



CEDAC

ANNUAL REPORT 2006



As required by Section 6 of the Acts and Resolves of 1978, this report is respectfully submitted to:

MITT ROMNEY

Governor, Commonwealth of
Massachusetts

THERESE MURRAY

Chair, Senate Ways and Means
Committee

ROBERT A. DELEO

Chairman, House Ways and Means
Committee

THOMAS TRIMARCO

Secretary of Executive Office for
Administration and Finance

WILLIAM F. WELCH

Senate Clerk

STEVEN JAMES

House of Representatives Clerk



letter

from the chairperson and the executive director

In the midst of one of the most challenging environments for affordable housing in many years, the non-profit development community redoubled its efforts to produce and preserve high-quality affordable housing for residents of the Commonwealth who could not otherwise afford it. CEDAC takes pride in the supportive role we play to our non-profit partners' efforts.

CEDAC had a landmark year of activity in 2006. We lent more than \$34 million in pre-development and site acquisition capital to non-profit developers. That investment, a record for the agency, will produce and preserve 3,473 units of affordable housing for individuals and families in Massachusetts. Working with the Department of Housing and Community Development (DHCD), we were also able to facilitate the flow of almost \$28 million in permanent capital bond financing to aid in the creation of 974 units of affordable housing for the Commonwealth's most vulnerable populations in need of housing, including citizens with special needs, homeless individuals and families, and the elderly.

The dimensions of the community development agenda in Massachusetts are greater than just those embodied by affordable housing. CEDAC significantly expanded its support of non-profit providers of employment, education, and training services through its leadership role in the Commonwealth Workforce Coalition (CWC). And our child care affiliate, the Children's Investment Fund, invested \$1.13 million in improved and new child care slots for low-income families.

In cooperation with all of our non-profit, community-based partners, we look forward to building healthy communities across Massachusetts.

Sarah B. Young
Chairperson

Michael Gondek
Executive Director

Family housing

Massachusetts needs to increase its supply of affordable housing for families, both to rent and to own. Providing affordable family housing is crucial to the Commonwealth's future economic vitality. CEDAC helps non-profit developers aggressively seek out opportunities to produce new family housing. At the same time, every unit of affordable housing the Commonwealth loses is much more expensive to replace, so CEDAC supports non-profit developers' interventions to preserve existing affordable family housing stock.



1 • Treehouse at Easthampton Meadow

Treehouse at Easthampton

Meadow (1) is the product of a Herculean task of social entrepreneurship. As a foster mother, Judy Cockerton envisioned the creation of an intergenerational community that would provide support to adoptive families and allow elderly and children to connect in meaningful ways. Starting from scratch, Judy created a network of partners to bring her dream to fruition. Easthampton Meadow, developed for Treehouse by Beacon Communities, is a unique 47-acre village in Easthampton which is comprised of mixed-income homeownership; custom-built single-family homes; and Treehouse itself, a mixed-income rental community for families and elderly.

Trolley Square (3) embodies the principles of smart growth. Located at the site of a former MBTA trolley yard in North Cambridge, the \$14 million project developed by Homeowner's Rehab features 32 mixed income rental apartments and eight affordable homeowner units, as well as community space. The Trolley Square development is sited within walking distance of the Red Line MBTA stop in Davis Square and adjacent to the Cambridge Linear Park, part of a mixed-use bike and pedestrian path which runs for 25 miles along the MBTA Red Line and reclaimed railroad beds. This greenway links residents of Trolley Square to alternative transportation nodes, encouraging a "green" lifestyle offering easy pedestrian and public transportation access.

The city of Boston engaged in a spirited negotiation with the owner of the 40 unit apartment complex at Shawmut Avenue and Ruggles Street to extend his Section 8 rental assistance contract. He reluctantly agreed to do so. But when he made it clear he preferred to sell, Madison Park Development Corporation stepped up to make a deal. The acquisition of **Shawmut/Ruggles (2)** allowed Madison Park to consolidate a key corner property across from its headquarters at Madison Park Village, and to improve management of what had been a nuisance neighbor.



2 · Shawmut/Ruggles 3 · Trolley Square
4 · Ashfield House



Ashfield House (4), an historic 18-unit apartment building in the village of Ashfield, is the only affordable housing in the rural western part of Franklin County. Tom Staples arrived in Ashfield five years ago with \$85, his truck and his dog—needing “a place to heal” after spending several years caring for his ill parents. Tom, who “likes things in order and clean,” found the condition of his apartment very discouraging. The private owner had become ill and could no longer sustain his management responsibilities. Rural Development, Inc. (RDI) purchased and renovated the building, so that when Tom sits in his overstuffed chair across from the new window in his apartment, he thinks it is the perfect height—all he sees are trees and the clear blue sky of a perfect fall day in Ashfield. Tom claims, “The Ashfield House has become the crown jewel of downtown Ashfield!”

