



**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

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JUNE 30, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Economic Development Assistance Corporation and Affiliate:

We have audited the accompanying combined general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC), a component unit of the Commonwealth of Massachusetts, and Children's Investment Fund, Inc. (a Massachusetts corporation, not for profit) (the Fund), which comprise the combined statements of net position as of June 30, 2014 and 2013, and the related combined statements of revenues, expenses and changes in net position, cash flows and fiduciary net position for the years then ended, and the related notes to the combined general purpose financial statements.

Management's Responsibility for the Combined General Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these combined general purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined general purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined general purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined general purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined general purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined general purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined general purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined general purpose financial statements referred to on page one present fairly, in all material respects, the combined net position of Community Economic Development Assistance Corporation and Affiliate as of June 30, 2014 and 2013, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 11 be presented to supplement the basic combined general purpose financial statements. Such information, although not a part of the basic combined general purpose financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic combined general purpose financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined general purpose financial statements, and other knowledge we obtained during our audit of the basic combined general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined general purpose financial statements as a whole. The accompanying supplementary combined statements of functional expenses are presented for the purpose of additional analysis and are not a required part of the combined general purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined general purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined general purpose financial statements or to the combined general purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined general purpose financial statements as a whole.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
September 18, 2014

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013**

Our discussion and analysis of the financial performance of Community Economic Development Assistance Corporation (CEDAC) provides a summary of financial activities for the fiscal year ended June 30, 2014.

Background

CEDAC is a quasi-public agency of the Commonwealth of Massachusetts (the Commonwealth), established as a public corporation by state legislation in 1978, to provide technical assistance to nonprofit community-based development organizations to help them carryout community economic development activity in economically distressed areas of the state. CEDAC is also a 501(c)(3) tax-exempt corporation. A nine member Board of Directors drawn from the public and private development sectors is appointed by the Governor to oversee CEDAC's corporate affairs and set policy for the corporation.

CEDAC supports the community development needs of community-based nonprofit organizations by offering flexible capital financing, technical support and assistance, and training in the areas of affordable housing development, workforce development, and early education and out-of-school time care. Affordable housing development is CEDAC's largest program. CEDAC is the primary provider of pre-development risk capital to nonprofit community-based organizations in Massachusetts. While bankrolling critical early seed money needs in the form of acquisition and pre-development loans, CEDAC also provides nonprofit developers with its staff's expertise in real estate finance and development and strategic project management. In addition to its pre-development lending program, CEDAC also serves as underwriter of Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and Housing Preservation and Stabilization Trust Fund loans, four state-financed permanent loan programs of the Commonwealth's Department of Housing and Community Development (DHCD).

CEDAC supports workforce development-based programs through its program, the Commonwealth Workforce Coalition (CWC), a program that provides technical assistance, training, and strategic planning services to community-based and partner organizations engaged in workforce development.

Through its affiliate organization, the Children's Investment Fund, Inc. (the Fund), CEDAC provides a full-range of financing and technical services options for early education and out-of-school time providers and other child and family serving organizations seeking to construct or improve their facilities. In addition to providing technical expertise, the Fund offers pre-development, site acquisition, and term loans, along with a small number of pre-development planning grants, as available, to help finance the cost of developing capital projects, leasehold improvements, and equipment on flexible loan terms that meet the needs of child care providers of all sizes.

Due to its unique experience providing technical assistance and capital financing, and deep experience with the early education and out-of-school time program operations, the Department of Early Education and Care (EEC) contracted with CEDAC to administer a new capital fund: the Early Education and Out of School Time (EEOST) Capital Fund, which was authorized as part of the community development bond bill passed by the Massachusetts Legislature in July, 2014. The Legislature authorized up to \$45 million of public financing to support nonprofit center-based early education and out-of-school time programs. With the EEOST Capital Funds, EEC may award grants or loans to providers to support acquisition, design, construction and/or renovation of the centers funded.

CEDAC also serves as fiscal intermediary for public agencies or other nonprofit organizations to administer capital programs that complement CEDAC's community development programs, utilizing CEDAC's programmatic expertise. In these cases, CEDAC and its partner agencies have joint responsibility for the program administration, with CEDAC administering the financial resources associated with the program.

**COMMUNITY ECONOMIC DEVELOPMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014 AND 2013

(Continued)

Using This Report

This financial report consists of the combined general purpose financial statements that report the activities of CEDAC and present CEDAC's financial picture as a whole, as well as CEDAC's component unit, the Fund. A change in the guidance from the Governmental Accounting Standards Board over the reporting over component unit required the Fund to be combined beginning in June 30, 2013. Because CEDAC maintains substantial control over the Fund's governance and financial resources, the Fund's financial statements are required to be combined with CEDAC's. However, because CEDAC does not bear any financial burden or derive any significant financial benefit from the Fund, the Fund's financial statements are reported separately from CEDAC's financial statements in a discrete column in each financial statement. A final total column, presented as a "memorandum only", is provided solely to aid the reader in understanding the total combined magnitude of CEDAC's and the Fund's finances and not to imply any economic dependence between the entities.

The Combined Statements of Net Position for fiscal year 2014 and a comparative year, 2013, are found on pages 12 and 13, respectively, and show the current and long-term assets held by CEDAC, and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Combined Statements of Net Position is reported as the net position, according to three different classifications: Net position invested in capital assets; Restricted expendable net position; and Unrestricted net position. Net position invested in capital assets reports the fixed assets used by CEDAC.

CEDAC has not financed the purchase of any fixed assets and there is no debt outstanding on these capital items. Accordingly, the net position invested in capital assets reflects the cost of furniture and fixtures and leasehold improvements, net of accumulated depreciation. The restricted expendable net position includes the activities of CEDAC's CWC for fiscal years 2014 and 2013. Also included in restricted expendable net position in 2013 are restricted grant resources for a portion of CEDAC's housing preservation program activities. All expendable net positions are intended by the donor to be available for disbursement for program purposes until the net position equals zero. Unrestricted net position includes those net positions over which CEDAC's Board of Directors exercises control, without any restriction or capital designation. The Board has elected to allocate the majority of CEDAC's unrestricted net position to support CEDAC's lending programs. That net position is reported as CEDAC Loan Funds. Additional unrestricted net resources are allocated to an operating reserve to help support corporate operations and a designated loan loss reserve to help offset extraordinary loan losses.

The Combined Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2014 and 2013 found on pages 14 and 15, respectively, report CEDAC's earned and contributed income received during the year, as well as the years' expenses.

The Combined Statements of Cash Flows for fiscal years 2014 and 2013 found on pages 16 and 17, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Combined Statements of Functional Expenses for fiscal years 2014 and 2013, can be found on pages 41 and 42, respectively. The Combined Statement of Functional Expenses, presented as supplemental information, shows how CEDAC's expenses break down among the loan funds and program areas for the year.

The Combined Statements of Fiduciary Net Position are found on page 18, and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 19 are notes provided to further explain the balances and information contained in the combined general purpose financial statements.

The Fund also prepares separate annual audited financial statements in accordance with accounting principles applicable to non-governmental not-for-profit entities as promulgated by the Financial Accounting Standards Board (FASB).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEDAC Housing Programs

CEDAC continues to experience a steady volume of lending activity for its high risk pre-development lending program and a high volume of activity for subordinate permanent financing offered through the four state supported housing finance programs administered by CEDAC: the Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and the Housing Preservation and Stabilization Trust Fund programs. CEDAC's pre-development lending program utilizes a short-term loan product that allows nonprofit borrowers to access capital resources to help fund a project's pre-development phase, usually a three to five year timeframe. In a constrained resource environment, CEDAC's pre-development capital is most critical because the capital is able to be patient and remain as active loans in these projects until the longer term financing is committed to fund project costs, at which point the CEDAC pre-development loan is repaid.

CEDAC's pre-development support has had a stabilizing effect on the nonprofit affordable housing development system in Massachusetts as the economy has transitioned from recession to recovery to modest growth. Without this pre-development resource and the critical liquidity that it provides to advance projects effectively, many nonprofit developers would be forced to abandon partially developed projects and lose their financial investment in those projects because they lacked the resources to carry projects for a longer than anticipated holding period, or would be forced to borrow on very unfavorable terms.

During 2012, the Commonwealth was emerging from the recession and the availability of subordinate debt capital used to finance affordable housing projects had been constrained since the recession. By late 2012 with the recovery underway, the administration was able to allocate an additional \$10 million of subordinate permanent capital to help advance more projects into construction, although demand continued to outstrip supply. In response, the Commonwealth modified its application process in 2013 to help developers prioritize their organizational investment in their project pipeline. The state instituted a pre-application process to allow for an early review of the potential projects statewide, and created four priority categories by which all projects are evaluated. All projects are required to meet at least one priority category in order to proceed to a full application. Through this process, developers are notified at earlier stages in a project's development cycle whether the proposed project meets the state's affordable housing priorities and whether the project is sufficiently advanced to submit a full and competitive funding application. The result of the modified application process is a better match of supply and demand for the subordinate debt resources. By the end of fiscal year 2013, there was better alignment of supply and demand in the state's housing pipeline. The continued improvement in the Massachusetts economy and state budget enabled the Patrick Administration to allocate additional capital resources to the housing development system during 2014, thereby enabling the Administration, through the pre-application process, to invite more projects to compete for funding resources. As the resource environment has grown, and nonprofit developers have adjusted to the new application system, they began to build project pipelines in late 2013 and 2014 and pursue development opportunities.

CEDAC's pre-development lending programs and our financial results between 2012 and 2014 were impacted by the larger economic climate and the availability of state housing resources. Fiscal year 2012 showed continued recovery from the recession, with a steady level of commitment activity across our loan portfolio. Pre-development commitments declined in fiscal year 2013, largely in response to the Patrick Administration's effort to manage the state's housing pipeline, to better match project demand with the supply of capital, as indicated above. Housing developers responded by targeting their pre-development efforts to those projects that were most likely to advance in the state funding round, and by 2014, with the improving economy and modestly expanded capital resources, CEDAC saw a return to loan demand that tracked better to housing developers who had accommodated to the system changes, and with the economy growing modestly, CEDAC saw a return to our anticipated post-recession loan demand, particularly for pre-development loan activity, with capital deployment trending on the lower end of our historic experience, which we anticipate may result from borrowers' hesitancy to incur large additional debt until later in the development cycle.

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CEDAC Housing Programs (Continued)

Total acquisition loan commitments have increased annually over the last three years, with a 12% increase from 2012 to 2013, followed by a 19% increase from 2013 to 2014. As the real estate market strengthens, developers are forced to act more quickly to secure site control, and seek acquisition financing as they advance their projects and seek permanent financing commitments. In each of the years reported, the portfolio includes some large site acquisition investments that are part of our housing preservation initiative explained below.

During the period of tight capital supply and high loan demand following the economic recession and recovery between 2011 and 2012, CEDAC's Board committed a portion of CEDAC's equity, sought a modification of an existing credit agreement to allow bridge loans, and raised additional capital to create a new bridge loan product to allow CEDAC to help projects move forward into construction and maintain the momentum in the housing pipeline. Repayment occurs when the Commonwealth's capital resources are released. The bridge product and demand for bridge financing was expected to be time limited, until the state capital resources align with project flow. During fiscal years 2013 and 2014, demand for the bridge program waned as anticipated.

The chart below illustrates the composition of our early stage lending portfolio at the end of each fiscal year, sorted by loan product. Year-end total portfolio is as follows:

<u>Portfolio Summary</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Pre-development Loans</u>			
Capital Available	\$13,350,231	\$13,024,341	\$12,759,322
Loan Commitments	\$13,159,069	\$10,112,557	\$11,083,373
Commitment Ratio	99%	78%	87%
Deployment Ratio	65%	68%	61%
<u>Acquisition Loans</u>			
Capital Available	\$33,268,494	\$33,636,778	\$31,619,926
Loan Commitments	\$24,616,547	\$20,609,329	\$18,350,872
Commitment Ratio	74%	61%	58%
Deployment Ratio	82%	74%	92%
<u>Bridge Loans</u>			
Capital Available	\$ 4,000,000	\$ 4,000,000	\$ 4,750,000
Loan Commitments	\$ -	\$ 775,000	\$ 3,403,113
Commitment Ratio	- %	19%	72%
Deployment Ratio	N/A	31%	58%

Pre-development, Acquisition and Bridge Loan Demand

Annual commitments to projects declined between 2012 and 2013, and then rebounded in fiscal year 2014. As indicated above, the housing development system was constrained early in this period, and the Commonwealth worked to better match the availability of resources to the pipeline of projects in development state-wide. By 2014, the housing development system had recalibrated, resulting in annual commitments trending to more historic levels. CEDAC's Housing Preservation initiative continues to be a key driver of annual acquisition loan commitments, which we anticipate will continue for the next few years. In each of the years noted below, two to three large projects account for a significant portion of acquisition commitments. In fiscal year 2012, commitments totaling \$9.7 million were made to support three additional projects, although one of those three projects received a \$1.8 million commitment early in the year and repaid just prior to year-end, resulting in lower year-end portfolio figures than would normally be anticipated given the annual commitment volume in fiscal year 2012. In fiscal year 2013, two additional projects received commitments of \$7 million, and in fiscal year 2014, three loans accounted for \$8.8 million of the total.

