



**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**CONTENTS  
JUNE 30, 2013 AND 2012**

	<u>PAGES</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 1A
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	2 - 10
<b>COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS:</b>	
Combined Statements of Net Position .....	11 - 12
Combined Statements of Revenues, Expenses and Changes in Net Position .....	13 - 14
Combined Statements of Cash Flows .....	15 - 16
Combined Statements of Fiduciary Net Position .....	17
Notes to Combined General Purpose Financial Statements .....	18 - 38
<b>SUPPLEMENTARY INFORMATION:</b>	
Combined Statements of Functional Expenses .....	39 - 40

## **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, 2013 and 2012, 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 above present fairly, in all material respects, the combined financial position of Community Economic Development Assistance Corporation and Affiliate as of June 30, 2013 and 2012, 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.

***Emphasis of Matter***

During fiscal year 2013, the Governmental Accounting Standards Board issued new guidance for determining component units under Government Accounting Standards Codification Section 2600, "Reporting Entity and Component Unit Presentation". Under the new guidance, a previously related organization, Children's Investment Fund (the Fund), is now considered to be a component unit of CEDAC, and the Fund is discretely presented in these combined general purpose financial statements. The comparative June 30, 2012 financial statements have also been updated for consistency of presentation.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 10 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.

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.

 : G., P.C.

Boston, Massachusetts  
September 26, 2013

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012**

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, 2013.

**Background**

CEDAC is a quasi-public agency of the Commonwealth of Massachusetts, 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, and Community-Based Housing loans, three bond 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 (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 to help finance the cost of developing larger capital projects, leasehold improvements and equipment on flexible loan terms that meet the needs of child care providers of all sizes.

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.

**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 Children's Investment Fund, Inc. (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. The Fund's June 30, 2012 financial statements were also combined to be comparative. 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 apart 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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**Using This Report (Continued)**

The Statements of Net Position for fiscal year 2013 and a comparative year, 2012, are found on pages 11 and 12, 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 Statement of Net Position are 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 reflect the cost of furniture and fixtures and leasehold improvements, net of accumulated depreciation. The restricted expendable net position includes the activities of CEDAC's Commonwealth Workforce Coalition and 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 Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2013 and 2012 found on pages 13 and 14, respectively, report CEDAC's earned and contributed income received during the year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2013 and 2012 found on pages 15 and 16, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2013 and 2012, can be found on pages 39 and 40, respectively. The 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 Statements of Fiduciary Net Position are found on page 17, and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 18 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).

**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 three state supported housing finance programs administered by CEDAC: the Housing Innovations Fund, Facilities Consolidation Fund, and Community-Based Housing 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 cycle, usually a three to five year timeframe. In a constrained economic environment, CEDAC's pre-development capital is most critical because the capital is able to be patient and remain in these projects until the longer term financing is committed to fund project costs.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**CEDAC Housing Programs (Continued)**

Without this resource, 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. In the recent period of recession and continued slow recovery, CEDAC's support has been a key factor in stabilizing the nonprofit affordable housing development system in Massachusetts.

The primary economic factor that has impacted the nonprofit housing development market since the beginning of the economic recovery in late 2010 is the availability of state capital resources to meet the increased demand for subordinate permanent capital. The slower economic recovery and tight credit markets have affected the Commonwealth of Massachusetts' (the Commonwealth) ability to provide subordinate permanent capital to meet the higher level of demand and housing tax credits.

The current state administration has worked to address this challenge. In late calendar year 2012, the administration provided an additional \$10 million of subordinate permanent capital, which helped alleviate some of the pressure, enabling a greater number of projects to advance into construction. During calendar year 2013, the Commonwealth modified its application process 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 need 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, which projects, among the projects state-wide, were at a higher threshold of readiness such that they would be competitive in a capital funding round. 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, the nonprofit development community statewide has responded by reducing the number of new development projects they undertake, resulting in fewer new projects in the state's housing pipeline in fiscal year 2013.

CEDAC's pre-development lending programs and our financial results between 2011 and 2013 were impacted by the larger economic climate and the availability of state subordinate permanent loan programs resources. In fiscal year 2011, CEDAC saw the effect of the early economic recovery and supported developers seeking new projects by providing pre-development commitments at a greater pace than the years prior to that time. The trend continued into 2012, with annual pre-development commitments continuing at a more modest pace. Pre-development commitments declined in 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.

Offsetting the modest increases in pre-development activity in 2011 and 2012, and decline in 2013, acquisition loan commitments have increased each year between 2011 and 2013, due primarily to some large site acquisition investments that are part of our housing preservation initiative explained below. Nonprofit developers have continued to look for opportunities to meet the needs of their communities and remain thoughtful about the projects they take on relative to the current market and economic conditions. Capital deployment has been somewhat volatile in the last three years, but tends to track on the lower side of our historic experience. Lower deployment in acquisition loans in fiscal year 2013 is due to some larger acquisition loans committed right at the end of the fiscal year, which are closing early in the first quarter of fiscal year 2014.

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 year 2013, demand for the bridge program waned as anticipated.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**CEDAC Housing Programs (Continued)**

The chart below illustrates the level of activity among each of CEDAC's early stage lending products.

