762,941)	935,203
CASH AND CASH EQUIVALENTS, beginning of year	<u>10,438,635</u>	<u>9,503,432</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 9,675,694</u></u>	<u><u>\$ 10,438,635</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Cash paid for interest	<u><u>\$ 2,556,865</u></u>	<u><u>\$ 2,255,350</u></u>

The accompanying notes are an integral part of these statements.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

(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** d/b/a Boston Community Managed Assets (Managed Assets) 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.** d/b/a Boston Community Venture Fund (the Venture Fund) was formed in 1994 to assist small community-based businesses and entrepreneurs to start, grow, and expand businesses which strengthen the low-income business community.
- **Boston Community Capital, Inc.** (the Holding Company) was formed to create and preserve healthy communities where low-income people live and work.

The four affiliated nonprofit corporations are collectively referred to as the Corporation within these notes. To carry out its 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. The four affiliated nonprofits also maintain interests in other affiliates, which include:

- **SUN Initiative Financing, LLC** (SUN Initiative), a Massachusetts limited liability company established to finance the operations of the Stabilizing Urban Neighborhoods initiative. SUN Initiative is controlled by the Holding Company by virtue of common management. The goal of this initiative is to stop the displacement of families and the neighborhood destabilizing effects of home vacancies and abandonment by enabling homeowners with overleveraged properties to stay in their homes.
- **BCC Solar Energy Advantage, Inc.** (SEA), a Massachusetts for-profit corporation - owned and controlled by the Holding Company, which facilitates the delivery of solar energy to affordable housing projects and others.

Because the affiliated nonprofit corporations are controlled by a common Board of Directors and management, the affiliated nonprofits and other controlled affiliates report their collective financial results and financial position in separately issued 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.

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

(1) OPERATIONS (Continued)

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 permanent loan capital-subordinated loan payable from the Treasury (see Note 6). In 2009, the Loan Fund received a \$1,000,000 grant from the Treasury.

(2) SIGNIFICANT ACCOUNTING POLICIES

The Loan Fund prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U. S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Concentration of Risk

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

Cash and cash equivalents are maintained by the Holding Company in banks in Massachusetts and are insured within the limits of the Federal Deposit Insurance Loan Fund (FDIC). At times, cash and cash equivalents may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with their balances, to minimize potential risk.

The Loan Fund also held cash balances of \$6,179,539 and \$2,048,838 in escrow for outside parties as of December 31, 2009 and 2008, respectively. These amounts are escrowed for Loan Fund borrowers for various purposes, including working capital reserves, replacement reserves, and construction fund escrows.

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value

The Loan Fund follows the *Fair Value Measurements and Disclosure Standards* under U.S. GAAP. These standards define fair value, describe a framework for measuring fair value, and specify required disclosures. Fair value, where applicable, is determined using a hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

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

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments consist of a certificate of deposit (CD) held in the name of the Loan Fund. The CD bears interest at 4.4% and matures on October 28, 2012.

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 2009 and 2008, the Board of Directors designated and released \$256,856 and \$363,625 and, respectively, of the Loan Fund's general unrestricted net assets for loan loss reserves (see Note 4).

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 \$1,500,000 for 2009 and are shown as grants from affiliate for support of new initiatives in the accompanying statement of activities.

Temporarily restricted net assets are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Temporarily restricted net assets are purpose restricted for permanent loan capital as of December 31, 2009 and 2008.

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.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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. 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, but was added to Board designated net assets to be held and used for purposes of the Collaborative.

Uncertainty in Income Taxes

The Loan Fund adopted the new U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes* which require the Loan Fund to report any uncertain tax positions and to adjust its financial statements for the impact thereof. As of December 31, 2009, the Loan Fund determined that it had no tax positions that did not meet the "more likely than not" threshold of being sustained by the applicable tax authority. The Loan Fund files informational returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

Revenue Recognition

Revenues from interest on loans and investments and other sources are recognized as unrestricted revenue as earned on an accrual basis. Interest on loans is presented net of interest expense of \$3,254,701 and \$2,822,520 to loan participants (see Notes 3 and 5) in 2009 and 2008, respectively. The Loan Fund amortizes loan origination fees over the terms of long-term loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying statements of financial position (see Note 3).

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 loan losses based on management's evaluation of each asset. 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.

BOSTON COMMUNITY LOAN FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 affiliated companies (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.

Subsequent Events

The preparation of financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through March 11, 2010, which is the date the financial statements were available to be issued.