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(Continued)

Pre-development, Acquisition and Bridge Loan Demand (Continued)

The following chart summarizes the annual loan commitments made over the last three years:

<u>Annual Loan Commitments</u>	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development loans	\$ 7,080,746	35%	\$ 4,123,625	34%	\$ 7,510,418	36%
Acquisition loans	13,027,746	65	8,064,004	66	10,051,037	48
Bridge loans	-	-	-	-	3,278,113	16
Total	<u>\$20,108,492</u>	<u>100%</u>	<u>\$12,187,629</u>	<u>100%</u>	<u>\$20,839,568</u>	<u>100%</u>

Housing Preservation

During 2009, CEDAC was awarded a grant of \$1 million from the John D. and Catherine T. MacArthur Foundation (MacFound) to support a Massachusetts Housing Preservation Initiative. Massachusetts was one of twelve states awarded funding from MacFound through a highly competitive process, in which eighty public entities originally applied. With this funding, CEDAC, collaborating with other state and quasi-public agencies, monitors and identifies affordable housing properties at risk of loss of affordability at the expiration of a legally mandated affordability period and works with the owners to help maintain affordability either through the transfer of ownership to a nonprofit entity, or to renew affordability contracts with the Federal or state government. CEDAC also provides technical assistance and training to developers, owners, tenants, and state and local officials regarding Federal housing preservation programs and the state's new law, Chapter 40T, which regulates publicly-assisted multifamily rental housing. The two large acquisition loans committed in fiscal year 2012 totaling \$7.9 million mentioned above were Housing Preservation projects, and one of those projects, Chapman Arms, was the first project preserved utilizing the right of first refusal provisions in the state's Chapter 40T law. In the following two fiscal years, 2013 and 2014, there were similarly large acquisition loans committed that were Housing Preservation projects. In fiscal year 2013, two projects totaling \$7 million, and in fiscal year 2014, three projects totaling \$8.8 million were committed. With the number of Housing Preservation projects in Massachusetts with expiring affordability periods, we anticipate that there will be a steady volume of Housing Preservation transactions each year undertaken by nonprofit developers seeking to maintain affordability in these projects.

As part of the Massachusetts Housing Preservation Initiative, MacFound also committed a \$3 million Program-Related Investment (PRI) to provide capital to the preservation initiative to support pre-development and acquisition needs of the properties. Since the inception of the Massachusetts Housing Preservation Initiative in 2009, CEDAC has provided \$11.5 million in pre-development financing to forty-six projects and \$30.7 million in acquisition financing to twelve projects. These investments enabled 4,943 housing units throughout Massachusetts maintain affordability.

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(Continued)

Permanent Deferred Payment Funding Programs

Department of Housing and Community Development

CEDAC continued to serve as underwriter for DHCD for Housing Innovations Fund (HIF) loans, Facilities Consolidation Fund (FCF) loans, and Community-Based Housing (CBH) loans. HIF, FCF, and CBH loans are deferred payment permanent loans that fund affordable housing development. Demand for permanent deferred payment loans has also increased substantially in the last several years, and particularly in the last year. FCF in particular has experienced enormous demand as Department of Developmental Services (DDS) service providers respond to recent Federal and state litigation and the closing of state institutions aimed at expediting the move of DDS clients into community-based residences. The Department of Mental Health (DMH) has increased its goal for the production of community residential programs as well. Currently, CEDAC has over \$25 million of funding requests in hand for FCF capital.

As the economy has emerged from the recession, many low-income individuals and families have continued to struggle. Despite the housing development system creating and preserving affordable housing, the need continues, particularly as the rental market rebounds, vacancy rates decline, and market-rate rents rise. The Commonwealth's most vulnerable populations, in particular, struggle to find housing and obtain the supportive services they need in order to get back on their feet. These populations include homeless families and individuals, veterans, unaccompanied youth, elders, disabled persons, as well as other populations with similar needs. They are among those residents that the economic recovery has yet to reach.

Recognizing the challenge, the Patrick Administration targeted the additional capital resources funded in 2014 to supportive housing programs. Through an innovative new capital program, the Housing Preservation and Stabilization Trust Fund (HPSTF), the Commonwealth provided capital subordinate debt financing, partnered with funding for services, in order to fully support the financing needs of projects that serve these target populations. With the funding provided, the Commonwealth was able to support thirteen additional projects that it would not have been able to support otherwise. HPSTF loans are structured as deferred payment permanent loans with similar terms as the HIF, FCF and CBH programs. Through these capital programs, the Patrick Administration was able to achieve a key supportive housing goal, the production of 1,000 supportive housing units, in just over one year.

For all deferred payment loan programs administered, CEDAC is responsible for managing the funds between the time that they are received from DHCD and disbursed to borrowers. Therefore, they are reported on the combined general purpose financial statements as a net payable. Detailed information on gross loan receivable and note payable balances is reported on pages 25 through 29 of these combined general purpose financial statements. As capital spending allows, DHCD transfers funds for projects to CEDAC prior to disbursement. At the end of each fiscal year, CEDAC held the following outstanding loan commitment balances for HIF, FCF, CBH, and HPSTF as follows:

<u>Outstanding Commitments</u>	<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$15,086,376	49%	\$ 7,511,146	45%	\$ 7,083,787	38%
Facilities Consolidation Fund	6,079,128	20	5,183,250	31	7,000,991	37
Community-Based Housing	2,342,523	8	4,040,789	24	4,703,573	25
Housing Preservation and Stabilization Trust Fund	<u>7,000,000</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$30,508,027</u>	<u>100%</u>	<u>\$16,735,185</u>	<u>100%</u>	<u>\$18,788,351</u>	<u>100%</u>

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Department of Early Education and Care

In fiscal year 2014, the Massachusetts Legislature authorized a \$45 million general obligation bond as part of a community development bond bill. CEDAC provided technical assistance to the administering agency, the Department of Early Education and Care (EEC), to design the program and draft program regulations and other documents in the first year of operations. CEDAC has also been selected to perform underwriting and fiscal agent services for the annual capital allocations, with the underwriting and technical assistance to EEOST projects provided by the Fund. EEC anticipates announcing the first awards from the EEOST Capital Fund in fiscal year 2015.

Economic Development

CEDAC's CWC is a state-wide capacity building program providing professional development training and networking opportunities for staff engaged in workforce development, education, training, and employment for adults and youth. Topics for trainings and regional network meetings include best practices on employer engagement and improving program participants' soft skills. CWC hosts an annual one-day conference, Sharing Skills~Building Connections, that draws more than 350 professionals from around the state and offers a series of professional development workshops.

During fiscal years 2012 through 2014, CWC received annual funding from the United Way of Massachusetts Bay and Merrimack Valley and from SkillWorks, a funders collaborative based at The Boston Foundation. On a combined basis, these two funders provide between \$120,000 and \$125,000 to support CWC's core activities. In addition, between 2012 and 2014, CWC received additional funding from local donors to support regional peer learning network activities among five regions throughout the Commonwealth. CWC activities are reported in the combined general purpose financial statements as Restricted Program Funds.

Early Education and Care and Out of School Time Capital Program

CEDAC carries out its support of early education and out-of-school time programs through its affiliate, the Children's Investment Fund (the Fund). The Fund is a component unit of CEDAC, reported in CEDAC's combined general purpose financial statements and presented discretely in a separate column in each of the combined general purpose financial statements.

In operation since 1990, the Fund currently offers four programs:

- a **Technical Assistance and Lending Program** that offers a full range of financing and technical services options for early education and out-of-school time providers and other child and family serving organizations seeking to construct or improve their facilities;
- a **Provider Initiative and Policy Development Program** that has conducted a research study that includes comprehensive facilities standards that measure quality and age appropriate learning environments for children in early learning and after school programs. With the results of the research, the Fund partnered with the United Way of Massachusetts Bay and Merrimack Valley and community development advocates on a campaign to educate the public about the impact of facilities on program quality;
- **The Early Education and Out of School Time (EEOST) Capital Fund** program was authorized by the Massachusetts Legislature as part of the 2014 community development bond legislation. The EEOST Capital Fund was funded by \$45 million in general obligation bonding authority to provide capital grants or loans to licensed center-based nonprofit early education and out-of-school time programs to fund facility acquisition, design, construction and/or renovation. CEDAC will underwrite and close commitments from the EEOST Capital Fund, as awarded by EEC; and

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Early Education and Care and Out of School Time Capital Program (Continued)

- a **Facilities Grant Program** that enables the Fund to provide grant capital to providers to fund the cost of facilities improvements. Through this program, the Fund raises restricted grants from donors and disburses those funds over the course of two to three years to support capital projects. As a result, the Fund's profitability has more volatility year-to-year.

The Fund is separately incorporated, formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code, and is governed by a separate Board of Directors. Because CEDAC and the Fund are separate corporate entities, corporate recourse offered to lenders reverts solely to the corporate borrowing entity and not to the affiliated corporation.

Summary of Financial Performance and Changes in Net Position

As reported in CEDAC's combined general purpose financial statements, net position decreased in fiscal year 2013 by \$289,680 to \$11,306,776, as CEDAC posted operating and program deficits, and then decreased in fiscal year 2014 by \$65,967.

These figures break down as follows:

	<u>Net Position June 30, 2012</u>	<u>Change in Net Position</u>	<u>Net Position June 30, 2013</u>	<u>Change in Net Position</u>	<u>Net Position June 30, 2014</u>
Operating and CEDAC Loan Funds	\$11,181,365	\$ (92,100)	\$11,089,265	\$ 114,958	\$11,204,223
Restricted Program Funds	<u>415,091</u>	<u>(197,580)</u>	<u>217,511</u>	<u>(180,925)</u>	<u>36,586</u>
Total	<u>\$11,596,456</u>	<u>\$(289,680)</u>	<u>\$11,306,776</u>	<u>\$ (65,967)</u>	<u>\$11,240,809</u>

Operating and CEDAC Loan Funds

CEDAC monitors its operating performance carefully to ensure on-going agency stability, and has posted surpluses in core operating activities in fiscal years 2013 and 2014. In fiscal year 2013, CEDAC's core operating activities posted a surplus of \$123,777, after adjusting for a reduction in loan loss reserves of \$73,220 and a market adjustment for investments of \$52,657. Operating results for fiscal year 2014 reflect a surplus of \$102,880, which includes a decrease in loan loss reserves of \$6,647 and a market loss in our investments of \$5,431. Neither of these adjustments resulted in immediate cash losses for CEDAC. In addition, CEDAC provided a one-time operating support grant of \$90,000 to the Fund in fiscal year 2013.

CEDAC's core operating activities can be calculated as follows:

	<u>2014</u>	<u>2013</u>
Change in net position	\$114,958	\$ (92,100)
One-time grant to the Fund	-	90,000
Unrealized market adjustment for investments	(5,431)	52,657
Loan loss reserve adjustment	<u>(6,647)</u>	<u>73,220</u>
Net core operating results	<u>\$102,880</u>	<u>\$123,777</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013
(Continued)**

Operating and CEDAC Loan Funds (Continued)

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As our level of capitalization has increased, CEDAC has also relied on earnings from lending activity, which is generated from the gross interest earned on loans, less the interest paid to lenders for the capital. When capital is deployed to borrowers, interest returns are higher than if the capital is idle and held in cash or investments by CEDAC. We continue to manage our financial activities in light of the Commonwealth's larger economic conditions. During fiscal years 2012 and 2013, we experienced a decline in core lending a bit beyond what we had anticipated, and with the economic conditions improving, anticipate that our reduced lending activity in fiscal year 2013 was an aberration, particularly with the increase in lending activity in fiscal year 2014. We are optimistic that we will maintain lending levels through 2015 given the increased allocation of state subordinate permanent capital availability, improving economic conditions, and continued potential to make larger acquisition loans, primarily through our Housing Preservation program.