Year-end total portfolio activity is as follows:

<u>Portfolio Summary</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b><u>Pre-development Loans</u></b>			
Capital Available	\$13,024,341	\$12,759,322	\$12,682,249
Loan Commitments	\$10,112,557	\$11,083,373	\$10,380,649
Commitment Ratio	78%	87%	82%
Deployment Ratio	68%	61%	69%
<b><u>Acquisition Loans</u></b>			
Capital Available	\$33,636,778	\$31,619,926	\$27,375,924
Loan Commitments	\$20,609,329	\$18,350,872	\$16,960,426
Commitment Ratio	61%	58%	62%
Deployment Ratio	74%	92%	67%
<b><u>Bridge Loans</u></b>			
Capital Available	\$ 4,000,000	\$ 4,750,000	\$ 8,000,000
Loan Commitments	\$ 775,000	\$ 3,403,113	\$ 3,030,000
Commitment Ratio	19%	72%	38%
Deployment Ratio	31%	58%	13%

**Pre-development, Acquisition and Bridge Loan Demand**

Annual commitments to projects have trended lower annually between 2011 and 2013. The higher level of activity in 2011 and early 2012 tracked with the Commonwealth's early economic recovery following the recession of 2008, into 2010. As indicated above, the supply of state public subordinate debt resources constrained the development system beginning in late 2012 through 2013. During fiscal year 2011, increased commitments were driven by significant commitments to two projects totaling \$4 million. In 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 2012. In 2013, two additional projects received commitments of \$7 million through our Housing Preservation initiative. We continue to expect that there will be one to two annual large acquisition financing commitments for Housing Preservation projects for the next few years.

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

<u>Annual Loan Commitments</u>	<u>2013</u>		<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development loans	\$ 4,123,625	34%	\$ 7,510,418	36%	\$ 8,202,548	40%
Acquisition loans	8,064,004	66%	10,051,037	48%	9,515,171	45%
Bridge loans	-	-	3,278,113	16%	3,030,000	15%
Total	<u>\$12,187,629</u>	<u>100%</u>	<u>\$20,839,568</u>	<u>100%</u>	<u>\$20,747,719</u>	<u>100%</u>



**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**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 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. During fiscal year 2013, the two projects totaling \$7 million were also Housing Preservation 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.

**Permanent Deferred Payment Lending**

CEDAC continued to serve as underwriter for the Department of Housing and Community Development (DHCD) for Housing Innovations Fund (HIF), 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 \$28 million of funding requests in hand for FCF capital.

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 24 through 27 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, and CBH as follows:

<b><u>Outstanding Commitments</u></b>	<b><u>2013</u></b>		<b><u>2012</u></b>		<b><u>2011</u></b>	
	<b><u>Amount</u></b>	<b><u>Ratio</u></b>	<b><u>Amount</u></b>	<b><u>Ratio</u></b>	<b><u>Amount</u></b>	<b><u>Ratio</u></b>
Housing Innovations Fund	\$ 7,511,146	45%	\$ 7,083,787	38%	\$ 5,097,802	31%
Facilities Consolidation Fund	5,183,250	31%	7,000,991	37%	5,631,541	34%
Community-Based Housing	4,040,789	24%	4,703,573	25%	5,715,989	35%
Total	<u>\$16,735,185</u>	<u>100%</u>	<u>\$18,788,351</u>	<u>100%</u>	<u>\$16,445,332</u>	<u>100%</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**Economic Development**

CEDAC's Commonwealth Workforce Coalition (CWC) is a statewide 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 2011 through 2013, CWC received annual funding from the United Way of Massachusetts Bay and Merrimack Valley and from SkillWorks, a program of The Boston Foundation. On a combined basis, these funders provide between \$120,000 and \$125,000 to support CWC's core activities. In addition, during 2012 and 2013, 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 offers three 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 has 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 and to secure greater private and public sector capitalization to support facilities construction; and
- 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, Fund 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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**Summary of Financial Performance and Changes in Net Position**

As reported in CEDAC's combined general purpose financial statements, net position increased in fiscal year 2012 by \$340,643 to \$11,596,456, as CEDAC posted operating and program surpluses, and then decreased in fiscal year 2013 by \$289,680.

These figures break down as follows:

	<u>Net Position June 30, 2011</u>	<u>Change in Net Position</u>	<u>Net Position June 30, 2012</u>	<u>Change in Net Position</u>	<u>Net Position June 30, 2013</u>
Operating and CEDAC					
Loan Funds	\$10,651,578	\$ 529,787	\$11,181,365	\$ (92,100)	\$11,089,265
Restricted Program Funds	<u>604,235</u>	<u>(189,144)</u>	<u>415,091</u>	<u>(197,580)</u>	<u>217,511</u>
<b>Total</b>	<u><b>\$11,255,813</b></u>	<u><b>\$ 340,643</b></u>	<u><b>\$11,596,456</b></u>	<u><b>\$(289,680)</b></u>	<u><b>\$11,306,776</b></u>

**Operating and CEDAC Loan Funds**

CEDAC sustained losses in core operations in 2010 and 2011 totaling \$488,096 and in early 2012, took an aggressive approach to generate a modest surplus for 2012 to address a structural operating challenge facing CEDAC. In order to achieve that goal, CEDAC's Board and management took three actions at the beginning of fiscal year 2012:

- a reduction in work force of two positions, thereby reducing personnel costs by approximately 4%;
- a fee increase for our contractual services effective with fiscal year 2012; and
- the introduction of some additional fees charged to borrowers for some lending programs.

The actions taken helped us significantly improve our operating results in fiscal year 2012. Our core operating activities posted a surplus of \$119,550, after adjusting for a reduction in loan loss reserves of \$10,462 and a one-time \$400,000 grant dedicated to CEDAC's lending program. The actions taken early in the year were key components of the year's positive results, along with some unanticipated revenues associated with our deferred lending program, which worked together to generate the surplus.