(3) LOANS AND INTEREST RECEIVABLE

Portfolio Lending

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

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

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

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

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

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

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

(3) LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

Loans receivable bear interest at rates ranging from approximately three to ten percent (3% - 10%) and mature at various dates through 2042. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities. Loans receivable are generally made in connection with affordable housing and community development projects and are primarily collateralized by first or second mortgages on the property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender or other forms of collateral. There are one and two unsecured loans receivable, respectively, at December 31, 2009 and 2008, totaling \$268,615 and \$457,306. The Loan Fund's five largest outstanding loans receivable were approximately 33% and 36% of the portfolio as of December 31, 2009 and 2008, respectively.

<u>Type</u>	<u>2009</u>		<u>2008</u>	
	<u>Number Of Loans</u>	<u>Net Loan Amount</u>	<u>Number Of Loans</u>	<u>Net Loan Amount</u>
Site Acquisition	26	\$20,005,718	25	\$23,120,883
Construction	38	17,975,694	37	13,714,755
Permanent	21	15,299,299	19	11,778,682
Organizational	12	8,931,324	13	8,585,801
Predevelopment	<u>7</u>	<u>5,601,077</u>	<u>9</u>	<u>6,597,961</u>
	<u>104</u>	<u>\$67,813,112</u>	<u>103</u>	<u>\$63,798,082</u>

Loans receivable of the Loan Fund are presented net of third party loan participations of \$48,915,941 and \$50,574,452 as of December 31, 2009 and 2008, respectively. All loan participations qualify as loan sales in accordance with the U.S. GAAP criteria for *Accounting for Transfers of Financial Assets and Extinguishments of Liabilities*.

Scheduled repayments of principal of loans and interest receivable of \$745,126 for the years ending after December 31, 2009, are as follows:

<u>Year</u>	
2010	\$25,571,131
2011	1,688,517
2012	11,299,976
2013	3,959,905
2014	4,351,509
Thereafter	<u>21,687,200</u>
	68,558,238
Adjustment for deferred loan fees (see Note 2)	(267,613)
Less - allowance for loan losses (see Note 4)	<u>(3,136,080)</u>
	<u>\$65,154,545</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, 2009 AND 2008
(Continued)**

(3) LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

The Loan Fund had committed approximately \$17,700,000 and \$14,100,000 of current assets (cash, cash equivalents and short-term investments) for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2009 and 2008, respectively. The Loan Fund also committed approximately \$5,000,000 and \$10,000,000 of current assets for loan and line of credit commitments to SEA and SUN Initiative (see Note 1), respectively, to support their programs. The Corporation has liquidity management policies and procedures to manage the timing of expected disbursements on these loans. Among the tools available to manage liquidity are lines of credit with financial institutions (see Note 5), as well as the potential to initiate loan sales and loan participation agreements with lending partners. The actual 2010 net cash outflows were approximately \$500,000 through March 11, 2010. In addition, in February, 2010, the Loan Fund loaned \$2.5 million to the SUN Initiative (see Note 1).

Guarantee Agreement

The Loan Fund also has a non-expiring loan guarantee agreement with the United States Department of Agriculture (USDA). The guarantee is intended to strengthen the Loan Fund's ability to finance loans to businesses in rural areas and thus stimulate economic growth in these areas. As of December 31, 2009, there is a guarantee of \$4,600,000 for one loan from the USDA under this agreement. During 2009 and 2008, the Loan Fund has not received any amounts under this agreement.

Special Tax-Credit Lending

As of December 31, 2009 and 2008, the Loan Fund entered into four and one arrangements, respectively, to act as the non-profit intermediary to improve the economic value of Massachusetts historic and state low-income tax credits of several projects in Massachusetts. The Loan Fund received a donation of tax credits from each project's sponsor and made a loan to the respective entity from the proceeds of the Loan Fund's resale of the credits to an outside investor. Each loan is a non-interest bearing note with various maturity dates through December 18, 2045. As part of the arrangement, the Loan fund received fees ranging from .4% to .5% of the total loan amount as fees. These fees are included in loan fees and other in the accompanying consolidating statements of activities. Total outstanding principal balances are \$29,049,436 and \$11,914,700 as of December 31, 2009 and 2008, respectively. These loans have specific restrictions surrounding their use and due to their long-term deferred nature and likelihood of collectibility, the notes are fully reserved at December 31, 2009 and 2008.

BOSTON COMMUNITY LOAN FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(Continued)

(4) 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>2009</u>	<u>2008</u>
Allowance for loan losses (see below)	\$3,136,080	\$2,014,810
Board designated net assets for loan loss reserves (see Note 2)	<u>2,331,898</u>	<u>2,075,042</u>
	<u>\$5,467,978</u>	<u>\$4,089,852</u>

An allowance for loan losses is an estimate of expected loan losses expressed as a reduction of the carrying value of loans receivable (see Note 3). The loan loss allowance is based on expected losses as determined under the Loan Fund's risk rating system (see Note 2). In addition, the Loan Fund's Board of Directors designates unrestricted net assets as loan loss reserves so that the sum of the loan loss allowance and designated unrestricted net assets equals at least 5% of total loans receivable of the Loan Fund.