During late fiscal year 2012 and into 2014, we renegotiated the terms of some of our key loan funds, to reduce the cost of capital and modify the loan terms to allow us to more effectively deploy the capital into projects, and improve our net margin. Fiscal year 2014 was the first full year that we realized the full impact of the changes, and with the final changes occurring in fiscal year 2014, we should see some continued improvement.

During fiscal year 2011, CEDAC's Board of Directors authorized an external rating agency, the CARS rating system, to provide a rigorous review and evaluate CEDAC's financial strength and stability, the impact of CEDAC's programs, and its impact on public policy. As part of the rating process, the CARS reviewers analyzed CEDAC's financial results and program performance between 2006 and December, 2010, including an evaluation of both our operating and lending policies and procedures. The CARS rating system is the industry standard metric used nationally to evaluate independent community development finance institutions (CDFI's). The rating is used by investors, foundations, and industry experts to evaluate the success of CDFI's of all sizes and lending profiles, and provide a common rating for the field. CEDAC received its rating in May, 2011, an AA3+, indicating that CEDAC remains financially sound, with a strong track record of impact and contributions to public policy. A full cycle review occurs approximately every three years with annual update ratings occurring in the intervening years. The updated rating issued during fiscal year 2012 indicated that CEDAC remained financially sound, with declining trends, while the updated rating issued during fiscal year 2013 indicated that CEDAC continued to remain financially stable with stable impact and performance. CEDAC is scheduled for its next full rating in fiscal year 2015. More information on the CARS rating process can be found at www.carsratingsystem.com.

Restricted Program Funds report Housing Preservation activities and CEDAC's workforce development program, CWC. CEDAC plays a key role in public policy development and implementation in the Housing Preservation area. During 2009, CEDAC received a \$1 million grant from MacFound to support the start-up of a ten-year Preservation initiative. During fiscal year 2013, in accordance with the grant terms, preservation-related program costs were funded in the amount of \$151,014. In fiscal year 2014, costs of \$187,872 were expended from these funds, which fully expended the restricted grant award.

The operating results of CEDAC's workforce development initiative, CWC, as reported in the Restricted Program Funds, posted a surplus of \$1,651 in fiscal year 2013 as part of additional fundraising to support the annual conference. In fiscal year 2014, CWC posted a surplus of \$6,947. Fundraising continues to support CWC program activities, with a greater focus on providing services targeted to the needs of program participants, and support for the annual conference.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014 AND 2013
(Continued)

Children's Investment Fund Operations

As reported in CEDAC's combined general purpose financial statements, net position of the Fund increased in fiscal year 2013 by \$740,753 to \$4,503,202, as the Fund posted operating and program surpluses, and then decreased in fiscal year 2014 by \$802,227 to \$3,700,975.

As noted earlier, the Fund's financial results reflect greater volatility from year-to-year due to a significant level of restricted activity in which donors provide large capital grants to support the Fund's programs in a given year, and the Fund expends those funds in subsequent years in accordance with the restricted purpose. During fiscal year 2013, restricted activity reflects a net surplus of \$831,491 and a net expenditure of \$873,474 in fiscal year 2014. The Fund issues a separate audit report that provides additional detail regarding the Fund's operation and financial results.

During fiscal year 2013, the Fund was awarded a \$1 million grant by a local funder to further capitalize the Fund's lending program. The grant will enable the Fund to expand its lending program to assist early education and out-of-school time programs to finance pre-development and acquisition costs associated with the center's renovation, rehabilitation or construction. As noted earlier, the availability of the new EEOST Capital Fund, the Commonwealth's first public financed capital program dedicated to the early education and out-of-school time field, makes capital planning and development feasible as it will provide critical grant capital to partially fund project costs. The Fund and CEDAC have provided critical support to the Patrick Administration to design and develop the program and hope to make the first EEOST program commitments in the next six months. CEDAC will underwrite and administer grant commitments awarded by EEC, and will receive a fee for providing those services. That revenue will provide a new income stream to support the Fund's operations and will augment revenues earned from its lending program, and other grant revenues.

Conclusion

CEDAC is assisting the nonprofit development community in Massachusetts to respond to the market forces impacting housing development and its related impacts on workforce development and child care. CEDAC has worked over the last several years to obtain the capital necessary to meet the demand for its loan products and manage it prudently. CEDAC has assembled the grant resources necessary to carry out further workforce development initiatives and is disbursing those funds for the purposes for which the funds have been awarded. In addition, CEDAC has managed its fiscal resources prudently to ensure its continued stability and viability, and is poised to address the loan demand brought about by the increased affordable housing and child care facilities development in Massachusetts.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

**COMBINED STATEMENT OF NET POSITION
JUNE 30, 2014**

<u>ASSETS</u>	<u>ENTERPRISE FUNDS - CEDAC</u>				<u>COMPONENT</u>	<u>(Memorandum Only) TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	<u>CEDAC TOTAL</u>	<u>THE FUND</u>	
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,954,049	\$ -	\$ -	\$ 1,954,049	\$ 1,059,899	\$ 3,013,948
Restricted cash and cash equivalents for approximately \$40,387,000 CEDAC has committed to borrowers for loans (see Note 10)	8,376,878	152,641	39,043,633	47,573,152	440,349	48,013,501
Accounts and interest receivable	231,915	-	2,449	234,364	49,372	283,736
Current portion of grants receivable	64,543	17,141	-	81,684	727,000	808,684
Current portion of loans receivable, net of allowance for uncollectible loans	3,592,476	-	3,334,526	6,927,002	293,656	7,220,658
Net interfund receivables (payables)	(188,441)	(108,252)	296,693	-	-	-
Other current assets	80,670	-	-	80,670	-	80,670
Total current assets	14,112,090	61,530	42,677,301	56,850,921	2,570,276	59,421,197
OTHER ASSETS:						
Long-term investments	1,690,019	-	-	1,690,019	-	1,690,019
Long-term grants receivable, net of current portion and discount of approximately \$5,000	-	-	-	-	121,923	121,923
Interest receivable, net of allowance for uncollectible accounts	468,164	-	132,530	600,694	-	600,694
Loans receivable, net of current portion and allowance for uncollectible loans	14,394,631	-	5,591,704	19,986,335	1,389,868	21,376,203
Fixed assets, net of accumulated depreciation	107,127	-	-	107,127	-	107,127
Total other assets	16,659,941	-	5,724,234	22,384,175	1,511,791	23,895,966
Total assets	<u>\$ 30,772,031</u>	<u>\$ 61,530</u>	<u>\$ 48,401,535</u>	<u>\$ 79,235,096</u>	<u>\$ 4,082,067</u>	<u>\$ 83,317,163</u>
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 159,062	\$ 24,944	\$ 1,129	\$ 185,135	\$ 81,822	\$ 266,957
Current portion of deferred revenue	561,294	-	747,869	1,309,163	-	1,309,163
Current portion of recourse notes payable	4,076,000	-	-	4,076,000	19,726	4,095,726
Due to participating lender	1,550,000	-	-	1,550,000	-	1,550,000
Current portion of non-recourse notes payable	-	-	250,000	250,000	-	250,000
Accrued and deferred compensation	252,666	-	-	252,666	-	252,666
Total current liabilities	6,599,022	24,944	998,998	7,622,964	101,548	7,724,512
LONG-TERM LIABILITIES:						
Recourse notes payable, net of current portion	12,847,768	-	-	12,847,768	279,544	13,127,312
Non-recourse notes payable, net of current	-	-	47,402,537	47,402,537	-	47,402,537
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
Security deposits held	8,518	-	-	8,518	-	8,518
Total liabilities	19,567,808	24,944	48,401,535	67,994,287	381,092	68,375,379
NET POSITION:						
Unrestricted net position	7,570,306	-	-	7,570,306	891,737	8,462,043
Invested in capital assets, net of related debt	107,127	-	-	107,127	-	107,127
Restricted net position - expendable	3,526,790	36,586	-	3,563,376	2,809,238	6,372,614
Total net position	11,204,223	36,586	-	11,240,809	3,700,975	14,941,784
Total liabilities and net position	<u>\$ 30,772,031</u>	<u>\$ 61,530</u>	<u>\$ 48,401,535</u>	<u>\$ 79,235,096</u>	<u>\$ 4,082,067</u>	<u>\$ 83,317,163</u>

The accompanying notes are an integral part of these combined general purpose statements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

**COMBINED STATEMENT OF NET POSITION
JUNE 30, 2013**

<u>ASSETS</u>	<u>ENTERPRISE FUNDS - CEDAC</u>				<u>COMPONENT</u>	<u>(Memorandum Only) TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	<u>CEDAC TOTAL</u>	<u>THE FUND</u>	
CURRENT ASSETS:						
Cash and cash equivalents	\$ 1,384,557	\$ -	\$ -	\$ 1,384,557	\$ 469,370	\$ 1,853,927
Restricted cash and cash equivalents for approximately \$21,922,000 CEDAC has committed to borrowers for loans (see Note 10)	6,515,991	284,379	24,908,245	31,708,615	149,933	31,858,548
Accounts and interest receivable	137,409	-	8,808	146,217	97,529	243,746
Current portion of grants receivable	49,201	103,265	-	152,466	1,227,000	1,379,466
Current portion of loans receivable, net of allowance for uncollectible loans	7,835,520	-	3,270,527	11,106,047	290,974	11,397,021
Net interfund receivables (payables)	70,766	(153,479)	82,713	-	-	-
Other current assets	71,101	2,500	-	73,601	-	73,601
Total current assets	16,064,545	236,665	28,270,293	44,571,503	2,234,806	46,806,309
OTHER ASSETS:						
Long-term investments	1,146,173	-	-	1,146,173	532,219	1,678,392
Long-term grants receivable, net of current portion and discount of approximately \$27,000	-	-	-	-	826,723	826,723
Interest receivable, net of allowance for uncollectible accounts	383,188	-	101,422	484,610	-	484,610
Loans receivable, net of current portion and allowance for uncollectible loans	5,927,490	-	3,679,670	9,607,160	1,268,884	10,876,044
Fixed assets, net of accumulated depreciation	91,768	834	-	92,602	-	92,602
Total other assets	7,548,619	834	3,781,092	11,330,545	2,627,826	13,958,371
Total assets	\$ 23,613,164	\$ 237,499	\$ 32,051,385	\$ 55,902,048	\$ 4,862,632	\$ 60,764,680
<u>LIABILITIES AND NET POSITION</u>						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	\$ 134,445	\$ 19,988	\$ 624	\$ 155,057	\$ 39,916	\$ 194,973
Current portion of deferred revenue	144,623	-	537,181	681,804	-	681,804
Current portion of recourse notes payable	2,662,123	-	-	2,662,123	21,085	2,683,208
Current portion of non-recourse notes payable	-	-	1,698,429	1,698,429	-	1,698,429
Accrued and deferred compensation	255,708	-	-	255,708	-	255,708
Total current liabilities	3,196,899	19,988	2,236,234	5,453,121	61,001	5,514,122
LONG-TERM LIABILITIES:						
Recourse notes payable, net of current portion	9,214,500	-	-	9,214,500	298,429	9,512,929
Non-recourse notes payable, net of current portion	-	-	29,815,151	29,815,151	-	29,815,151
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
Total liabilities	12,523,899	19,988	32,051,385	44,595,272	359,430	44,954,702
NET POSITION:						
Unrestricted net position	7,430,467	-	-	7,430,467	820,490	8,250,957
Invested in capital assets, net of related debt	91,768	834	-	92,602	-	92,602
Restricted net position - expendable	3,567,030	216,677	-	3,783,707	3,682,712	7,466,419
Total net position	11,089,265	217,511	-	11,306,776	4,503,202	15,809,978
Total liabilities and net position	\$ 23,613,164	\$ 237,499	\$ 32,051,385	\$ 55,902,048	\$ 4,862,632	\$ 60,764,680