CEDAC's core operating activities posted a surplus of \$123,777 in fiscal year 2013, which includes an increase in loan loss reserves of \$73,220 and a market adjustment for investments of \$52,657. 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, CEDAC's component unit.

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

	<u>2013</u>	<u>2012</u>
Change in net position	\$ (92,100)	\$ 529,787
One-time unrestricted grant for lending	-	(400,000)
One-time grant to the Fund	90,000	-
Unrealized market adjustment for investments	52,657	367
Loan loss reserve adjustment	<u>73,220</u>	<u>(10,604)</u>
<b>Net core operating results</b>	<u><b>\$123,777</b></u>	<u><b>\$ 119,550</b></u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012**

(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, but believe that with the Commonwealth's supply of state subordinate permanent capital somewhat more closely aligned with the management of demand for those resources, we expect that loan demand will remain level with 2013 levels into 2015, with some continued potential to make larger acquisition loans, primarily through our Housing Preservation program.

During late fiscal year 2012 and into 2013, we also 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. We have seen an improvement in the latter part of fiscal year 2013 and should realize the full impact of those changes in fiscal year 2014.

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, a 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 2012 indicated that CEDAC remained financially sound, with declining trends, while the updated rating issued during 2013 indicated that CEDAC continued to remain financially stable with stable impact and performance. More information on the CARS rating process can be found at [www.carsratingsystem.com](http://www.carsratingsystem.com).

Restricted Program Funds report housing preservation activities and CEDAC's workforce development program, the Commonwealth Workforce Coalition (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 2012, in accordance with the grant terms, preservation related program costs were funded in the amount of \$158,531. In fiscal year 2013, costs of \$151,014 were expended from these funds.

The operating results of CEDAC's workforce development initiative, CWC, as reported in the Restricted Program Funds, posted a surplus of \$23,420 in fiscal year 2012 as part of additional fundraising to support regional activities throughout the Commonwealth, and additional support for the annual conference. In fiscal year 2013, CWC posted a modest surplus of \$1,651. Fundraising continues to support CWC program activities, with a greater focus on providing services targeted to the needs of different regions throughout the Commonwealth, as well as to deliver key programs already supported.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**Children's Investment Fund Operations**

As reported in CEDAC's combined general purpose financial statements, the net position of the Fund decreased in fiscal year 2012 by \$1,128,719 to \$3,762,449, as the Fund posted operating and program surpluses, and then increased in fiscal year 2013 by \$740,753.

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 Fund programs in a given year, and the Fund expends those funds in subsequent years in accordance with the restricted purpose. During fiscal year 2012, restricted activity reflects a net expenditure of \$1,022,569 and a net surplus of \$831,491 in fiscal year 2013. 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 plan for some larger capital projects in anticipation of the availability of the Commonwealth's first permanent deferred payment loan program dedicated to the early education and out-of-school time field. The Fund, along with the United Way of Massachusetts Bay and Merrimack Valley and community development advocates, have been instrumental in securing legislative authorization for the loan program, and we hope to work collaboratively with the Patrick administration to secure the financial resources to make the first financing commitments in the next twelve to eighteen months.

**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 CEDAC's 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**

**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>	
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,384,557	\$ -	\$ -	\$ 1,384,557	\$ 469,370	\$ 1,853,927
Restricted cash and cash equivalents, including 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 (see Note 5)	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	<u>16,064,545</u>	<u>236,665</u>	<u>28,270,293</u>	<u>44,571,503</u>	<u>2,234,806</u>	<u>46,806,309</u>
<b>OTHER ASSETS:</b>						
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 (see Note 5)	383,188	-	101,422	484,610	-	484,610
Loans receivable, net of allowance for uncollectible loans (see Note 5)	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	<u>7,548,619</u>	<u>834</u>	<u>3,781,092</u>	<u>11,330,545</u>	<u>2,627,826</u>	<u>13,958,371</u>
Total assets	<u>\$ 23,613,164</u>	<u>\$ 237,499</u>	<u>\$ 32,051,385</u>	<u>\$ 55,902,048</u>	<u>\$ 4,862,632</u>	<u>\$ 60,764,680</u>
<b>LIABILITIES AND NET POSITION</b>						
<b>CURRENT LIABILITIES:</b>						
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	<u>3,196,899</u>	<u>19,988</u>	<u>2,236,234</u>	<u>5,453,121</u>	<u>61,001</u>	<u>5,514,122</u>
<b>LONG-TERM NOTES PAYABLE, net of current portion:</b>						
Recourse notes payable	9,214,500	-	-	9,214,500	298,429	9,512,929
Non-recourse notes payable	-	-	29,815,151	29,815,151	-	29,815,151
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
Total liabilities	<u>12,523,899</u>	<u>19,988</u>	<u>32,051,385</u>	<u>44,595,272</u>	<u>359,430</u>	<u>44,954,702</u>
<b>NET POSITION:</b>						
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	<u>11,089,265</u>	<u>217,511</u>	<u>-</u>	<u>11,306,776</u>	<u>4,503,202</u>	<u>15,809,978</u>
Total liabilities and net position	<u>\$ 23,613,164</u>	<u>\$ 237,499</u>	<u>\$ 32,051,385</u>	<u>\$ 55,902,048</u>	<u>\$ 4,862,632</u>	<u>\$ 60,764,680</u>