Service-enriched housing



1 • Dartmouth Hotel
2, 3 • Central Street Veterans Housing

Many residents of the Commonwealth need a customized menu of supportive services to allow them to live independently.

Often, with modest levels of the right kind of support, residents can lead fulfilling lives and enjoy a maximum of independence. CEDAC, in partnership with the Executive Office of Health and Human Services, the Department of Mental Health, the Department of Mental Retardation, and the Massachusetts Rehabilitation Commission, provides permanent financing to create housing for clients of those agencies.

Built in 1871, the **Dartmouth Hotel (1)** occupies a prominent intersection in Boston's Dudley Station National Register District. The upper floors of the grand Second Empire-style building had been condemned and the marble façade was deteriorating severely, until Nuestra Comunidad Development Corporation acquired the building and began the process of restoring the Dartmouth to its former architectural splendor. Nuestra created 42 new residential units in the historic hotel, and 20 more in a new architecturally compatible four-story annex it created adjacent to the hotel. Twelve of the residential units house clients of the Department of Mental Health. New and renovated retail space on the ground floors will liven up the streetscape, while the restoration effort returns the Dartmouth Hotel to its status as an elegant landmark in Dudley Square.

The formerly abandoned historic Acushnet School building in New Bedford again echoes with the happy sounds of children, this time relishing a new home. Re-opened as **Acushnet Commons (4, 5)**, the school has been transformed into twelve spacious and bright apartments for low-income families. Developed by the Women's Institute for Housing and Economic Development in concert with the Boston-based Home Funders collaborative, Acushnet Commons provides stable homes for families with children who have been buffeted with uncertainty about having a permanent home. Too often families who are offered access to affordable housing are not provided additional supportive services, but Acushnet Commons also includes a workforce development component: the first floor features a computer training center.



The Montachusett Veterans Outreach Center (MVOC) began as a grassroots effort to provide support to Vietnam War-era veterans who didn't have the resources to cope with post-traumatic stress disorder. From modest roots, MVOC has now grown to a full-service organization with the creation of nineteen units of housing for veterans, combined with a drop-in center and counseling facilities, at its new headquarters in downtown Gardner. The new **Central Street Veterans Housing (2, 3)** complex provides eight studio apartments and nine single rooms for male and female veterans, who will move from MVOC's transitional housing facility..

Single-person occupancy housing

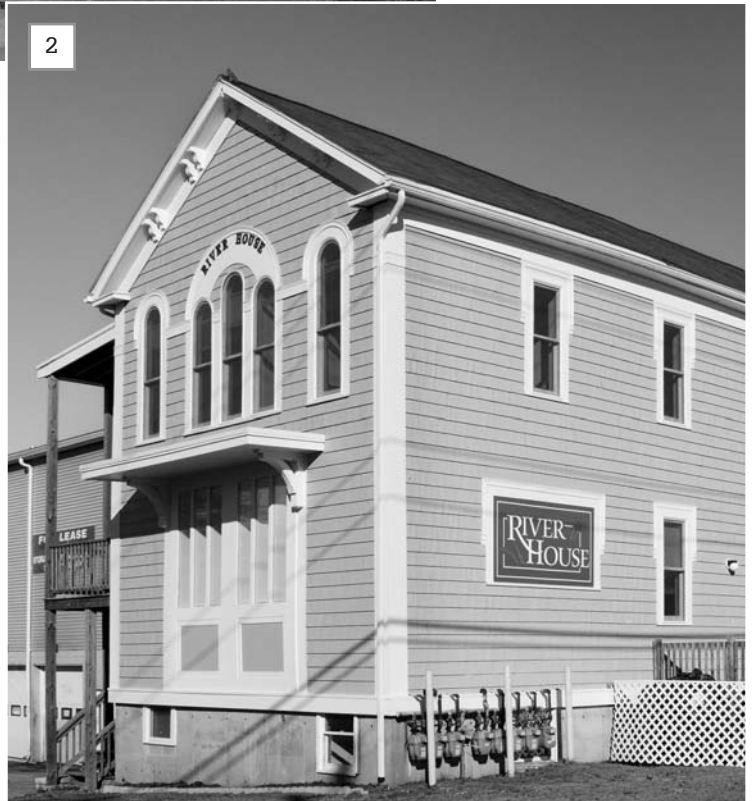
1



Single-person occupancy housing (also known as “single room occupancy” or “SRO housing”) fills an important niche in Massachusetts’ housing market. Workers in the state’s service-based economy need reasonably-priced housing units near their jobs. Single-person occupancy housing can also meet the needs of lower-wage residents by integrating more subsidy into the properties.

Caritas Communities has garnered an excellent reputation as one of the primary providers of single-room housing for working individuals, mostly by acquiring and renovating old rooming houses. Caritas had never built new single-room housing, until YouthBuild Boston approached Caritas with a proposal that it build new housing on a site YouthBuild owned in Boston’s South End. On a tight site on Washington Street,

2



1 • One Lenox 2 • River House 3, 4 • Go West



Caritas managed to create 26 spacious single rooms for mixed-income occupancy in **One Lenox (1)**. The corner units on the top floor enjoy an excellent view of the downtown skyline.