The accompanying notes are an integral part of these combined general purpose statements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	ENTERPRISE FUNDS - CEDAC			CEDAC TOTAL	COMPONENT UNIT THE FUND	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT			
OPERATING REVENUES:						
Interest	\$ 1,027,076	\$ 294	\$ 219,808	\$ 1,247,178	\$ 144,040	\$ 1,391,218
Less - loan and interest reserve adjustment	6,647	-	(245,023)	(238,376)	(38,427)	(276,803)
Loan fund management fees and other fees	375,723	-	17,750	393,473	-	393,473
Less - interest expense	(494,051)	-	(89,500)	(583,551)	(13,407)	(596,958)
Net financial and related revenue	915,395	294	(96,965)	818,724	92,206	910,930
Government contracts	1,490,658	65,060	-	1,555,718	50,000	1,605,718
Earned revenue and other	513,551	86,662	-	600,213	230,859	831,072
Restricted grants and contributions	-	564,395	-	564,395	-	564,395
Legal fee revenue	-	-	159,312	159,312	-	159,312
Legal fee expense	-	-	(159,312)	(159,312)	-	(159,312)
In-kind income	-	-	-	-	73,319	73,319
Grants applied to operations	239,205	(239,205)	-	-	-	-
Unrealized gain on investments	5,431	-	-	5,431	7,781	13,212
Net decrease in notes payable	-	-	280,012	280,012	-	280,012
Management fees expense	-	-	(183,047)	(183,047)	-	(183,047)
Total operating revenues	3,164,240	477,206	-	3,641,446	454,165	4,095,611
OPERATING EXPENSES:						
Employee compensation	2,259,538	281,347	-	2,540,885	-	2,540,885
Grants and related expenses	-	194,903	-	194,903	543,955	738,858
Management fees	-	-	-	-	471,400	471,400
Contracted services	115,806	176,624	-	292,430	141,347	433,777
Rent	395,626	-	-	395,626	-	395,626
In-kind services	-	-	-	-	73,319	73,319
Accounting and audit	37,174	-	-	37,174	18,248	55,422
Supplies and document storage	47,304	953	-	48,257	834	49,091
Legal	25,630	721	-	26,351	15,916	42,267
Depreciation	38,730	834	-	39,564	-	39,564
Travel	19,715	1,356	-	21,071	4,073	25,144
Insurance	16,825	-	-	16,825	7,066	23,891
Other expenses	18,192	1,030	-	19,222	1,393	20,615
Maintenance and repair	16,099	-	-	16,099	-	16,099
Equipment	11,223	-	-	11,223	-	11,223
Memberships	10,185	250	-	10,435	641	11,076
Utilities	8,770	-	-	8,770	-	8,770
Telephone	6,614	113	-	6,727	-	6,727
Printing	6,589	-	-	6,589	-	6,589
Postage and messengers	6,582	-	-	6,582	-	6,582
Staff development	4,238	-	-	4,238	1,100	5,338
Publications and subscriptions	4,442	-	-	4,442	-	4,442
Total operating expenses	3,049,282	658,131	-	3,707,413	1,279,292	4,986,705
Changes in net position from operations	114,958	(180,925)	-	(65,967)	(825,127)	(891,094)
UNRESTRICTED GRANTS AND CONTRIBUTIONS	-	-	-	-	22,900	22,900
Changes in net position	114,958	(180,925)	-	(65,967)	(802,227)	(868,194)
NET POSITION, beginning of year	11,089,265	217,511	-	11,306,776	4,503,202	15,809,978
NET POSITION, end of year	\$ 11,204,223	\$ 36,586	\$ -	\$ 11,240,809	\$ 3,700,975	\$ 14,941,784

The accompanying notes are an integral part of these combined general purpose statements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS - CEDAC			CEDAC TOTAL	COMPONENT UNIT	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT		THE FUND	
OPERATING REVENUES:						
Interest	\$ 990,781	\$ 776	\$ 261,250	\$ 1,252,807	\$ 97,861	\$ 1,350,668
Less - loan and interest reserve adjustment	(73,220)	-	40,614	(32,606)	(62,684)	(95,290)
Loan fund management fees and other fees	305,814	-	22,138	327,952	-	327,952
Less - interest expense	(483,626)	-	(88,662)	(572,288)	(8,106)	(580,394)
Net financial and related revenue	739,749	776	235,340	975,865	27,071	1,002,936
Government contracts	1,538,084	60,719	-	1,598,803	-	1,598,803
Earned revenue and other	504,955	114,673	-	619,628	4,038	623,666
Restricted grants and contributions	-	589,132	-	589,132	1,707,350	2,296,482
Legal fee revenue	-	-	180,311	180,311	-	180,311
Legal fee expense	-	-	(180,311)	(180,311)	-	(180,311)
In-kind income	-	-	-	-	43,894	43,894
Grants applied to operations	218,779	(218,779)	-	-	-	-
Unrealized loss on investments	(52,657)	-	-	(52,657)	(7,781)	(60,438)
Net increase in notes payable	-	-	(70,845)	(70,845)	-	(70,845)
Management fees expense	-	-	(164,495)	(164,495)	-	(164,495)
Total operating revenues	2,948,910	546,521	-	3,495,431	1,774,572	5,270,003
OPERATING EXPENSES:						
Employee compensation	2,212,494	380,255	-	2,592,749	-	2,592,749
Grants and related expenses	90,000	226,210	-	316,210	442,707	758,917
Management fees	-	-	-	-	454,929	454,929
Contracted services	65,332	125,591	-	190,923	141,132	332,055
Rent	383,689	-	-	383,689	-	383,689
In-kind services	-	-	-	-	43,894	43,894
Accounting and audit	33,250	-	-	33,250	16,850	50,100
Supplies and document storage	41,611	1,294	-	42,905	790	43,695
Legal	47,788	721	-	48,509	18,978	67,487
Depreciation	44,266	3,672	-	47,938	3,392	51,330
Travel	15,581	3,169	-	18,750	1,925	20,675
Insurance	14,666	-	-	14,666	6,363	21,029
Other expenses	13,649	1,238	-	14,887	5,024	19,911
Maintenance and repair	19,187	-	-	19,187	-	19,187
Equipment	8,496	-	-	8,496	-	8,496
Memberships	7,400	1,000	-	8,400	450	8,850
Utilities	8,415	-	-	8,415	-	8,415
Telephone	6,985	230	-	7,215	-	7,215
Printing	7,826	721	-	8,547	1,060	9,607
Postage and messengers	9,609	-	-	9,609	-	9,609
Staff development	6,680	-	-	6,680	-	6,680
Publications and subscriptions	4,086	-	-	4,086	-	4,086
Total operating expenses	3,041,010	744,101	-	3,785,111	1,137,494	4,922,605
Changes in net position from operations	(92,100)	(197,580)	-	(289,680)	637,078	347,398
UNRESTRICTED GRANTS AND CONTRIBUTIONS	-	-	-	-	103,675	103,675
Changes in net position	(92,100)	(197,580)	-	(289,680)	740,753	451,073
NET POSITION, beginning of year	11,181,365	415,091	-	11,596,456	3,762,449	15,358,905
NET POSITION, end of year	\$ 11,089,265	\$ 217,511	\$ -	\$ 11,306,776	\$ 4,503,202	\$ 15,809,978

The accompanying notes are an integral part of these combined general purpose statements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	ENTERPRISE FUNDS - CEDAC			CEDAC TOTAL	COMPONENT UNIT	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT		THE FUND	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from funders, net of management fees expense	\$ 2,789,573	\$ 802,241	\$ 186,952	\$ 3,778,766	\$ 1,504,297	\$ 5,283,063
Interest received on loans	1,034,361	-	164,489	1,198,850	188,078	1,386,928
Interest received on bank deposits	26,769	294	42,125	69,188	11,901	81,089
Employee compensation	(2,262,580)	(281,347)	-	(2,543,927)	-	(2,543,927)
Payments for supplies and services	(662,787)	(607,699)	(159,312)	(1,429,798)	(1,164,067)	(2,593,865)
Interest payments to lenders	(541,355)	-	(88,996)	(630,351)	(13,407)	(643,758)
Internal activity - payments between funds	259,207	(45,227)	(213,980)	-	-	-
Net cash provided by (used in) operating activities	<u>643,188</u>	<u>(131,738)</u>	<u>(68,722)</u>	<u>442,728</u>	<u>526,802</u>	<u>969,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Loans disbursed	(13,515,340)	-	(25,403,362)	(38,918,702)	(603,166)	(39,521,868)
Proceeds from loan repayments	9,297,890	-	4,061,410	13,359,300	437,553	13,796,853
Purchase of investments	(538,415)	-	-	(538,415)	-	(538,415)
Maturity of investments	-	-	-	-	540,000	540,000
Acquisition of fixed assets	(54,089)	-	-	(54,089)	-	(54,089)
Net cash provided by (used in) investing activities	<u>(4,809,954)</u>	<u>-</u>	<u>(21,341,952)</u>	<u>(26,151,906)</u>	<u>374,387</u>	<u>(25,777,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from notes payable	7,848,880	-	35,546,062	43,394,942	-	43,394,942
Increase in due to participants	1,550,000	-	-	1,550,000	-	1,550,000
Repayments of principal of notes payable	(2,801,735)	-	-	(2,801,735)	(20,244)	(2,821,979)
Net cash provided by (used in) financing activities	<u>6,597,145</u>	<u>-</u>	<u>35,546,062</u>	<u>42,143,207</u>	<u>(20,244)</u>	<u>42,122,963</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,430,379	(131,738)	14,135,388	16,434,029	880,945	17,314,974
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,900,548</u>	<u>284,379</u>	<u>24,908,245</u>	<u>33,093,172</u>	<u>619,303</u>	<u>33,712,475</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,330,927</u>	<u>\$ 152,641</u>	<u>\$ 39,043,633</u>	<u>\$ 49,527,201</u>	<u>\$ 1,500,248</u>	<u>\$ 51,027,449</u>
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Changes in net position	\$ 114,958	\$ (180,925)	\$ -	\$ (65,967)	\$ (802,227)	\$ (868,194)
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	38,730	834	-	39,564	-	39,564
Allowance for loan gains (losses)	(6,647)	-	245,023	238,376	38,427	276,803
Unrealized gain on investments	(5,431)	-	-	(5,431)	(7,781)	(13,212)
Changes in operating assets and liabilities:						
Accounts and interest receivable	(94,506)	-	6,359	(88,147)	-	(88,147)
Grants receivable	(15,342)	86,124	-	70,782	1,204,800	1,275,582
Interfund receivables	259,207	(45,227)	(213,980)	-	-	-
Other current assets	(9,569)	2,500	-	(7,069)	-	(7,069)
Interest receivable	(84,976)	-	(37,305)	(122,281)	51,677	(70,604)
Accounts payable and accrued expenses	24,617	4,956	505	30,078	41,906	71,984
Deferred revenue	416,671	-	210,688	627,359	-	627,359
Net increase in notes payable	-	-	(280,012)	(280,012)	-	(280,012)
Security deposits	8,518	-	-	8,518	-	8,518
Accrued and deferred compensation	(3,042)	-	-	(3,042)	-	(3,042)
Net cash provided by (used in) operating activities	<u>\$ 643,188</u>	<u>\$ (131,738)</u>	<u>\$ (68,722)</u>	<u>\$ 442,728</u>	<u>\$ 526,802</u>	<u>\$ 969,530</u>