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE**

**STATEMENT OF NET POSITION  
JUNE 30, 2012**

<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>	
<b>CURRENT ASSETS:</b>						
Cash and cash equivalents	\$ 1,316,718	\$ -	\$ -	\$ 1,316,718	\$ 1,289,228	\$ 2,605,946
Restricted cash and cash equivalents, including approximately \$25,245,000 CEDAC has committed to borrowers for loans (see Note 10)	4,672,280	489,884	26,356,212	31,518,376	161,167	31,679,543
Short-term investments	250,000	-	-	250,000	543,393	793,393
Accounts and interest receivable	232,482	5,289	19,564	257,335	64,649	321,984
Current portion of grants receivable	35,130	26,095	-	61,225	760,000	821,225
Current portion of loans receivable, net of allowance for uncollectible loans (see Note 5)	5,358,962	-	903,689	6,262,651	324,381	6,587,032
Net interfund receivables (payables)	544,105	(102,418)	(441,687)	-	-	-
Other current assets	64,267	2,500	-	66,767	-	66,767
<b>Total current assets</b>	<b>12,473,944</b>	<b>421,350</b>	<b>26,837,778</b>	<b>39,733,072</b>	<b>3,142,818</b>	<b>42,875,890</b>
<b>OTHER ASSETS:</b>						
Long-term investments	1,468,830	-	-	1,468,830	-	1,468,830
Long-term grants receivable, net of current portion	-	-	-	-	528,875	528,875
Interest receivable, net of allowance for uncollectible accounts (see Note 5)	418,847	-	120,196	539,043	-	539,043
Loans receivable, net of allowance for uncollectible loans (see Note 5)	10,519,231	-	6,954,102	17,473,333	610,618	18,083,951
Fixed assets, net of accumulated depreciation	117,364	4,506	-	121,870	3,392	125,262
<b>Total other assets</b>	<b>12,524,272</b>	<b>4,506</b>	<b>7,074,298</b>	<b>19,603,076</b>	<b>1,142,885</b>	<b>20,745,961</b>
<b>Total assets</b>	<b>\$ 24,998,216</b>	<b>\$ 425,856</b>	<b>\$ 33,912,076</b>	<b>\$ 59,336,148</b>	<b>\$ 4,285,703</b>	<b>\$ 63,621,851</b>
<b><u>LIABILITIES AND NET POSITION</u></b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 85,208	\$ 10,765	\$ 1,237	\$ 97,210	\$ 125,578	\$ 222,788
Current portion of deferred revenue	188,914	-	380,413	569,327	-	569,327
Current portion of recourse notes payable	4,446,897	-	-	4,446,897	277,909	4,724,806
Current portion of non-recourse notes payable	-	-	1,384,999	1,384,999	8,721	1,393,720
Accrued and deferred compensation	234,441	-	-	234,441	-	234,441
<b>Total current liabilities</b>	<b>4,955,460</b>	<b>10,765</b>	<b>1,766,649</b>	<b>6,732,874</b>	<b>412,208</b>	<b>7,145,082</b>
<b>LONG-TERM NOTES PAYABLE, net of current portion:</b>						
Recourse notes payable	8,748,891	-	-	8,748,891	111,046	8,859,937
Non-recourse notes payable	-	-	32,145,427	32,145,427	-	32,145,427
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
<b>Total liabilities</b>	<b>13,816,851</b>	<b>10,765</b>	<b>33,912,076</b>	<b>47,739,692</b>	<b>523,254</b>	<b>48,262,946</b>
<b>NET POSITION:</b>						
Unrestricted net position	7,653,530	-	-	7,653,530	907,836	8,561,366
Invested in capital assets, net of related debt	117,364	4,506	-	121,870	3,392	125,262
Restricted net position - expendable	3,410,471	410,585	-	3,821,056	2,851,221	6,672,277
<b>Total net position</b>	<b>11,181,365</b>	<b>415,091</b>	<b>-</b>	<b>11,596,456</b>	<b>3,762,449</b>	<b>15,358,905</b>
<b>Total liabilities and net position</b>	<b>\$ 24,998,216</b>	<b>\$ 425,856</b>	<b>\$ 33,912,076</b>	<b>\$ 59,336,148</b>	<b>\$ 4,285,703</b>	<b>\$ 63,621,851</b>

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	ENTERPRISE FUNDS - CEDAC			CEDAC TOTAL	COMPONENT	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT		UNIT THE FUND	
<b>OPERATING REVENUES:</b>						
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
<b>OPERATING EXPENSES:</b>						
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
Rent	383,689	-	-	383,689	-	383,689
Contracted services	65,332	125,591	-	190,923	141,132	332,055
Legal	47,788	721	-	48,509	18,978	67,487
Depreciation	44,266	3,672	-	47,938	3,392	51,330
Accounting and audit	33,250	-	-	33,250	16,850	50,100
In-kind services	-	-	-	-	43,894	43,894
Supplies	41,611	1,294	-	42,905	790	43,695
Insurance	14,666	-	-	14,666	6,363	21,029
Travel	15,581	3,169	-	18,750	1,925	20,675
Other expenses	13,649	1,238	-	14,887	5,024	19,911
Maintenance and repair	19,187	-	-	19,187	-	19,187
Postage and messengers	9,609	-	-	9,609	-	9,609
Printing	7,826	721	-	8,547	1,060	9,607
Memberships	7,400	1,000	-	8,400	450	8,850
Equipment	8,496	-	-	8,496	-	8,496
Utilities	8,415	-	-	8,415	-	8,415
Telephone	6,985	230	-	7,215	-	7,215
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
<b>UNRESTRICTED GRANTS AND CONTRIBUTIONS</b>	-	-	-	-	103,675	103,675
Changes in net position	(92,100)	(197,580)	-	(289,680)	740,753	451,073
<b>NET POSITION, beginning of year</b>	11,181,365	415,091	-	11,596,456	3,762,449	15,358,905
<b>NET POSITION, end of year</b>	\$ 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**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2012**