The North Shore Community Action Program (NSCAP) partnered with a group of concerned Beverly citizens, now called **River House Inc. (2)**, to create a safe haven for homeless individuals. Their efforts have created a permanent emergency shelter, which will serve more than 125 clients each year, as well as offering five single-occupancy units to the chronically homeless. River House is a year-round, 24-hour shelter offering case management services to its clients.

The **Go West (3, 4)** building in the Florence section of Northampton included 23 single-room occupancy units, but the property was in terrible shape—communal bathrooms, no kitchens, and decrepit conditions. The Valley Community Development Corporation bought the property, and transformed Go West into seventeen beautiful small apartments with private baths and kitchenettes, and ground floor retail space. Josip Alonzo works full time, but had not been able to afford his apartment, so he had been living on the streets for almost six months before an outreach worker put him in touch with the CDC. He was one of the first tenants to move into the renovated Go West.



Child care

The Children's Investment Fund (the Fund) invested \$1.13 million to improve and create child care facilities serving 3,926 slots for children in 2006. The Fund also completed a year-long strategic planning process this year with the adoption of a blueprint for the Fund's activities over the next four years. The new strategic plan emphasizes:

- renewing efforts to improve and expand child care in the cities of Worcester and Springfield;
- crafting a message to engage public policymakers in a discussion of the impact quality facilities can exert on the quality of care in early education; and
- forging new partnerships in the child care field to leverage the Fund's financial and technical assistance resources.

Viki Bok, who managed the Fund for more than six years, left CEDAC midway through the year. Viki's energy and passion will be missed greatly. We were delighted, however, that Mav Pardee agreed to join us as the new Fund manager. Mav brings a wealth of experience and knowledge to the position, gained through a notable career in early education in Massachusetts.

Waltham Day Care Center (1) (WDCC) operated for 33 years in a patchwork of oddly-shaped rooms in a church basement. WDCC described itself as "an unassuming, make-do kind of place" and believed that capital improvements were a luxury. Through the Fund's Building Stronger Centers training, WDCC raised the grant and loan capital to renovate their space. Director Cameron Tucker said, "We've been in our space now for a year and it is heaven—we've enrolled more children, our teachers spend time teaching instead

of managing traffic flow, and the center has a renewed sense of esprit de corps."

The **Boston Chinatown Neighborhood Center (3, 4)** is a new five-story green building with an energy-efficient and environmentally friendly design that sets a new standard for non-profit facilities. The new building houses:

- the Acorn Center for Early Care and Education with five classrooms serving preschool children;
- the Family Child Care Program that helps neighborhood women become licensed child care providers; and

1 • The climbing structure outside Waltham Day Care Center

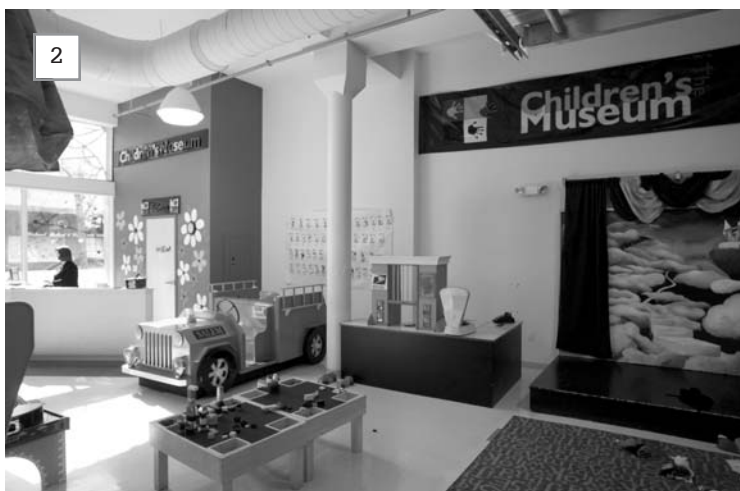


- the Oak Street Youth Center that offers activities, tutoring, mentoring and computer resources to youth.

Renovation of storefront space adjacent to the **Salem YMCA (2)** created space for infant and toddler

care and enabled the Y to bring all its child care programs together under one roof. As part of the project, the Y made space for the North Shore Children's Museum, which is available after school for kindergarteners and first-graders—complete with a reading loft, interactive displays, and a lighthouse with computers.

Karen Boisson of the Y noted of the Fund's Building Stronger Centers training, "This week was huge! BSC laid out the steps, built my confidence and expanded my knowledge base. The Fund has a wonderful energy and passion—the workshops were right on, the services superb. It was more than I could've imagined. I am so fortunate to have attended."