The accompanying notes are an integral part of these combined general purpose statements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	ENTERPRISE FUNDS - CEDAC				COMPONENT	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL	THE FUND	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from funders, net of management fees expense	\$ 2,501,349	\$ 692,643	\$ 172,586	\$ 3,366,578	\$ 1,050,215	\$ 4,416,793
Interest received on loans	1,059,805	-	246,450	1,306,255	63,472	1,369,727
Interest received on bank deposits	32,484	776	48,334	81,594	1,509	83,103
Employee compensation	(2,191,227)	(380,255)	-	(2,571,482)	-	(2,571,482)
Payments for supplies and services	(815,101)	(569,730)	(180,311)	(1,565,142)	(1,175,870)	(2,741,012)
Interest payments to lenders	(430,638)	-	(89,275)	(519,913)	(8,106)	(528,019)
Internal activity - payments between funds	473,339	51,061	(524,400)	-	-	-
Net cash provided by (used in) operating activities	<u>630,011</u>	<u>(205,505)</u>	<u>(326,616)</u>	<u>97,890</u>	<u>(68,780)</u>	<u>29,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Loans disbursed	(4,834,472)	-	(25,493,716)	(30,328,188)	(777,327)	(31,105,515)
Proceeds from loan repayments	6,933,846	-	3,973,444	10,907,290	91,060	10,998,350
Purchase of investments	(1,800,000)	-	-	(1,800,000)	(1,083,436)	(2,883,436)
Maturity of investments	2,320,000	-	-	2,320,000	1,086,829	3,406,829
Acquisition of fixed assets	(18,670)	-	-	(18,670)	-	(18,670)
Net cash provided by (used in) investing activities	<u>2,600,704</u>	<u>-</u>	<u>(21,520,272)</u>	<u>(18,919,568)</u>	<u>(682,874)</u>	<u>(19,602,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Proceeds from notes payable	1,951,734	-	22,398,921	24,350,655	320,241	24,670,896
Repayments of principal of notes payable	(3,270,899)	-	(2,000,000)	(5,270,899)	(399,679)	(5,670,578)
Net cash provided by (used in) financing activities	<u>(1,319,165)</u>	<u>-</u>	<u>20,398,921</u>	<u>19,079,756</u>	<u>(79,438)</u>	<u>19,000,318</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,911,550	(205,505)	(1,447,967)	258,078	(831,092)	(573,014)
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,988,998</u>	<u>489,884</u>	<u>26,356,212</u>	<u>32,835,094</u>	<u>1,450,395</u>	<u>34,285,489</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,900,548</u>	<u>\$ 284,379</u>	<u>\$ 24,908,245</u>	<u>\$ 33,093,172</u>	<u>\$ 619,303</u>	<u>\$ 33,712,475</u>
RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Changes in net position	\$ (92,100)	\$ (197,580)	\$ -	\$ (289,680)	\$ 740,753	\$ 451,073
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	44,266	3,672	-	47,938	3,392	51,330
Allowance for loan gains (losses)	73,220	-	(40,614)	32,606	62,684	95,290
Unrealized loss on investments	52,657	-	-	52,657	7,781	60,438
Changes in operating assets and liabilities:						
Accounts and interest receivable	95,073	5,289	10,756	111,118	-	111,118
Grants receivable	(14,071)	(77,170)	-	(91,241)	(764,848)	(856,089)
Interfund receivables	473,339	51,061	(524,400)	-	-	-
Other current assets	(6,834)	-	-	(6,834)	-	(6,834)
Interest receivable	(21,752)	-	642	(21,110)	(32,880)	(53,990)
Accounts payable and accrued expenses	49,237	9,223	(613)	57,847	(85,662)	(27,815)
Deferred revenue	(44,291)	-	156,768	112,477	-	112,477
Net increase in notes payable	-	-	70,845	70,845	-	70,845
Accrued and deferred compensation	21,267	-	-	21,267	-	21,267
Net cash provided by (used in) operating activities	<u>\$ 630,011</u>	<u>\$ (205,505)</u>	<u>\$ (326,616)</u>	<u>\$ 97,890</u>	<u>\$ (68,780)</u>	<u>\$ 29,110</u>

The accompanying notes are an integral part of these combined general purpose statements.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**COMBINED STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2014 AND 2013**

<u>ASSETS</u>	<u>CEDAC AGENCY FUND</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash and cash equivalents	\$ 2,370,134	\$ 3,303,996
Total assets	\$ 2,370,134	\$ 3,303,996
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES:		
Agency funds held for others	\$ 2,370,134	\$ 3,303,996
Total liabilities	2,370,134	3,303,996
NET POSITION		
	-	-
Total liabilities and net position	\$ 2,370,134	\$ 3,303,996

The accompanying notes are an integral part of these combined general purpose statements.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

(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 Massachusetts charitable corporation, originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way) (see Note 11). As part of the terms of corporate transfer of the Fund from United Way to CEDAC, United Way transferred its sole membership in the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. 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 early education and out-of-school time 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 (IRC). CEDAC and the Fund are also exempt from state income taxes. Donors may deduct contributions made to CEDAC and the Fund within the IRC regulations.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying combined 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 follows GASB standards for *Comprehensive Annual Financial Reporting*. These standards outline 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 standards 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 GASB provisions, 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 standards for the *Reporting Entity and Component Unit Presentation of Disclosure*, as clarified by GASB Statement 61, "*The Financial Reporting Entity: Omnibus*", the Fund is discretely presented in these combined general purpose financial statements as a component unit of CEDAC. A separate audit of the Fund is performed. The "Memorandum Only Total" is presented in accordance with these GASB standards. This represents the combined totals of CEDAC and the Fund without the elimination of inter-agency balances and transactions. See Note 11 for a summary of the transactions. Those uncombined financial statements of the Fund are presented in accordance with the provisions of the Financial Accounting Standards Codification, as established by the Financial Accounting Standards Board (FASB).

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - GASB Standards (Continued)

Results of the Fund as issued under FASB are as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets	\$ 71,247	\$ (90,738)
Changes in temporarily restricted net assets	<u>(873,474)</u>	<u>831,491</u>
Total changes in net assets	<u>\$(802,227)</u>	<u>\$740,753</u>

CEDAC follows the GASB standard, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, CEDAC has elected to apply the provisions of all relevant pronouncements of FASB that do not conflict with or contradict GASB codifications. References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC) and the GASB Codification.

Classification of Net Position

CEDAC's financial resources are organized in the following major funds. CEDAC has no non-major funds as defined by GASB standards for *Governmental Accounting and Financial Reporting*.

Operating and CEDAC Loan Funds:

Operating net position - Operating net position 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 net position 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, 2014 and 2013, CEDAC had set aside \$1,518,645 and \$1,520,505, respectively, for the operating reserve. As of June 30, 2013, CEDAC had also set aside \$11,809 for loan loss reserves. No amounts were set aside for loan loss reserves as of June 30, 2014. To the extent possible and as loans are forgiven, the Board may authorize the transfer of these loan loss reserve funds to the CEDAC Loan Funds to help maintain lending capacity.

CEDAC Loan Funds - The CEDAC Loan Funds consist of \$6,051,661 and \$5,898,153 of unrestricted net position designated by the Board of Directors as of June 30, 2014 and 2013, respectively, and of additional recourse debt capital (see Note 2) 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 accompanying combined statements of net position 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 accompanying combined statements of net position as notes payable to funding sources (see Note 2).

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

Operating and CEDAC Loan Funds: (Continued)

Unrestricted net position as of June 30, 2014 and 2013, are summarized as follows:

	<u>2014</u>	<u>2013</u>
CEDAC Loan Funds	\$6,051,661	\$5,898,153
Operating Reserve	<u>1,518,645</u>	<u>1,532,314</u>
	<u>\$7,570,306</u>	<u>\$7,430,467</u>

Invested in Capital Assets - This classification is used to account for all fixed assets purchased by CEDAC and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Net fixed assets of \$107,127 and \$91,768 as of June 30, 2014 and 2013, respectively, are presented on the accompanying combined statements of net position as net position invested in capital assets.

Restricted Net Position - Expendable - Included in this classification as of June 30, 2013, are those funds awarded by The John D. and Catherine T. MacArthur Foundation (MacFound) in 2009 and \$3.5 million awarded by the Commonwealth of Massachusetts in 2010 to support lending activities within CEDAC's Housing Preservation Initiative. Through this initiative, CEDAC coordinated and collaborated with other public agencies and nonprofit organizations to preserve affordable housing whose affordability term is expiring.

Restricted Program Funds - Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Net Position - Expendable. 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 combined statements of revenues, expenses and changes in net position.

Included in the Restricted Program Funds at June 30, 2014 and 2013, are those funds associated with the Commonwealth Workforce Coalition (CWC). Through these programs, 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, 2013, are the unspent funds from an initial \$1 million gift from MacFound for the Housing Preservation Initiative. At June 30, 2014, the grant funded by MacFound was fully expended.

Total Restricted Program Funds consist of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Commonwealth Workforce Coalition	\$36,586	\$ 29,639
Housing Preservation Initiative	<u>-</u>	<u>187,872</u>
Total	<u>\$36,586</u>	<u>\$217,511</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

Loan Funds Under Management - Loan Funds Under Management include substantially non-recourse loan funds capitalized at CEDAC by various funders. These loan funds are managed by CEDAC under management contracts with the funders, which outline the use of the loan corpus and its accumulated interest. The managed loan funds are reflected on the combined general purpose financial statements as non-recourse notes payable (see Note 2). Under these management contracts, CEDAC is allowed to charge certain administrative expenses and loan loss provisions directly to the loan fund and are shown as direct loan fund expenses in the accompanying combined statements of revenues, expenses and changes in net position.

The annual net surplus/(deficit) of the fund is shown as a net increase/decrease in notes payable on the accompanying combined statements of revenues, expenses and changes in net position.

Agency Funds Held for Others – Agency Funds Held for Others include those funds for which CEDAC serves as fiscal intermediary under agreements with its partner agencies. Under these agreements, CEDAC is paid an administrative fee to cover the cost of intermediary services. In accordance with GASB reporting standards, these funds are reported on separate statements of fiduciary net position (see Note 6).

The Fund:

Unrestricted Net Position - Unrestricted net position is comprised of the funds used to support general operations and certain operating and loan reserves, as well as a portion of facilities grants funds. Unrestricted net position bears no donor-imposed restrictions.

Invested in Capital Assets - This classification is used to account for all fixed assets purchased by the Fund and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Fixed assets were fully depreciated as of June 30, 2014 and 2013, and are presented on the accompanying combined statements of net position as net position invested in capital assets.

Restricted Net Position - Expendable - This classification relates to funds contributed by donors or earnings thereof restricted for specific purposes and accumulated interest income on the Fund's loan corpus. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted funds are reclassified to unrestricted net position.

Restricted net position consists of the following as of June 30:

	<u>2014</u>	<u>2013</u>
Restricted for Fund Loans	\$2,009,877	\$2,036,596
Restricted for Facilities Grant Program	425,438	1,047,694
Restricted for Core Operating Support in Future Periods	373,923	524,023
Restricted for Provider Initiative Program	<u>-</u>	<u>74,399</u>
	<u>\$2,809,238</u>	<u>\$3,682,712</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks, the Massachusetts Municipal Depository Trust (MMDT), and certificates of deposit with initial maturities of three months or less. The Federal Deposit Insurance Corporation insures the balances held in banks up to certain amounts. At certain times during the year, the balances exceeded the insured limits. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions.

The CEDAC balances held in the MMDT amounted to approximately \$46.1 million and \$30.6 million as of June 30, 2014 and 2013, respectively, which includes money held as a fiduciary (see Note 6). The MMDT portfolio is managed such that it maintains a dollar-weighted average portfolio maturity of ninety days or less, and consists of certificates of deposit, money market funds, U.S. Government securities, and high-grade commercial paper (see Note 7).

The Fund's balances held in the MMDT amounted to approximately \$1,234,000 and \$363,000 as of June 30, 2014 and 2013, respectively.

Revenue Recognition

Contract revenue is recognized when earned. Unrestricted grants and contributions are recognized as operating revenue when unconditionally pledged or committed. All other revenue is recognized when earned.

Investments

Investments consist of certificates of deposits and government sponsored enterprise notes, which are reported at fair market value. Short-term investments are those maturing within one year. Long-term investments have original maturities of greater than one year (see Note 7).

Fixed Assets

Fixed assets consist of office equipment and leasehold improvements, which are depreciated on the straight-line method over their estimated useful lives of three to five years. CEDAC fixed assets are recorded at cost and totaled \$558,801 and \$504,712 at June 30, 2014 and 2013, respectively. Accumulated depreciation at June 30, 2014 and 2013, totaled \$451,674 and \$412,110, respectively.

The Fund's equipment is depreciated on the straight-line method over its estimated useful life of three years. The Fund has equipment totaling \$10,149, which was fully depreciated as of June 30, 2014 and 2013.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

In preparing combined general purpose financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined general purpose financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocations

Salaries, wages and benefits are allocated to functions based on the percentage of effort relative to a particular program or function. All other expenses are allocated to the functions based on usage or percentage of effort as determined by CEDAC's management.

Deferred Revenue

Deferred revenue represents fees received in advance of the occurrence of particular activities. Such amounts are recorded as revenue in the year earned by CEDAC (see Note 9).