	ENTERPRISE FUNDS - CEDAC				COMPONENT	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	CEDAC TOTAL	THE FUND	
<b>OPERATING REVENUES:</b>						
Interest	\$ 1,065,994	\$ 1,527	\$ 277,025	\$ 1,344,546	\$ 79,674	\$ 1,424,220
Plus - loan and interest reserve adjustment	10,604	-	33,215	43,819	4,273	48,092
Loan fund management fees and other fees	358,219	-	47,000	405,219	-	405,219
Less - interest expense	(447,723)	-	(91,011)	(538,734)	(25,276)	(564,010)
Net financial and related revenue	987,094	1,527	266,229	1,254,850	58,671	1,313,521
Government contracts	1,313,712	53,527	-	1,367,239	-	1,367,239
Earned revenue and other	486,165	123,553	-	609,718	773	610,491
Restricted grants and contributions	-	618,629	-	618,629	247,256	865,885
Legal fee revenue	-	-	210,548	210,548	-	210,548
Legal fee expense	-	-	(210,548)	(210,548)	-	(210,548)
In-kind income	-	-	-	-	113,518	113,518
Grants applied to operations	245,574	(245,574)	-	-	-	-
Unrealized loss on investments	(367)	-	-	(367)	-	(367)
Net increase in notes payable	-	-	(83,993)	(83,993)	-	(83,993)
Management fees expense	-	-	(140,482)	(140,482)	-	(140,482)
Total operating revenues	3,032,178	551,662	41,754	3,625,594	420,218	4,045,812
<b>OPERATING EXPENSES:</b>						
Employee compensation	2,180,865	322,211	-	2,503,076	-	2,503,076
Grants and related expenses	-	246,668	-	246,668	786,886	1,033,554
Management fees	-	-	-	-	436,993	436,993
Rent	376,542	-	-	376,542	-	376,542
Contracted services	57,594	141,140	3,561	202,295	160,275	362,570
Legal	45,882	10,613	38,177	94,672	13,599	108,271
Depreciation	59,577	9,117	-	68,694	3,375	72,069
Accounting and audit	30,250	-	-	30,250	16,350	46,600
In-kind services	-	-	-	-	113,518	113,518
Supplies	37,082	527	-	37,609	720	38,329
Insurance	13,001	-	-	13,001	5,779	18,780
Travel	11,310	5,767	-	17,077	8,426	25,503
Other expenses	16,841	1,005	-	17,846	27,648	45,494
Maintenance and repair	16,254	-	-	16,254	-	16,254
Postage and messengers	8,108	-	-	8,108	-	8,108
Printing	8,471	-	-	8,471	11,824	20,295
Memberships	7,065	3,650	-	10,715	944	11,659
Equipment	10,619	-	-	10,619	-	10,619
Utilities	9,671	-	-	9,671	-	9,671
Telephone	7,475	108	16	7,599	-	7,599
Staff development	1,775	-	-	1,775	-	1,775
Publications and subscriptions	4,009	-	-	4,009	-	4,009
Total operating expenses	2,902,391	740,806	41,754	3,684,951	1,586,337	5,271,288
Changes in net position from operations	129,787	(189,144)	-	(59,357)	(1,166,119)	(1,225,476)
<b>UNRESTRICTED GRANTS AND CONTRIBUTIONS</b>	400,000	-	-	400,000	37,400	437,400
Changes in net position	529,787	(189,144)	-	340,643	(1,128,719)	(788,076)
<b>NET POSITION, beginning of year</b>	10,651,578	604,235	-	11,255,813	4,891,168	16,146,981
<b>NET POSITION, end of year</b>	\$ 11,181,365	\$ 415,091	\$ -	\$ 11,596,456	\$ 3,762,449	\$ 15,358,905

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

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	CEDAC TOTAL	THE FUND	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
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>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,911,550	(205,505)	(1,447,967)	258,078	(831,092)	(573,014)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	5,988,998	489,884	26,356,212	32,835,094	1,450,395	34,285,489
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<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>
<b>RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2012