2 • The North Shore Children's Museum at the Salem YMCA

3 • The Boston Chinatown Neighborhood Center

4 • The center's indoor climbing structure



Commonwealth Workforce Coalition



A collaboration between several workforce development agencies including CEDAC as managing partner, the Commonwealth Workforce Coalition (CWC) substantially ramped up its activities this year. CWC:

- extended its Working with Employers training institute offering to western Massachusetts for the first time;
- partnered with the Aspen Institute to bring to Boston-area providers its national model for quantifying the benefit of workforce development services to employers: the Business Value Assessment methodology;
- joined forces with Public/Private Ventures (P/PV) again, to include Boston as one of P/PV's demonstration sites for its national demonstration "benchmarking" project;
- collaborated with Mass Law Reform to offer six workshops on how to deal with CORI issues for prospective workers and businesses, from Holyoke to Fall River;
- consummated an arrangement with the United Way of Massachusetts Bay to develop and deliver a capacity-building program to its affiliate agencies in the employment and training fields; and
- drew almost 375 attendees to the very successful third annual Sharing Skills~Building Connections conference in Worcester.



Attendees at the 2006 Sharing Skills~Building Connections conference in Worcester.

We were also delighted to welcome Judith Lorei, who has been an integral member of the consultant team for CWC, on board as the first staff person managing CWC's efforts at CEDAC.

Funders

CEDAC's activities are made possible with the generous assistance of the agencies, foundations and corporations listed here. We are very grateful for their continuing support.

Department of Housing and Community
Development, Commonwealth of Massachusetts

Wainwright Bank & Trust

HomeFunders, LLC

The Boston Foundation

Annie E. Casey Foundation

The Paul and Phyllis Fireman Foundation

Highland Street Connection

The Hyams Foundation

Mellon Bank

State Street Bank Foundation

The Massachusetts Life Insurance
Community Investment Initiative

The Metropolitan Life Insurance Company

Massachusetts Housing Partnership

Anonymous

MassHousing, Affordable Housing Trust Fund

Eastern Bank

The Boston Foundation

Federal Home Loan Bank of Boston

Boston Private Bank & Trust

Bank of America

Citizens Bank

Wainwright Bank & Trust

United Way of Massachusetts Bay

Department of Neighborhood Development,
City of Boston

The Surdna Foundation

Herman and Frieda L. Miller Foundation

Harvard University, Office of Government,
Community and Public Affairs

U.S. Department of Housing and Urban
Development

Fannie Mae Foundation

Bank of America Philanthropic Management

The Irene E. & George A. Davis Foundation

Massachusetts Rehabilitation Commission,
Commonwealth of Massachusetts

Citizens Bank Foundation

SkillWorks

City of Boston, Office of Jobs and Community
Services

Met Life Foundation

First Parish in Lincoln, Social Concerns Committee

Financial Statements

Statement of Net Assets: June 30, 2006

	Enterprise Funds			
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds under Management	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,864,779	\$ —	\$ —	\$ 1,864,779
Restricted cash and cash equivalents, including approximately \$28,279,000 committed to borrowers for loans	1,257,895	82,268	26,581,453	27,921,616
Short term investments	1,588,090	—	—	1,588,090
Accounts receivable, net of allowance for uncollectible accounts of \$2,498	116,118	6,897	2,854	125,869
Grants receivable	29,236	76,988	—	106,224
Loans receivable, net of allowance for uncollectible loans of \$138,825	2,372,950	—	4,677,925	7,050,875
Net interfund receivables (payables)	867,142	(34,863)	(832,279)	—
Other current assets	39,932	—	—	39,932
Total current assets	8,136,142	131,290	30,429,953	38,697,385
OTHER ASSETS:				
Security deposit	8,328	—	—	8,328
Long-term investments	592,200	—	—	592,200
Interest receivable, net of allowance for uncollectible accounts of \$57,934	238,126	—	129,222	367,348
Loans receivable, net of allowance for uncollectible loans of \$1,467,749	7,354,295	—	5,140,223	12,494,518
Fixed assets, net of accumulated depreciation	85,555	—	—	85,555
Total other assets	8,278,504	—	5,269,445	13,547,949
Total assets	\$16,414,646	\$ 131,290	\$35,699,398	\$52,245,334
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 62,075	\$ 9,417	\$ —	\$ 71,492
Deferred revenue	305,452	3,983	535,344	844,779
Current portion of notes payable	500,000	—	371,500	871,500
Deferred compensation payable	34,653	—	—	34,653
Accrued compensation	101,553	—	—	101,553
Total current liabilities	1,003,733	13,400	906,844	1,923,977
NOTES PAYABLE TO FUNDING SOURCES, NET OF CURRENT PORTION				
	7,956,563	—	34,792,554	42,749,117
Total liabilities	8,960,296	13,400	35,699,398	44,673,094
NET ASSETS:				
Unrestricted net assets	7,368,795	—	—	7,368,795
Invested in capital assets, net of related debt	85,555	—	—	85,555
Restricted net assets — Expendable	—	117,890	—	117,890
Total net assets	7,454,350	117,890	—	7,572,240
Total liabilities and net assets	\$16,414,646	\$ 131,290	\$ 35,699,398	\$52,245,334