Concentration of Credit Risk

Financial instruments that potentially subject CEDAC to concentration of credit risk consist primarily of accounts receivable and loans receivable. Credit risk with receivables and loans is concentrated among governmental agencies and Massachusetts nonprofit organizations.

Federal and State Grants and Contracts

CEDAC has expended resources in connection with Federal and State grants and contracts that are subject to review and audit by the respective governments or their representatives. Such audits could result in requests for reimbursement to the government agency if expenditures are disallowed. Management is not aware of any specific disallowances and believes the results of any such audit would not produce material changes to these combined general purpose financial statements.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES

Loan programs managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. Loan programs included in the CEDAC Loan Fund are comprised of recourse loans and loan programs included in Loan Funds Under Management are comprised of non-recourse loans (see Note 1). CEDAC was in compliance with all restrictions and covenants as of June 30, 2014 and 2013. Notes payable include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. Interest is paid currently on a quarterly basis and the principal balance is due at maturity. The loan terms were amended during fiscal year 2014 to reduce the interest rate from 6% to 4% and extend the loan maturity to June 30, 2017. The loan is generally reviewed and renewed every five years.
- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition, pre-development, and bridge 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. Bridge loans are secured by an assignment and pledge by the state source being financed. The principal balance and repayment terms are adjusted periodically as Home Funders raises additional capital to fund loans. The loan requires periodic payments of principal based on additional capitalizations provided by the funders of Home Funders. The maturity date is continually extended as additional capitalizations are received. As of June 30, 2014, the loan matures in June, 2023, with borrowing authority of up to \$8.95 million. Interest is payable semi-annually at a rate of 1%.
- **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 line of credit was amended and restated on November 30, 2013, to mature in November, 2016, or upon the occurrence of an event of default, with a call period through November 30, 2014. The line of credit carries an interest rate of prime (3.25% as of June 30, 2014 and 2013), minus 1.25%, but not lower than 1.5%, due quarterly. Advances under the line of credit have a maximum term of twenty-four months.
- **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. Under the terms of the contract, all principal accrues to the DND Loan Fund and interest earned is paid annually.
- **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 May, 2011. As of June 30, 2014, the lender has indicated its intent to extend the term of the loan.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Affordable Housing Trust (AHT) Pre-development Loan Fund** - The Massachusetts Housing Finance Agency (MassHousing) capitalized a \$2.5 million AHT 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. The agreement allows for additional annual capitalizations by MassHousing through the expiration date of June, 2015, subject to the annual capitalization of the AHT by the Commonwealth. The agreement was amended in 2014 to allow up to \$320,000 of accumulated fund earnings to be paid to CEDAC in two installments of \$160,000 over two years beginning in fiscal year 2015. Principal and all remaining interest accrues to the loan fund under the terms of the agreement. As of June 30, 2014, the lender has indicated its intent to extend the expiration date of the loan beyond June, 2015.
- **The Boston Foundation Loan Fund** was capitalized during 2005 with an unsecured commitment of up to \$1.5 million to capitalize a loan fund at CEDAC to provide acquisition and pre-development financing to support the development of single person occupancy housing projects in the Greater Boston area. Acquisition loans are secured by first mortgages. The term of the loan is ten years, maturing on January 26, 2015, with the principal balance due at that time. Interest is due semi-annually at a rate of 2.5%.
- **The Boston Private Bank Acquisition/Bridge and Pre-development Line of Credit** was executed in 2013 to provide capital to finance acquisition and pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$1.5 million, with \$750,000 available for Acquisition/Bridge loans and \$750,000 available for Pre-development loans. Acquisition loans are secured by first mortgages. For Acquisition/Bridge loans, interest is payable quarterly at the Federal Home Loan Bank two-year classic rate, plus 2.75%, with a floor of 3.75%. For Pre-development loans, interest is payable quarterly at the Investor's Base Lending Rate (3.25% at June 30, 2014 and 2013), plus 0.5%. The line of credit is an unsecured revolving line of credit, with maturity in January, 2018. The agreement contains various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. As of June 30, 2014, CEDAC's risk rating system yielded a rate that was slightly below the covenant. The bank approved CEDAC's request to waive the covenant for fiscal year 2014. As of June 30, 2014, CEDAC was in compliance with all other covenants of the agreement.
- **The Eastern 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, 2014. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit which is reviewed and renewed bi-annually, currently maturing in November, 2014.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Eastern Bank Acquisition Line of Credit (Continued)**

Interest for amounts borrowed is payable quarterly, with rate changes offered by the bank from time-to-time, historically as follows:

<u>Period</u>	<u>Interest Rate</u>
December 20, 2004 - November 14, 2009	Ninety-day London Interbank Offered Rate (LIBOR) plus 1.25% or a fixed rate based on the Federal Home Loan Bank two-year classic rate plus 1.35%
November 15, 2009 - January 28, 2013	Ninety-day LIBOR plus 3% or a fixed rate of 4%
January 29, 2013 - Present	Ninety-day LIBOR plus 3% or a fixed rate of 3.5%

The ninety-day LIBOR was 0.23% and 0.27% at June 30, 2014 and 2013, respectively. The agreement contains various covenants. As of June 30, 2014 and 2013, CEDAC was in compliance with all covenants of the agreement.

- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2011 to provide capital to finance bridge loans to nonprofit organizations to move into construction where the nonprofit organization has a commitment from state funding sources for disbursement in future years. The total commitment under this line of credit is \$4 million as of June 30, 2014. Bridge loans to nonprofit organizations are secured by an assignment and pledge by the state source being financed (see Note 4). The line of credit is an unsecured revolving line of credit maturing in November, 2014. The interest rate for loans is 4.75%. Interest is payable quarterly. As of June 30, 2014 and 2013, CEDAC was in compliance with all covenants of the agreement.
- **The Rockland Trust Acquisition Line of Credit** was executed on June 25, 2014, to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The commitment under this line of credit is \$1 million. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit, currently maturing on June 25, 2016. The interest rate for amounts borrowed is either a floating rate equal to the ninety-day LIBOR plus 3.0% or a fixed rate of 3.5%. Interest is payable quarterly.
- **The Housing Preservation Loan Fund** - In 2009, MacFound committed a \$3 million loan as a Program-Related Investment (PRI) to CEDAC, as the lead agency of the Massachusetts Housing Preservation Initiative of DHCD, which awarded a \$3.5 million grant to match MacFound's PRI. The Housing Preservation Loan Fund allows CEDAC to provide additional acquisition and pre-development loans to nonprofit borrowers seeking to preserve housing in Massachusetts. The loan is payable with three payments of \$1,000,000 each year beginning on October 1, 2017, with the final payment on October 1, 2019, and is unsecured. The interest rate on the loan is 2%.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

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

	<u>2014</u>	<u>2013</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 2,000,000	\$ 3,000,000
The Boston Foundation Loan Fund	1,500,000	1,500,000
The Housing Preservation Loan Fund	3,000,000	3,000,000
Eastern Bank Acquisition Loan Fund	7,617,226	3,824,888
Eastern Bank Bridge Loan Fund	-	237,235
Boston Private Bank Acquisition Line	630,000	-
MHP Acquisition Loan Fund	<u>2,176,542</u>	<u>314,500</u>
Total Operating and CEDAC Loan Funds	<u>16,923,768</u>	<u>11,876,623</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	9,003,666	8,986,178
DND Loan Fund	775,306	654,277
HSF Acquisition Loan Fund	1,711,256	1,698,429
AHT Pre-development Loan Fund	2,554,930	2,874,439
Net DMH Trust (see Note 3)	566,149	565,072
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>33,041,230</u>	<u>16,735,185</u>
Total Loan Funds Under Management	<u>47,652,537</u>	<u>31,513,580</u>
	<u>\$64,576,305</u>	<u>\$43,390,203</u>

Scheduled principal and estimated interest payments on the notes payable are shown below:

<u>Fiscal Year</u>	<u>CEDAC Loan Funds Principal</u>	<u>Loan Funds Under Management Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 4,076,000	\$ 250,000	\$ 250,021	\$ 4,576,021
2016	7,847,768	3,330,236	227,000	11,405,004
2017	3,000,000	2,711,256	208,667	5,919,923
2018	1,000,000	-	102,000	1,102,000
2019	1,000,000	-	82,000	1,082,000
2020-2023	-	7,753,666	288,854	8,042,520
	<u>16,923,768</u>	<u>14,045,158</u>	<u>1,158,542</u>	<u>32,127,468</u>
Deferred payment loans	<u>-</u>	<u>33,607,379</u>	<u>-</u>	<u>33,607,379</u>
	<u>\$16,923,768</u>	<u>\$47,652,537</u>	<u>\$1,158,542</u>	<u>\$65,734,847</u>

The above balance of deferred payment loans represents the net note payable balances for DMH Trust and HIF/FCF/CBH/HPSTF (see Note 3) as these amounts are expected to be loaned in perpetuity. All notes payable principal repayments reported for CEDAC Loan Funds in fiscal year 2016 are associated with lines of credit funding borrower acquisition loans with maturities in fiscal year 2016.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

The schedule on page 28 has been prepared based on the currently stated maturities of notes payable and related agreements with funding sources. Many of the lenders associated with these notes payable have provided capital to support CEDAC's lending programs for the long-term and have historically renewed note payable agreements upon satisfactory review of the agreements with CEDAC. In addition, CEDAC may also seek to negotiate extensions of lending arrangements that have funded underlying loans receivable (see Note 4) of CEDAC's which may be extended in the ordinary course of business. This schedule has not been adjusted for the impact of any potential agreement renewals or extensions.

Fund:

During fiscal year 2013, the Fund entered into a line of credit agreement with a life insurance initiative. Draws on the line of credit bear interest at 5% for projects financed in Boston, and at 4% for projects financed outside of Boston. Repayments are due as the Fund receives repayments from borrowers under the end loans. The line of credit matures in May, 2018, with a five-year renewal option. The loan is secured by a pledge of assets, including the borrower end loans, except that for any end loans partially funded by the line of credit and partially by other Fund resources, the line of credit lender is secured only by its pro rata share of those end loans.

The loan contains certain restrictions and covenants, with which the Fund was in compliance as of June 30, 2014 and 2013. At June 30, 2014 and 2013, the outstanding balance was \$299,270 and \$319,514, respectively.

(3) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

Department of Housing and Community Development (DHCD)

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and Housing Preservation and Stabilization Trust Fund 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. CEDAC also serves as disbursing agent for legal fees associated with these loans and disbursed \$159,312 and \$180,311 of legal fees during fiscal years 2014 and 2013, respectively.

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 \$396 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.
- **The Facilities Consolidation Fund Pooling Program (FCF)** was funded by \$272 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 Developmental Services (DDS) and the Massachusetts Department of Mental Health (DMH).

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(3) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE (Continued)

Department of Housing and Community Development (DHCD) (Continued)

- **The Community-Based Housing Program (CBH)** was funded by \$118 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 DDS or DMH.
- **The Housing Preservation and Stabilization Trust Fund (HPSTF)** was funded by a \$7 million capitalization in accordance with Section 60 of MGL c 121B. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. HPSTF program loans provide affordable housing for low-income families and individuals, particularly those most at risk of becoming homeless.

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, CBH and HPSTF notes payable are presented in the combined general purpose financial statements net of loans receivable at June 30, 2014 and 2013.

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

<u>2014</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
Note payable, June 30, 2014	\$192,979,119	\$108,760,628	\$37,059,580	\$7,001,176	\$345,800,503
Less - loans receivable	<u>175,965,933</u>	<u>104,558,688</u>	<u>32,234,652</u>	<u>-</u>	<u>312,759,273</u>
Net note payable, June 30, 2014	<u>\$ 17,013,186</u>	<u>\$ 4,201,940</u>	<u>\$ 4,824,928</u>	<u>\$7,001,176</u>	<u>\$ 33,041,230</u>
<u>2013</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
Note payable, June 30, 2013	\$176,123,244	\$102,168,421	\$32,155,248	\$ -	\$310,446,913
Less - loans receivable	<u>168,612,098</u>	<u>96,985,171</u>	<u>28,114,459</u>	<u>-</u>	<u>293,711,728</u>
Net note payable, June 30, 2013	<u>\$ 7,511,146</u>	<u>\$ 5,183,250</u>	<u>\$ 4,040,789</u>	<u>\$ -</u>	<u>\$ 16,735,185</u>

Net notes payable of the HIF, FCF, CBH and HPSTF programs represent amounts held by CEDAC committed for future lending (see Note 10).