	ENTERPRISE FUNDS - CEDAC				COMPONENT UNIT THE FUND	(Memorandum Only) TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	CEDAC TOTAL		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from funders, net of management fees expense	\$ 2,529,773	\$ 761,639	\$ 213,152	\$ 3,504,564	\$ 1,134,309	\$ 4,638,873
Interest received on loans	1,232,695	-	319,612	1,552,307	66,246	1,618,553
Interest received on bank deposits	21,155	1,527	50,030	72,712	5,364	78,076
Employee compensation	(2,176,130)	(322,211)	-	(2,498,341)	-	(2,498,341)
Payments for supplies and services	(656,251)	(485,418)	(302,439)	(1,444,108)	(1,600,206)	(3,044,314)
Interest payments to lenders	(445,836)	-	(93,137)	(538,973)	(25,276)	(564,249)
Internal activity - payments between funds	430,629	(116,737)	(313,892)	-	-	-
Net cash provided by (used in) operating activities	<u>936,035</u>	<u>(161,200)</u>	<u>(126,674)</u>	<u>648,161</u>	<u>(419,563)</u>	<u>228,598</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Loans disbursed	(11,657,861)	-	(25,740,424)	(37,398,285)	(326,777)	(37,725,062)
Proceeds from loan repayments	11,187,658	-	4,072,295	15,259,953	2,476,327	17,736,280
Purchase of investments	(4,552,965)	-	-	(4,552,965)	(1,043,324)	(5,596,289)
Maturity of investments	4,749,631	-	-	4,749,631	1,542,588	6,292,219
Acquisition of fixed assets	(17,788)	-	-	(17,788)	-	(17,788)
Net cash provided by (used in) investing activities	<u>(291,325)</u>	<u>-</u>	<u>(21,668,129)</u>	<u>(21,959,454)</u>	<u>2,648,814</u>	<u>(19,310,640)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Proceeds from notes payable	4,473,709	-	20,039,870	24,513,579	-	24,513,579
Repayments of principal of notes payable	(2,779,424)	-	(540,000)	(3,319,424)	(2,104,454)	(5,423,878)
Net cash provided by (used in) financing activities	<u>1,694,285</u>	<u>-</u>	<u>19,499,870</u>	<u>21,194,155</u>	<u>(2,104,454)</u>	<u>19,089,701</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,338,995</b>	<b>(161,200)</b>	<b>(2,294,933)</b>	<b>(117,138)</b>	<b>124,797</b>	<b>7,659</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>3,650,003</b>	<b>651,084</b>	<b>28,651,145</b>	<b>32,952,232</b>	<b>1,325,598</b>	<b>34,277,830</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 5,988,998</u></b>	<b><u>\$ 489,884</u></b>	<b><u>\$ 26,356,212</u></b>	<b><u>\$ 32,835,094</u></b>	<b><u>\$ 1,450,395</u></b>	<b><u>\$ 34,285,489</u></b>
<b>RECONCILIATION OF CHANGES IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>						
Changes in net position	\$ 529,787	\$ (189,144)	\$ -	\$ 340,643	\$ (1,128,719)	\$ (788,076)
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	59,577	9,117	-	68,694	3,375	72,069
Allowance for loan losses	(10,604)	-	(33,215)	(43,819)	(4,273)	(48,092)
Unrealized loss on investments	367	-	-	367	-	367
Changes in operating assets and liabilities:						
Accounts and interest receivable	226,752	(5,087)	4,423	226,088	-	226,088
Grants receivable	28,937	136,404	-	165,341	848,880	1,014,221
Interfund receivables	30,629	(116,737)	86,108	-	-	-
Other current assets	2,912	(2,500)	-	412	-	412
Interest receivable	(87,034)	-	41,192	(45,842)	(8,064)	(53,906)
Accounts payable and accrued expenses	76,525	6,747	(4,296)	78,976	(130,762)	(51,786)
Deferred revenue	73,452	-	(304,879)	(231,427)	-	(231,427)
Net increase in notes payable	-	-	83,993	83,993	-	83,993
Accrued and deferred compensation	4,735	-	-	4,735	-	4,735
Net cash provided by (used in) operating activities	<u>\$ 936,035</u>	<u>\$ (161,200)</u>	<u>\$ (126,674)</u>	<u>\$ 648,161</u>	<u>\$ (419,563)</u>	<u>\$ 228,598</u>

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION  
AND AFFILIATE**

**STATEMENTS OF FIDUCIARY NET POSITION  
JUNE 30, 2013 AND 2012**

<u>ASSETS</u>	<u>CEDAC AGENCY FUND</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,303,996	\$ 4,399,014
Total assets	\$ 3,303,996	\$ 4,399,014
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>LIABILITIES:</b>		
Agency funds held for others	\$ 3,303,996	\$ 4,399,014
Total liabilities	3,303,996	4,399,014
<b>NET POSITION</b>		
Total liabilities and net position	\$ 3,303,996	\$ 4,399,014

*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, 2013 AND 2012**

**(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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2013 and 2012, CEDAC had set aside \$1,520,505 and \$1,450,461, respectively, for the operating reserve. As of June 30, 2013 and 2012, CEDAC had also set aside \$11,809 and \$28,125, respectively, for loan loss reserves. 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 \$5,898,153 and \$6,174,944 of unrestricted net position designated by the Board of Directors as of June 30, 2013 and 2012, 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).

Unrestricted net position as of June 30, 2013 and 2012, are summarized as follows:

	<u>2013</u>	<u>2012</u>
CEDAC Loan Funds	\$5,898,153	\$6,174,944
Operating Reserve	1,520,505	1,450,461
Loan Loss Reserve	<u>11,809</u>	<u>28,125</u>
	<u>\$7,430,467</u>	<u>\$7,653,530</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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)

**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 \$91,768 and \$117,364 as of June 30, 2013 and 2012, 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 and 2012, 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 coordinates and collaborates 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, 2013 and 2012, 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.

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

	<u>2013</u>	<u>2012</u>
Housing Preservation Initiative	\$187,872	\$387,103
Commonwealth Workforce Coalition	<u>29,639</u>	<u>27,988</u>
Total	<u>\$217,511</u>	<u>\$415,091</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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 notes payable to funding sources (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.