Statement of Revenues, Expenses and Changes in Net Assets for the Year Ended June 30, 2006

	Enterprise Funds			
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds under Management	Total
OPERATING REVENUES:				
Interest	\$ 774,530	\$ 3,501	\$ 930,753	\$ 1,708,784
Government contracts	1,172,960	9,035	—	1,181,995
Earned revenue and other	642,886	57,046	23,243	723,175
Legal fee revenue	—	—	212,400	212,400
Legal fee expense	—	—	(212,400)	(212,400)
Restricted grants and contributions	—	174,596	—	174,596
Contract revenue	—	—	54,870	54,870
Contract expense	—	—	(54,870)	(54,870)
Unrealized gain on investments	4,812	—	—	4,812
Net decrease in note payable	—	—	(414,383)	(414,383)
Management fees expense	—	—	(196,807)	(196,807)
Total operating revenues	2,595,188	244,178	342,806	3,182,172
OPERATING EXPENSES:				
Employee compensation	1,439,009	—	—	1,439,009
Loan loss & interest reserve adjustment	591,466	—	267,437	858,903
Interest	346,132	—	145,162	491,294
Rent	240,036	—	—	240,036
Contracted services	54,263	102,346	—	156,609
Grants and related expenses	—	134,714	—	134,714
Legal	70,975	5,644	4,058	80,677
Supplies	34,692	—	—	34,692
Depreciation	23,454	—	—	23,454
Accounting and audit	21,950	—	—	21,950
Other expenses	19,367	—	—	19,367
Travel	19,131	—	—	19,131
Maintenance and repair	13,354	—	—	13,354
Equipment	12,298	—	—	12,298
Postage and messengers	12,041	—	—	12,041
Printing	11,958	—	—	11,958
Insurance	10,844	—	—	10,844
Telephone	8,060	—	—	8,060
Memberships	7,524	—	—	7,524
Utilities	5,825	—	—	5,825
Temporary help	4,725	—	—	4,725
Staff development	3,154	—	—	3,154
Publications and subscriptions	3,053	—	—	3,053
Total operating expenses	2,953,311	242,704	416,657	3,612,672
Changes in net assets from operations	(358,123)	1,474	(73,851)	(430,500)
UNRESTRICTED GRANTS AND CONTRIBUTIONS				
	130,000	—	—	130,000
Changes in net assets	(228,123)	1,474	(73,851)	(300,500)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY				
	209,865	—	73,851	283,716
Changes in net assets	(18,258)	1,474	—	(16,784)
NET ASSETS, beginning of year	7,472,608	116,416	—	7,589,024
NET ASSETS, end of year	\$ 7,454,350	\$ 117,890	\$ —	\$ 7,572,240

Notes to Financial Statements

(1) OPERATIONS, NONPROFIT STATUS, AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Community Economic Development Assistance Corporation (CEDAC) is a quasi-public corporation established under Chapter 40 H of Massachusetts General Laws in 1978 and is discretely presented as a component unit in the Commonwealth of Massachusetts' Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to nonprofit development corporations throughout the Commonwealth of Massachusetts to expand the supply of affordable housing and foster the revitalization of economically distressed areas.

CEDAC maintains corporate control of the Children's Investment Fund, Inc. (the Fund), a corporation originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way). As part of the terms of corporate transfer of the Fund from the United Way to CEDAC, the United Way transferred the net assets of the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. The United Way also maintains certain rights with regard to the composition of the Fund's Board of Directors. The Fund's mission is to improve the quality and expand the availability of early child development programs for low and moderate income families in Massachusetts through investment in center-based and family-based preschool and school-age child care facilities.

Both CEDAC and the Fund are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to CEDAC and the Fund within the Internal Revenue Code regulations. CEDAC and the Fund are also exempt from state income taxes.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—GASB Standards

The accompanying general purpose financial statements were prepared on the accrual basis of accounting. Because CEDAC is a quasi-public corporation, its accounting policies and financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). CEDAC has adopted GASB Statement No. 34, "Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments." GASB Statement No. 34 outlines financial reporting requirements for state and local governments. CEDAC is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB Statement No. 34 and, therefore, only has enterprise funds within its proprietary fund. CEDAC has no governmental funds. As such, CEDAC is not required to present government-wide financial statements, but rather only the accompanying fund financial statements. In applying the provisions of GASB No. 34, organizations like CEDAC can use standards applicable to proprietary fund accounting, and need not follow the provisions of governmental fund accounting.

Consistent with the provisions of GASB Statement Nos. 14 and 39, the Fund does not meet the definition of a component unit of CEDAC because its financial resources are not held or used for the primary benefit of CEDAC. A separate audit of the Fund is performed. Those uncombined financial statements of the Fund are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) Statements Nos. 116 and 117.