Department of Early Education and Care (EEC)

CEDAC was selected by the Department of Early Education and Care (EEC) to administer an Early Education and Out of School Time (EEOST) Capital Fund, which was authorized as part of the community development bond bill passed by the Massachusetts Legislature in July, 2014. The Legislature authorized up to \$45 million to support nonprofit center-based early education and out-of-school time programs. With the EEOST Capital Funds, EEC may award grants or loans to providers to support acquisition, design, construction and/or renovation of the centers funded.

**COMMUNITY ECONOMIC DEVELOPMENT
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**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(3) UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE (Continued)

Department of Early Education and Care (EEC) (Continued)

CEDAC is under contract to EEC to serve as underwriter and fiscal agent for the EEOST Capital Fund, and will administer the funds committed by EEC. EEC has also contracted with CEDAC to assist with the design of the program and development of program documents in the first year of program operations. Upon closing of each loan or grant, EEC will disburse loan proceeds and related fees to CEDAC for disbursement to the designated early education and/or out-of-school time provider. CEDAC will utilize the services of its controlled affiliate, the Fund, to perform underwriting and grant administration of EEOST capital projects.

CEDAC will also serve as disbursing agent for legal fees associated with these awards. No funds were disbursed in fiscal year 2014.

Each EEOST Capital Fund award will be secured by a mortgage and land use restriction, which will be assigned to CEDAC to administer. CEDAC and its officers, directors and employees are not liable to EEC for any losses on loans not repaid or otherwise recovered. EEC is also responsible for monitoring the performance of the awards.

As of June 30, 2014, no net payables have been recorded as no funds were disbursed prior to year-end. EEC anticipates announcing the first awards from EEOST Capital Fund in fiscal year 2015.

Department of Mental Health (DMH)

CEDAC was selected by the Department of Mental Health (DMH) to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in fiscal year 2010. The MetState Fund was established in 2006 with the purpose of financing the acquisition of ten units of off-site housing in the DMH metro Suburban Area for occupancy by DMH clients. Under the terms of the agreement executed between CEDAC and DMH, CEDAC selected a nonprofit service provider, and has entered into long-term loan and use agreements for each of the ten units procured. CEDAC oversaw the development of the ten units jointly with DMH and is responsible for loan monitoring over the loan term. Under the terms of the agreement, CEDAC received fees for program start-up, site selection, and on-going administration, which are funded from the loan fund. As of June 30, 2014 and 2013, CEDAC held \$112,500 for long-term administration and compliance. These funds are included in deferred revenue in the accompanying combined general purpose financial statements (see Note 9). Interest accrues to the loan fund, which can be used to fund additional program costs as may be mutually agreed between DMH and CEDAC.

Gross loan receivable and note payable are as follows:

	<u>2014</u>	<u>2013</u>
Note payable	\$3,491,661	\$3,490,584
Less - loans receivable	<u>2,925,512</u>	<u>2,925,512</u>
Net note payable	<u>\$ 566,149</u>	<u>\$ 565,072</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(4) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2014 and 2013. 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, bear interest at rates between 0% and 7%, and principal and interest are due at the first project closing. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 8.0%, and are secured by a first mortgage on the property acquired. Interest on acquisition loans is due quarterly and principal is due on the earlier of the loan's maturity or the closing of the first project financing. Bridge loans are secured by a pledge of state sources being financed. Interest on bridge loans accrues at rates between 2% and 8% and is due when the state funds being bridged are received.

Loan receivable balances of CEDAC include:

<u>2014</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	66	\$ 8,533,787	\$(1,264,271)	\$ 7,269,516
Acquisition loans	<u>16</u>	<u>20,250,961</u>	<u>(607,140)</u>	<u>19,643,821</u>
Total	<u>82</u>	28,784,748	(1,871,411)	26,913,337
Less - current portion		<u>7,160,664</u>	<u>(233,662)</u>	<u>6,927,002</u>
Long-term portion		<u>\$21,624,084</u>	<u>\$(1,637,749)</u>	<u>\$19,986,335</u>
<u>2013</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	64	\$ 6,900,529	\$(1,286,508)	\$ 5,614,021
Acquisition loans	11	15,295,903	(433,952)	14,861,951
Bridge loan	<u>1</u>	<u>237,235</u>	<u>-</u>	<u>237,235</u>
Total	<u>76</u>	22,433,667	(1,720,460)	20,713,207
Less - current portion		<u>11,376,890</u>	<u>(270,843)</u>	<u>11,106,047</u>
Long-term portion		<u>\$11,056,777</u>	<u>\$(1,449,617)</u>	<u>\$ 9,607,160</u>

See Note 10 for disclosure of loan commitments.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(4) LOANS RECEIVABLE (Continued)

The Fund loans are stated at the amount of unpaid principal, net of third-party loan participations, which qualify as asset transfers and are reduced by an allowance for loan losses (see Note 5). Loans receivable bear interest at rates ranging from 5.25% to 7.5%. Major classifications of loans are as follows at June 30:

<u>2014</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Childcare Term	10	\$1,254,609	\$(116,949)	\$1,137,660
Childcare Acquisition	1	250,000	(7,500)	242,500
Childcare Pre-development	<u>4</u>	<u>353,738</u>	<u>(50,374)</u>	<u>303,364</u>
Total	<u>15</u>	1,858,347	(174,823)	1,683,524
Less - current portion		<u>325,333</u>	<u>(31,677)</u>	<u>293,656</u>
Long-term portion		<u>\$1,533,014</u>	<u>\$(143,146)</u>	<u>\$1,389,868</u>
<u>2013</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Childcare Term	8	\$1,238,662	\$ (79,969)	\$1,158,693
Childcare Pre-development	<u>3</u>	<u>454,072</u>	<u>(52,907)</u>	<u>401,165</u>
Total	<u>11</u>	1,692,734	(132,876)	1,559,858
Less - current portion		<u>314,041</u>	<u>(23,067)</u>	<u>290,974</u>
Long-term portion		<u>\$1,378,693</u>	<u>\$(109,809)</u>	<u>\$1,268,884</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.

CEDAC activity in the allowance is summarized as following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2012	\$1,789,304	\$224,318	\$2,013,622
Changes to allowance	(42,937)	75,543	32,606
Loans forgiven	<u>(25,907)</u>	<u>-</u>	<u>(25,907)</u>
Balance, June 30, 2013	1,720,460	299,861	2,020,321
Changes to allowance	232,329	6,046	238,375
Uncollectible loans written off	(60,000)	-	(60,000)
Loans forgiven	<u>(21,378)</u>	<u>-</u>	<u>(21,378)</u>
Balance, June 30, 2014	<u>\$1,871,411</u>	<u>\$305,907</u>	<u>\$2,177,318</u>

**COMMUNITY ECONOMIC DEVELOPMENT
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**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
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(Continued)**

(5) ALLOWANCE FOR UNCOLLECTIBLE LOANS (Continued)

The Fund activity in the allowance is summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2012	\$ 71,468	\$ 2,898	\$ 74,366
Changes to allowance	<u>61,408</u>	<u>1,276</u>	<u>62,684</u>
Balance, June 30, 2013	132,876	4,174	137,050
Changes to allowance	<u>41,947</u>	<u>(3,520)</u>	<u>38,427</u>
Balance, June 30, 2014	<u>\$174,823</u>	<u>\$ 654</u>	<u>\$175,477</u>

(6) AGENCY FUNDS HELD FOR OTHERS

As part of its regular activities, CEDAC may serve as fiscal intermediary for a variety of governmental and nonprofit partners. The terms of each relationship are outlined in agreements between the parties involved. These funds are listed as Agency Funds in the combined general purpose financial statements in the combined statements of fiduciary net position as funds held for others.

Through an agreement with the Massachusetts Rehabilitation Commission (MRC), CEDAC provides fiscal intermediary services for the Home Modifications for the Disabled Loan (HMDL) Program. Through this program, MRC and CEDAC select regional nonprofit corporations to underwrite and service loans to qualifying homeowners to modify their homes to accommodate disabled individuals. CEDAC serves as employer for one employee of the HMDL Program.

CEDAC serves as fiscal sponsor for a collaborative funding program of a group of Boston-based foundations, the Boston Schoolyards Funding Collaborative. Through this program, the funders awarded grants to create outdoor classrooms and playgrounds in Boston Public School properties. During fiscal year 2014, the Boston Schoolyards Funding Collaborative voted to cease operations, acknowledging that the program had substantially accomplished its mission. CEDAC will continue to serve as fiscal sponsor until the program fully closes. CEDAC served as employer for the four employees of the collaborative through December 31, 2013.

Agency funds held for others include the following as of June 30:

	<u>2014</u>	<u>2013</u>
MRC HMDL program	\$2,290,259	\$2,815,423
Boston Schoolyards Funders Collaborative	<u>79,875</u>	<u>488,573</u>
Total	<u>\$2,370,134</u>	<u>\$3,303,996</u>

**COMMUNITY ECONOMIC DEVELOPMENT
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**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(7) INVESTMENTS AND CASH EQUIVALENTS

CEDAC follows the GASB standards for *Deposits and Investment Risk Disclosures*, which addresses disclosure requirements for concentration, credit, and interest rate risks associated with financial investments.

The table below represents CEDAC's total cash and investment of funds as of June 30, 2014:

<u>2014</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$43,743,707	\$43,743,707	\$43,743,707	\$ -
Other cash	5,783,494	5,783,494	5,783,494	-
Government sponsored enterprise notes	<u>1,739,500</u>	<u>1,690,019</u>	<u>-</u>	<u>1,690,019</u>
Total	<u>\$51,266,701</u>	<u>\$51,217,220</u>	<u>\$49,527,201</u>	<u>\$1,690,019</u>

The table below represents CEDAC's total cash and investment of funds as of June 30, 2013:

<u>2013</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$27,301,023	\$27,301,023	\$27,301,023	\$ -
Other cash	5,792,149	5,792,149	5,792,149	-
Government sponsored enterprise notes	<u>1,199,500</u>	<u>1,146,173</u>	<u>-</u>	<u>1,146,173</u>
Total	<u>\$34,292,672</u>	<u>\$34,239,345</u>	<u>\$33,093,172</u>	<u>\$1,146,173</u>

The table below represents the Fund's total cash and investment of funds as of June 30, 2014.

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 1,233,771	\$ 1,233,771	\$ 1,233,771	\$ -
Other cash	<u>266,477</u>	<u>266,477</u>	<u>266,477</u>	<u>-</u>
Total	<u>\$ 1,500,248</u>	<u>\$ 1,500,248</u>	<u>\$ 1,500,248</u>	<u>\$ -</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)

The table below represents the Fund's total cash and investment of funds as of June 30, 2013.

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 363,278	\$ 363,278	\$ 363,278	\$ -
Other cash	256,025	256,025	256,025	-
Government sponsored enterprise notes	<u>540,000</u>	<u>532,219</u>	<u>-</u>	<u>532,219</u>
Total	<u>\$ 1,159,303</u>	<u>\$ 1,151,522</u>	<u>\$ 619,303</u>	<u>\$ 532,219</u>

The table below represents funds held by the Massachusetts Municipal Deposit Trust (MMDT). The MMDT - cash portfolio is managed independently and CEDAC cannot influence how investments are allocated among the categories disclosed below. The MMDT - cash portfolio held investments and cash equivalents as follows as of June 30:

<u>Securities With an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2014</u>	<u>2013</u>
1 - 30 Days	53.5%	40.4%
31 - 90 Days	27.7%	39.1%
91 - 180 Days	11.7%	15.5%
181 - 397 Days	<u>7.1%</u>	<u>5.0%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The credit quality ratings for the funds were as follows as of June 30:

<u>2014</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$43,743,707	See below	
Other cash	5,783,477	\$ -	\$5,783,477
Government sponsored enterprise notes	<u>1,690,019</u>	<u>1,690,019</u>	<u>-</u>
Total	<u>\$51,217,203</u>	<u>\$1,690,019</u>	<u>\$5,783,477</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)

	<u>2013</u>	<u>Credit Quality Ratings</u>	
		<u>Fair Value</u>	<u>AAA</u>
Massachusetts Municipal Depository Trust	\$27,301,023		See below
Other cash	5,792,149	\$ -	\$5,792,149
Government sponsored enterprise notes	<u>1,146,173</u>	<u>1,146,173</u>	<u>-</u>
Total	<u>\$34,239,345</u>	<u>\$1,146,173</u>	<u>\$5,792,149</u>

The cash portfolio may only invest in securities rated in one of the two highest short-term rating categories by nationally recognized statistical rating organizations (NRSROs) or unrated securities of comparable quality. An NRSRO's two highest rating categories are determined without regard for sub-categories and gradations. For example, securities rated SP-1+, SP-1 or SP-2 by Standard & Poor's, MIG-1, or MIG-2 by Moody's Investors Service, or F-1+, F-1 or F-2 by Fitch Ratings, are all considered rated in one of the two highest short-term rating categories.

Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. The Cash Portfolio follows applicable regulations in determining whether a security is rated and whether a security rated by multiple NRSROs in different rating categories should be identified as a First or Second Tier security.

Credit ratings for the securities in the cash portfolio are shown in the table below based on total market value as of June 30:

	<u>Cash Portfolio Quality Diversification</u>	
	<u>First Tier</u>	<u>Second Tier</u>
2014	96.7%	3.3%
2013	96.6%	3.4%

(8) DEFERRED COMPENSATION PLAN

CEDAC has a deferred compensation plan which is qualified under Section 403(b) of the IRC. The plan calls for required employee contributions of 3% of the employee's gross salary, and CEDAC matches the employee's required contribution with a contribution of 4.5% of gross salary each pay period. CEDAC's contributions for the years ended June 30, 2014 and 2013, were \$91,866 and \$95,641, respectively, and are included in employee compensation in the accompanying combined general purpose financial statements.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(8) DEFERRED COMPENSATION PLAN (Continued)

In addition, CEDAC has established a deferred compensation plan as a fringe benefit, whereby in each pay period 5.5% of each employee's gross wages are deposited into a separate cash account. At each employee's anniversary date of employment, the employee has the option of withdrawing the amount accumulated in his or her name or transferring the entire amount into a deferred compensation account to which employees may make voluntary contributions. CEDAC's contributions were \$100,187 and \$105,204 for the years ended June 30, 2014 and 2013, respectively, and are included in employee compensation in the accompanying combined general purpose financial statements.

(9) DEFERRED REVENUE

Deferred revenue in the Operating and CEDAC Loan Funds consists of unearned underwriting fees and grants which have been received but not yet earned as of June 30, 2014 and 2013.

Included in the loan funds is deferred revenue for administrative and legal fees associated with the MetState Fund as described in Note 3, and to pay legal fees associated with permanent loans as directed by DHCD.

The deferred revenue balances are as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>
Operating and CEDAC Loan Funds:		
Unearned Underwriting Fees and Grants	\$ 561,294	\$144,623
Unearned Underwriting Fees and Monitoring DMH MetState Trust Loan Program	<u>112,500</u>	<u>112,500</u>
Total Operating and CEDAC Loan Funds	673,794	257,123
Loan Funds Under Management:		
Deferred legal fees	<u>747,869</u>	<u>537,181</u>
Total deferred revenue	<u>\$1,421,663</u>	<u>\$794,304</u>

(10) COMMITMENTS

Facility Lease

CEDAC entered into a ten-year operating lease in December, 2006, and, in 2009, entered into an amendment to the lease to incorporate additional space leased in 2009 through the termination date of the original lease. The lease is secured by an irrevocable standby letter of credit issued by a bank in the amount of \$84,615. Rental expenses were \$395,626 and \$383,689 for the years ended June 30, 2014 and 2013, respectively. Rental payments may be adjusted for increases in taxes and operating costs above specific amounts.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(10) COMMITMENTS (Continued)

Facility Lease (Continued)

Future minimum payments under this lease obligation are as follows:

2015	\$368,596
2016	\$371,603
2017	\$167,614

Loan Commitments

CEDAC had unfunded loan commitments outstanding as follows as of June 30:

	<u>2014</u>	<u>2013</u>
Pre-development, acquisition and bridge loans	\$ 37,775,616	\$ 31,496,886
Subordinated deferred payment loans	<u>33,607,379</u>	<u>17,300,256</u>
Total outstanding commitments	71,382,995	48,797,142
Less - loans receivable	<u>(28,784,748)</u>	<u>(22,433,667)</u>
Total outstanding commitments	42,598,247	26,363,475
Less - commitments to be drawn under credit lines	<u>(2,211,500)</u>	<u>(4,441,699)</u>
Total outstanding commitments held in cash and short-term investments	<u>\$ 40,386,747</u>	<u>\$ 21,921,776</u>

The Fund had unfunded loan commitments outstanding of \$1,461,750 and \$350,000 as of June 30, 2014 and 2013, respectively.

(11) RELATED PARTY TRANSACTIONS

CEDAC has a contract with the Fund (see Note 1) to provide administrative and management services to the Fund. A summary of activity with the Fund is as follows as of June 30:

	<u>2014</u>	<u>2013</u>
Services provided to the Fund during the fiscal year	<u>\$471,400</u>	<u>\$454,929</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 42,723</u>	<u>\$ 27,134</u>

CEDAC has a contract with the Fund to provide these services during fiscal year 2015 for an amount not to exceed \$884,078.

CEDAC received and passed-through to the Fund \$150,000 in both fiscal years 2014 and 2013 from a foundation grant that was restricted for the Fund's activities. In fiscal year 2013, CEDAC also made an unrestricted grant of \$90,000 to the Fund.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

(12) FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2014 and 2013, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,954,049	\$ 1,954,049	\$ 1,384,557	\$ 1,384,557
Restricted cash and cash equivalents	\$47,573,152	\$47,573,152	\$31,708,416	\$31,708,416
Investments	\$ 1,690,019	\$ 1,690,019	\$ 1,146,173	\$ 1,146,173
Loans receivable, net	\$26,913,337		\$20,713,207	
Notes payable to funding sources	\$64,576,305		\$43,390,203	

As of June 30, 2014 and 2013, the carrying amounts and approximate fair value of the Fund's financial instruments are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,059,899	\$ 1,059,899	\$ 469,370	\$ 469,370
Restricted cash and cash equivalents	\$ 440,349	\$ 440,349	\$ 149,933	\$ 149,933
Investments	\$ -	\$ -	\$ 532,219	\$ 532,219
Loans receivable, net	\$ 1,683,524		\$ 1,559,858	
Notes payable to funding sources	\$ 299,270		\$ 319,514	

Cash and cash equivalents, restricted cash and cash equivalents, and investments - The carrying amounts reported in the combined statements of net position for these instruments approximate their fair market values because of the highly liquid nature of these instruments.

Loans receivable, net and notes payable to funding sources - It was not practicable to estimate the fair value of these instruments given the unique nature of these instruments and the inability to estimate fair value without incurring excessive costs. However, the notes payable to funding sources' fair value is known to be less than the carrying value at June 30, 2014 and 2013.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	ENTERPRISE FUNDS - CEDAC					COMPONENT	(Memorandum Only) TOTAL
	PROGRAM EXPENSES			MANAGE-	CEDAC TOTAL	THE FUND	
	HOUSING AND INTERMEDIARY PROGRAM	CHILD CARE PROGRAM	ECONOMIC DEVELOP- MENT	MENT AND GENERAL			
EMPLOYEE COMPENSATION:							
Salaries	\$ 973,567	\$ 298,803	\$ 65,977	\$ 594,893	\$ 1,933,240	\$ -	\$ 1,933,240
Fringe benefits and payroll taxes	303,822	91,147	24,306	188,370	607,645	-	607,645
Total employee compensation	1,277,389	389,950	90,283	783,263	2,540,885	-	2,540,885
PROFESSIONAL FEES:							
Management fees	-	-	-	-	-	471,400	471,400
Contracted services	146,865	-	31,222	114,343	292,430	141,347	433,777
Accounting and audit	17,844	6,320	1,859	11,151	37,174	18,248	55,422
Legal	11,451	358	-	14,542	26,351	15,916	42,267
Total professional fees	176,160	6,678	33,081	140,036	355,955	646,911	1,002,866
OTHER:							
Grants and related expenses	-	150,000	44,903	-	194,903	543,955	738,858
Rent	223,481	53,556	15,302	103,287	395,626	-	395,626
In-kind services	-	-	-	-	-	73,319	73,319
Supplies and document storage	23,164	8,204	2,413	14,476	48,257	834	49,091
Depreciation	18,991	6,726	1,978	11,869	39,564	-	39,564
Travel	19,480	-	-	1,591	21,071	4,073	25,144
Insurance	8,076	2,860	841	5,048	16,825	7,066	23,891
Other expenses	9,228	3,267	961	5,766	19,222	1,393	20,615
Maintenance and repair	7,728	2,737	805	4,829	16,099	-	16,099
Equipment	5,387	1,908	561	3,367	11,223	-	11,223
Memberships	5,009	1,774	522	3,130	10,435	641	11,076
Utilities	4,954	1,187	339	2,290	8,770	-	8,770
Telephone	373	-	97	6,257	6,727	-	6,727
Printing	3,163	1,120	329	1,977	6,589	-	6,589
Postage and messengers	3,160	1,119	329	1,974	6,582	-	6,582
Staff development	2,034	720	212	1,272	4,238	1,100	5,338
Publications and subscriptions	2,132	755	222	1,333	4,442	-	4,442
Total other	336,360	235,933	69,814	168,466	810,573	632,381	1,442,954
Total expenses	\$ 1,789,909	\$ 632,561	\$ 193,178	\$ 1,091,765	\$ 3,707,413	\$ 1,279,292	\$ 4,986,705

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	ENTERPRISE FUNDS - CEDAC					COMPONENT	(Memorandum Only) TOTAL
	PROGRAM EXPENSES			MANAGE-	CEDAC TOTAL	THE FUND	
	HOUSING AND INTERMEDIARY PROGRAM	CHILD CARE PROGRAM	ECONOMIC DEVELOP- MENT	MENT AND GENERAL			
EMPLOYEE COMPENSATION:							
Salaries	\$ 1,064,409	\$ 265,380	\$ 70,121	\$ 624,695	\$ 2,024,605	\$ -	\$ 2,024,605
Fringe benefits and payroll taxes	284,072	73,859	17,044	193,169	568,144	-	568,144
Total employee compensation	1,348,481	339,239	87,165	817,864	2,592,749	-	2,592,749
PROFESSIONAL FEES:							
Management fees	-	-	-	-	-	454,929	454,929
Contracted services	82,779	-	42,812	65,332	190,923	141,132	332,055
Accounting and audit	16,075	5,825	2,055	9,295	33,250	16,850	50,100
Legal	31,250	465	-	16,794	48,509	18,978	67,487
Total professional fees	130,104	6,290	44,867	91,421	272,682	631,889	904,571
OTHER:							
Grants and related expenses	-	240,000	76,210	-	316,210	442,707	758,917
Rent	238,659	44,148	13,748	87,134	383,689	-	383,689
In-kind services	-	-	-	-	-	43,894	43,894
Supplies and document storage	20,742	7,517	2,652	11,994	42,905	790	43,695
Depreciation	23,176	8,398	2,963	13,401	47,938	3,392	51,330
Travel	17,044	-	-	1,706	18,750	1,925	20,675
Insurance	7,090	2,569	907	4,100	14,666	6,363	21,029
Other expenses	7,197	2,608	920	4,162	14,887	5,024	19,911
Maintenance and repair	9,276	3,361	1,186	5,364	19,187	-	19,187
Equipment	4,108	1,488	525	2,375	8,496	-	8,496
Memberships	4,061	1,472	519	2,348	8,400	450	8,850
Utilities	5,235	968	301	1,911	8,415	-	8,415
Telephone	705	-	230	6,280	7,215	-	7,215
Printing	4,133	1,497	528	2,389	8,547	1,060	9,607
Postage and messengers	4,645	1,683	594	2,687	9,609	-	9,609
Staff development	3,230	1,170	413	1,867	6,680	-	6,680
Publications and subscriptions	1,975	716	253	1,142	4,086	-	4,086
Total other	351,276	317,595	101,949	148,860	919,680	505,605	1,425,285
Total expenses	\$ 1,829,861	\$ 663,124	\$ 233,981	\$ 1,058,145	\$ 3,785,111	\$ 1,137,494	\$ 4,922,605