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

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$2,014,810	\$1,038,374
Loan loss provision	1,097,271	821,378
Adjustment for non-accrual loans receivable	<u>23,999</u>	<u>155,058</u>
Balance, end of year	<u>\$3,136,080</u>	<u>\$2,014,810</u>

(5) LOANS PAYABLE

Loans payable of the Loan Fund represent loans by approximately 300 lenders ("investors") in principal amounts ranging from \$500 to \$15,000,000. Loans payable bear interest at rates ranging from 0% to 5.25%, payable at varying initial maturities of one to ten years through 2018. In the ordinary course of operations, the Loan Fund may negotiate 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 three lines of credit with financial institutions. The Loan Fund has an unsecured revolving line of credit for a maximum of \$50,000,000, with \$38,000,000 of this amount being participated out to other financial institutions. The interest rate on this line is a 30-day London Inter-Bank Offered Rate (LIBOR), plus 2% (3.23% and 2.46% at December 31, 2009 and 2008, respectively). There were no amounts outstanding under this agreement as of December 31, 2009 and 2008. The line of credit expires in July, 2011.

BOSTON COMMUNITY LOAN FUND, INC.

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(5) LOANS PAYABLE (Continued)

The Loan Fund also has a \$4,000,000 unsecured revolving line of credit with the Federal National Mortgage Association (FNMA), which was renewed through June, 2010. Outstanding advances under this line of credit bear interest at FNMA's five-year cost of funds, plus 25 basis points (4.38% at December 31, 2009 and 2008). As of December 31, 2009 and 2008, \$4,000,000 was outstanding under this agreement.

The Loan Fund entered into a \$15,000,000 unsecured non-revolving line of credit with a financial institution, which expires in December, 2016. Outstanding advances under this line of credit bear interest at the financial institution's seven-year cost of funds, plus 125 basis points (4.12% at December 31, 2009 and 2008) on the date of the draw. Proceeds from this line of credit are to be used only to finance qualifying New Markets Tax Credit loans in certain states. During 2009 and 2008, \$7,780,000 was outstanding on this line of credit. The first draw of \$4,820,000 bears interest at a fixed rate of 4.26% and the second draw of \$2,960,000 bears interest at a fixed rate of 4.12%. The interest rates are locked-in on the specific date of each draw. 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% at December 31, 2009 and 2008. There was \$500,000 outstanding under this agreement as of December 31, 2009. There was no outstanding balance as of December 31, 2008.

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, 2009 and 2008, 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>2009</u>	<u>2008</u>
Lines of credit	\$12,280,000	\$11,780,000
Other loans payable	<u>40,993,239</u>	<u>41,423,455</u>
	<u>\$53,273,239</u>	<u>\$53,203,455</u>

Maturities of all loans payable as of December 31, 2009, are as follows:

<u>Year</u>	
2010	\$ 9,783,408
2011	4,019,716
2012	7,350,588
2013	1,553,926
2014	8,758,000
Thereafter	<u>21,807,601</u>
Total loans	<u>\$53,273,239</u>

The current maturities as of December 31, 2009 and 2008, include \$342,909 and \$485,285, respectively, of loan principal which has matured, but not been paid or formally extended. Management is negotiating extensions of these amounts.

BOSTON COMMUNITY LOAN FUND, INC.

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(6) 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 38 individual loans as of December 31, 2009 and 2008) from financial and other institutions bearing simple interest at rates between 2% and 4%. These loans have substantially the same terms including interest-only payments required annually until maturity. These loans are subordinate and junior to all other obligations of the Loan Fund.

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

Maturity dates of principal over the next five years as of December 31, 2009, are as follows:

2010	\$ 172,698
2011	\$ 46,083
2012	\$ 47,013
2013	\$ 47,962
2014	\$ 48,930
Thereafter	\$14,887,314

As of December 31, 2009 and 2008, \$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. As of December 31, 2009 and 2008, \$3,000,000 of the proceeds were loaned from the Loan Fund to SEA (see Note 1), to finance a portion of certain assets of SEA. These intercompany loans bear interest at three percent, payable quarterly and are unsecured. Interest on these borrowings totaled \$159,000 and \$84,000 in 2009 and 2008, respectively. These borrowings are reflected as affiliate loans receivable in the accompanying statements of financial position. The remaining proceeds of \$9,950,000 as of December 31, 2009 and 2008, have been held as permanent loan capital of the Loan Fund.

(7) RECLASSIFICATION

Certain amounts in the 2008 financial statements have been reclassified to conform with the 2009 presentation.