Classification of Net Assets

CEDAC's financial resources are organized in the following major funds. CEDAC has no non-major funds as defined by GASB 34.

Operating and CEDAC Loan Funds:

Operating Fund – The Operating Fund represents the portion of unrestricted expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met imposed restrictions in accordance with funding agreements or management contracts. The Board of Directors has designated a portion of the Operating Fund to serve as an operating reserve and a portion to fund loan losses. The policy outlined by the Board is to first fund an operating reserve and then to reserve for potential extraordinary loan losses. As of June 30, 2006, CEDAC had set aside \$1,007,857 for the operating reserve and \$546,975 to fund loan losses. To the extent possible and as loans are forgiven, the Board may authorize the transfer of loan loss reserve funds to the Loan Funds to help maintain lending capacity.

CEDAC Loan Funds – The CEDAC Loan Funds consist of \$5,813,963 of unrestricted net assets designated by the Board of Directors and of additional debt capital which is used as a loan fund to assist eligible nonprofit organizations in covering pre-development costs for the

acquisition, construction or rehabilitation of residential, commercial and industrial real estate. Most loans receivable are classified as long-term assets on the statement of net assets because the collection of these loans is generally based on the progress of the development project and is not readily determinable. Those loans that fund the acquisition of properties and have a specific loan term are allocated between current and long-term loans receivable based on stated maturities. Debt capital is reported on the statement of net assets as notes payable to funding sources.

Invested in Capital Assets, net of related debt – This classification is used to account for all property and equipment purchased by CEDAC and used in operations. Property and equipment is recorded at cost, or if donated, at its fair market value at the date of donation. Depreciation is provided in amounts sufficient to allocate cost to operations over the estimated useful lives of the underlying assets, using the straight-line method. Net fixed assets of \$85,555 are presented on the accompanying statement of net assets as net assets invested in capital assets, net of related debt.

Restricted Program Funds – Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Expendable Net Assets. Contributions are recorded as program revenue in the restricted program funds as they are received. As funds are expended under the program in accordance with the donor-imposed restrictions, they are reported as expenses on the accompanying statement of revenues, expenses and changes in net assets.

Included in the Restricted Program Funds at June 30, 2006 are those funds associated with the Commonwealth Workforce Coalition (CWC). Through the CWC, CEDAC provides training, technical assistance, and professional development services to assist community-based organizations to improve the quality and scope of their education and training programs for low-income people. Also included in the Restricted Program Funds at June 30, 2006 are those funds disbursed by CEDAC and reimbursed by third party funders.

Loan Funds Under Management – Loan Funds Under Management include those loan funds capitalized at CEDAC by various funders. These loan funds are managed by CEDAC under management contracts with the funders which outlines the use of the loan corpus and its accumulated interest. The managed loan funds are reflected on the general purpose financial statements as notes payable to funding sources. Under these management contracts, CEDAC is allowed to charge certain administrative expenses and loan loss provisions directly to the loan fund and they are shown as direct loan fund expenses in the accompanying statement of revenues, expenses and changes in net assets.

(2) NOTES PAYABLE TO FUNDING SOURCES

Loan funds managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. CEDAC was in compliance with all restrictions and covenants as of June 30, 2006. Note payable balances include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide pre-development and acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. Acquisition loans are secured by first mortgages. The term of the loan is five years, with the principal balance due at maturity. Interest is payable quarterly at a rate of 5.87% through July 2010.
- **Home Funders Collaborative Loan Fund** – The Home Funders Collaborative, LLC (Home Funders) capitalized a \$7 million loan fund to fund primarily acquisition and pre-development loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. The term of the loan is ten years, maturing in June 2013, with the principal balance due at that time. Interest is payable semi-annually at a rate of 1%.
- **The City of Boston Department of Neighborhood Development (DND) Loan Fund** authorized the capitalization of a revolving loan fund held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. By the terms of the contract, all principal and interest accrues to the DND Loan Fund.
- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$3 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The current term expires in June, 2008. The line of credit carries an interest rate of prime (8.25% as of June 30, 2006) minus 1.25%, due quarterly. Loans drawn from the line of credit have a maximum term of 24 months. Recourse to CEDAC is limited to the greater of \$250,000 or 10% of the outstanding loan amount.

MHP has provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. CEDAC may use these funds to make loans to borrowers on more flexible terms or make principal and interest payments if nonprofit developers are delinquent in making payments to CEDAC. The balance, net of allowances of \$294,075 is included in the general purpose financial statements as deferred revenue at June 30, 2006. This agreement allows for annual reviewed renewal options. The current term expires in June, 2008. This amount is interest free.