**Children's Investment Fund:**

**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, 2013, and had a net book value of \$3,392 as of June 30, 2012, and are presented on the accompanying combined statements of net position as net position invested in capital assets.

**Restricted Net Position - Expendable** - 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>2013</u>	<u>2012</u>
Restricted for Fund Loans	\$2,036,596	\$1,046,896
Restricted for Facilities Grant Program	1,047,694	1,514,117
Restricted for Core Operating Support in Future Periods	524,023	-
Restricted for Provider Initiative Program	<u>74,399</u>	<u>290,208</u>
	<u>\$3,682,712</u>	<u>\$2,851,221</u>

**Funds Held for Others** - 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).



**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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 \$30.6 million as of June 30, 2013, 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 \$363,000 as of June 30, 2013.

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 \$504,713 and \$486,043 at June 30, 2013 and 2012, respectively. Accumulated depreciation at June 30, 2013 and 2012, totaled \$412,111 and \$364,173, respectively.

The Fund's fixed assets are recorded at cost and totaled \$10,150 at June 30, 2013 and 2012. Accumulated depreciation at June 30, 2013 and 2012, totaled \$10,150 and \$6,758, respectively.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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.

Functional 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.

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, 2013 AND 2012  
(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, 2013 and 2012. Notes payable include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide pre-development and acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. Acquisition loans are secured by first mortgages. Interest is paid currently on a quarterly basis and the principal balance is due at maturity. The current term expires on June 30, 2015. The interest rate is 6%. The loan is 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, LLC. The maturity date is continually extended as additional capitalizations are received. As of June 30, 2013, 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, 2012, to mature on November, 2015, or upon the occurrence of an event of default, with a call period through November 30, 2013. The line of credit carries an interest rate of prime (3.25% as of June 30, 2013 and 2012), 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. Prior to June 26, 2012, recourse to CEDAC was limited to the greater of \$250,000 or 10% of the outstanding loan amount. As of June 29, 2012, the agreement with MHP was restated, allowing for full recourse of the outstanding amount on the line of credit.

MHP had provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. In accordance with the amended and restated loan agreement, MHP allowed that the \$400,000 be released as an unrestricted grant to CEDAC during fiscal year 2012.

- **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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

(2) **NOTES PAYABLE TO FUNDING SOURCES** (Continued)

- **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.
- **The Affordable Housing Trust (AHT) Pre-development Loan Fund** - The Massachusetts Housing Finance Agency (MassHousing) capitalized a \$2,500,000 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. Under the terms of the agreement, all principal and interest accrues to the loan fund.
- **The Boston Foundation Loan Fund** was capitalized during 2005 with 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 as of June 30, 2013. 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, 2013), plus 0.5%. The line of credit is an unsecured revolving line of credit, with maturity at January, 2018. As of June 30, 2013, there were no draws on this line of credit and CEDAC was in compliance with all covenants of the agreement.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

**(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)**

- **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, 2013. 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 at November, 2014. Interest for amounts borrowed are 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 0.27% and 0.47% at June 30, 2013 and 2012, respectively. The agreement contains various covenants. As of June 30, 2013 and 2012, 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, 2013. 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 made prior to June 26, 2012, was 6.5%. The interest rate for loans made after June 26, 2012, is 4.75%. Interest is payable quarterly. As of June 30, 2013 and 2012, CEDAC was in compliance with all covenants of the agreement.
- **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 first disbursement was received in fiscal year 2010 and the remaining funds were disbursed to CEDAC in fiscal year 2012. The loan becomes payable with three payments of \$1,000,000 each year beginning October 1, 2017, and the final payment on October 1, 2019.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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>2013</u>	<u>2012</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 3,000,000	\$ 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	3,824,888	4,463,191
Eastern Bank Bridge Loan Fund	237,235	1,232,597
MHP Acquisition Loan Fund	<u>314,500</u>	<u>-</u>
Total Operating and CEDAC Loan Funds	<u>11,876,623</u>	<u>13,195,788</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	8,986,178	8,998,589
DND Loan Fund	654,277	665,202
HSF Acquisition Loan Fund	1,698,429	1,679,117
AHT Pre-development Loan Fund	2,874,439	2,834,055
Net DMH Trust (see Note 3)	565,072	565,112
Net HIF/FCF/CBH (see Note 3)	<u>16,735,185</u>	<u>18,788,351</u>
Total Loan Funds Under Management	<u>31,513,580</u>	<u>33,530,426</u>
	<u>\$43,390,203</u>	<u>\$46,726,214</u>

The Fund

Recourse loans payable consist of the following:

	<u>2013</u>	<u>2012</u>
During fiscal year 2013, the Fund entered into a line of credit payable to 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 loans receivable. 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	\$319,514	\$ -
Loan payable to a life insurance initiative. The loan of \$2 million had a two-year interest-only term through May, 2003. Interest was paid at 5% per annum, with a 1% annual interest rate reduction for loans made in a certain economic target area in Massachusetts. Beginning in June, 2003, the loan became a fully amortizing, even payment loan with a ten-year term ending January, 2013. Principal and interest were due in monthly installments. The loan was unsecured and fully repaid at term end.	-	184,252

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

(2) **NOTES PAYABLE TO FUNDING SOURCES** (Continued)

The Fund (Continued)

	<u>2013</u>	<u>2012</u>
Loan payable to an insurance company. The loan was renegotiated during 2003 to extend the interest-only period from three years to four years and allow for additional annual draws to a maximum borrowing of \$3 million. Interest was paid at 5.25% per annum. The loan was unsecured. The loan was payable in semi-annual principal and interest installments through June, 2013, and was fully repaid in January, 2013.	-	93,657
	<u>\$319,514</u>	<u>\$277,909</u>

The above loans contain certain restrictions and covenants, with which the Fund was in compliance as of June 30, 2013 and 2012.