- **The Housing Stabilization Fund (HSF) Acquisition Loan Fund** – The Department of Housing and Community Development (DHCD) capitalized the HSF Acquisition Loan Fund in the amount of \$1,350,000 to provide additional capital to allow CEDAC greater flexibility in underwriting acquisition loans to nonprofit borrowers. The term of the current HSF agreement is three years after the date of the last HSF loan made by CEDAC and all principal and interest accrues to the loan fund. The last loan from this fund was made by CEDAC in March, 2006.
- **The Affordable Housing Trust (AHT) Pre-development Loan Fund** – During 2002, the Massachusetts Housing Finance Agency (MassHousing) capitalized the AHTF Pre-development Loan Fund from the Commonwealth's Affordable Housing Trust Fund to fund pre-development loans to nonprofit borrowers undertaking projects that meet the preferences outlined in the AHT guidelines. During 2006 MassHousing capitalized an additional \$300,000 to support the AHTF Pre-development Loan Fund. The agreement allows for additional annual capitalizations by MassHousing through the expiration date of June, 2010, subject to the annual capitalization of the AHT by the Commonwealth. Under the terms of the agreement, all principal and interest accrues to the loan fund.
- **The Boston Foundation Loan Fund** was capitalized during 2005 with a commitment of up to \$1.5 million to provide acquisition and predevelopment financing to support the development of single person occupancy housing projects in the Greater Boston area. Acquisition loans are secured by first mortgages. According to the terms of the agreement, CEDAC will draw the capital as it makes loan commitments to eligible borrowers. As of June 30, 2006, CEDAC had drawn the full \$1.5 million commitment. The term of the loan is ten years, maturing on January 26, 2015, with the principal balance due at that time. Interest is semi-annually at a rate of 2.5%.
- **The Wainwright Bank Acquisition Line of Credit** was executed during 2005 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$12.5 million as of June 30, 2006. Acquisition loans are secured by first mortgages. The line of credit is a revolving line of credit with a term of three years, maturing in December 2007. Interest is payable quarterly at the 90 day LIBOR rate plus 1.25%.

Notes payable to these funding sources (see Note 3) consist of the following as of June 30, 2006:

CEDAC Loan Funds

Life Initiative Loan Fund	\$ 3,000,000
The Boston Foundation Loan Fund	1,150,000
Wainwright Bank Acquisition Loan Fund	4,306,563
	<u>8,456,563</u>

Loan Funds Under Management

Home Funders Collaborative Loan Fund	6,750,000
DND Loan Fund	490,462
MHP Acquisition Loan Fund	1,416,161
HSF Acquisition Loan Fund	1,468,207
AHT Pre-development Loan Fund	2,292,289
Net HIF/FCF (see Note 3)	22,746,935
Total Notes Payable to Funding Sources	<u>\$43,620,617</u>

(3) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

- **Lending Line of Credit** – In July, 2002, CEDAC obtained a \$2,000,000 line of credit from a local bank to help maintain liquidity in lending capacity, while investing a portion of loan capital in investments with longer term maturities. Borrowings will bear interest at LIBOR plus .85%, and the line of credit will expire in January 2007. A cash account and certain investments are held as collateral by the bank. No balances were outstanding on June 30, 2006.

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund, Facilities Consolidation Fund, and Community Based Housing loans that are committed by DHCD. Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers.

Notes and mortgages executed in connection with each loan are assigned to CEDAC, which is responsible for the collection of loan repayments. CEDAC and its officers, directors and employees are not liable to DHCD for any losses on loans not repaid or otherwise recovered. DHCD is also responsible for monitoring the performance of these loans.

- **The Housing Innovations Fund (HIF)** was funded by \$166 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations. In addition to CEDAC's role in lending of HIF funds, it also acted as disbursing agent for \$54,870 of HIF funds granted to recipient organizations during 2006. CEDAC also acted as disbursing agent for \$212,400 of legal fees during 2006.
- **The Facilities Consolidation Fund Pooling Program (FCF)** was funded by \$150 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Mental Retardation (DMR) and the Massachusetts Department of Mental Health (DMH).
- **The Community Based Housing Program (CBH)** was funded by \$25 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. CBH program loans are targeted to support disabled individuals not served by DMR or DMH.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the general purpose financial statements net of loans receivable at June 30, 2006.

Gross loans receivable and notes payable by loan program are as follows:

2006	HIF	FCF	CBH	Total
Note payable, June 30, 2006	\$110,001,087	\$48,139,238	\$1,753,421	\$159,893,746
Less – loans receivable, June 30, 2006	98,539,506	38,607,305	0	137,146,811
Net note payable, June 30, 2006	<u>\$ 11,461,581</u>	<u>\$ 9,531,933</u>	<u>\$1,753,421</u>	<u>\$ 22,746,935</u>

(4) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development and acquisition loan commitments at June 30, 2006. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC pre-development loans are generally unsecured and bear interest at rates between 0% and 7%. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 8%, and are secured by a first mortgage on the property acquired.

2006	Number of Loans	Loan Balance	Allowance (see Note 5)	Net Loan Receivable
Pre-development loans	87	\$ 7,690,127	\$ (1,040,022)	\$ 6,650,105
Acquisition loans	17	13,461,840	(566,552)	12,895,288
Total	<u>104</u>	<u>21,151,967</u>	<u>(1,606,574)</u>	<u>19,545,393</u>
Less – current portion		7,189,700	(138,825)	7,050,875
Long-term portion		<u>\$ 13,962,267</u>	<u>\$ (1,467,749)</u>	<u>\$ 12,494,518</u>

(5) ALLOWANCE FOR UNCOLLECTIBLE LOANS

The allowance for uncollectible loans has been allocated to the long-term and current portions of the loan portfolio based on identification of the risk of loss associated with individual loans. Activity in the allowance is summarized as following:

Balance, June 30, 2005	\$ 768,278
Additions to allowance	838,466
Offset to deferred revenue	12,455
Loans written off	(12,625)
Balance, June 30, 2006	<u>\$ 1,606,574</u>

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The Community Economic Development Assistance Corporation (CEDAC) is the Commonwealth of Massachusetts' technical assistance provider for non-profit, community-based development organizations. Established by the Massachusetts Legislature in 1978, CEDAC has helped residents of Massachusetts restore their communities as stable and vibrant places in which to live and grow. CEDAC is governed by a nine-member Board of Directors appointed by the Governor of the Commonwealth. It is a 501(c)(3) tax-exempt organization.

The Commonwealth of Massachusetts

Mitt Romney

Governor

Kerry Healey

Lieutenant Governor

Department of Housing and Community Development

Jane Wallis Gumble

Director

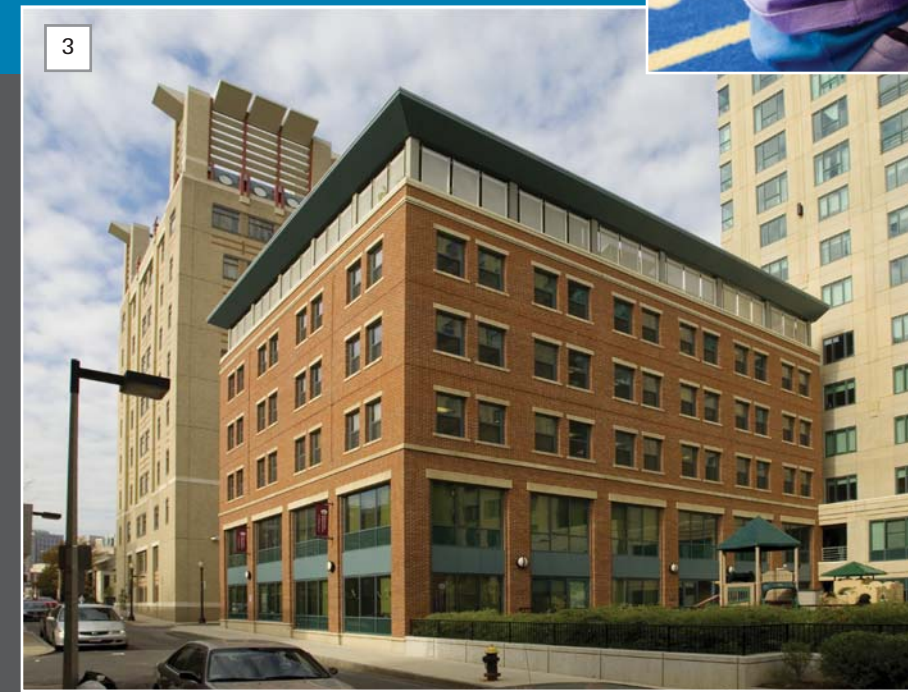
CEDAC

Sarah B. Young

Chairperson

Michael Gondek

Executive Director



1. Village at Hospital Hill, Northampton
2. 704 Main, Falmouth
3. Boston Chinatown Neighborhood Center
4. Pine Woods, Stockbridge

5. Brian J. Honan Apartments, Brighton
6. Marshall Place, Watertown
7. River House, Beverly

1. Recovery House, Orange
2. Trolley Square
3. Dartmouth Hotel
4. Boston Chinatown Neighborhood Center
5. Salem YMCA



1



2



1

3



2

- 1. One Lenox
- 2. Dartmouth Hotel
- 3. Temple Street, Somerville
- 4. 704 Main, Falmouth



1



2

- 1. Salem YMCA
- 2. Recovery House, Orange
- 3. 704 Main, Falmouth



1

- 1. YMCA, Haverhill
- 2. Lowell Transitional Living Center
- 3. Acushnet Commons
- 4. Paradise Pond, Northampton



2



3



3

- 1 and 2. Ashfield House
- 3. Treehouse at Easthampton Meadow
- 4. Waltham Day Care Center
- 5. Pelham House, Newton



4



5



3



4



3



4