(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, and Community-Based Housing loans that are committed by DHCD. Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers. CEDAC also serves as disbursing agent for legal fees associated with these loans and disbursed \$180,311 and \$210,548 of legal fees during fiscal years 2013 and 2012, 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 \$316 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 \$230 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).
- **The Community-Based Housing Program (CBH)** was funded by \$85 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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

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

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

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the combined general purpose financial statements net of loans receivable at June 30, 2013 and 2012.

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

	<u>2013</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</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>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>\$ 16,735,185</u>
	<u>2012</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>Total</u>
Note payable, June 30, 2012		\$167,187,677	\$ 95,047,262	\$27,782,485	\$290,017,424
Less - loans receivable		<u>160,103,890</u>	<u>88,046,271</u>	<u>23,078,912</u>	<u>271,229,073</u>
Net note payable, June 30, 2012		<u>\$ 7,083,787</u>	<u>\$ 7,000,991</u>	<u>\$ 4,703,573</u>	<u>\$ 18,788,351</u>

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

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, 2013 and 2012, 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.



**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

**(4) LOANS RECEIVABLE**

CEDAC loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2013 and 2012. 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>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>
<u>2012</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	85	\$ 6,684,848	\$(1,085,816)	\$ 5,599,032
Acquisition loans	17	16,857,843	(693,644)	16,164,199
Bridge loan	<u>4</u>	<u>1,982,597</u>	<u>(9,844)</u>	<u>1,972,753</u>
Total	<u>106</u>	25,525,288	(1,789,304)	23,735,984
Less - current portion		<u>6,617,778</u>	<u>(355,127)</u>	<u>6,262,651</u>
Long-term portion		<u>\$18,907,510</u>	<u>\$(1,434,177)</u>	<u>\$17,473,333</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, 2013 AND 2012  
(Continued)**

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

The Fund childcare 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>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	\$ (52,907)	\$1,185,755
Childcare Pre-development	<u>3</u>	<u>454,072</u>	<u>(79,969)</u>	<u>374,103</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>
<u>2012</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Childcare Term	7	\$ 582,628	\$ (56,061)	\$ 526,567
Childcare Pre-development	<u>2</u>	<u>304,072</u>	<u>(15,407)</u>	<u>288,665</u>
Total	<u>9</u>	886,700	(71,468)	815,232
Non-recourse loan		<u>119,767</u>	<u>-</u>	<u>119,767</u>
Total loans receivable		1,006,467	(71,468)	934,999
Less - current portion		<u>351,383</u>	<u>(27,002)</u>	<u>324,381</u>
Long-term portion		<u>\$ 655,084</u>	<u>\$(44,466)</u>	<u>\$ 610,618</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, 2011	\$1,939,437	\$183,000	\$2,122,437
Changes to allowance	(85,137)	41,318	(43,819)
Offset to deferred revenue	(58,602)	-	(58,602)
Loans forgiven	<u>(6,394)</u>	<u>-</u>	<u>(6,394)</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	<u>\$1,720,460</u>	<u>\$299,861</u>	<u>\$2,020,321</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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, 2011	\$ 69,827	\$ 8,812	\$ 78,639
Changes to allowance	<u>1,641</u>	<u>(5,914)</u>	<u>(4,273)</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	<u>\$132,876</u>	<u>\$ 4,174</u>	<u>\$137,050</u>

**(6) 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 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 award grants to create outdoor classrooms and playgrounds in Boston Public School properties. CEDAC serves as employer for four employees of the collaborative.

Funds held for others include the following as of June 30:

	<u>2013</u>	<u>2012</u>
MRC HMDL program	\$2,815,423	\$4,045,304
Boston Schoolyards Funders Collaborative	<u>488,573</u>	<u>353,710</u>
Total	<u>\$3,303,996</u>	<u>\$4,399,014</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(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, 2013:

<u>2013</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1-5</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>1,146,173</u>	<u>1,146,173</u>	-	<u>1,146,173</u>
Total	<u>\$34,239,345</u>	<u>\$34,239,345</u>	<u>\$33,093,172</u>	<u>\$1,146,173</u>

The table below represents CEDAC's total cash and investment of funds as of June 30, 2012:

<u>2012</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1-5</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$28,333,209	\$28,333,209	\$28,333,209	\$ -
Other cash	4,501,885	4,501,885	4,501,885	-
Government sponsored enterprise notes	<u>1,718,830</u>	<u>1,718,830</u>	<u>250,000</u>	<u>1,468,830</u>
Total	<u>\$34,553,924</u>	<u>\$34,553,924</u>	<u>\$33,085,094</u>	<u>\$1,468,830</u>

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>1-5</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>532,219</u>	<u>532,219</u>	-	<u>532,219</u>
Total	<u>\$ 1,151,522</u>	<u>\$ 1,151,522</u>	<u>\$ 619,303</u>	<u>\$ 532,219</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

**(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)**

The table below represents the Fund's total cash and investment of funds as of June 30, 2012.

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1-5</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 919,211	\$ 919,211	\$ 919,211	\$ -
Other cash	531,184	531,184	531,184	-
Certificates of deposits	<u>543,393</u>	<u>543,393</u>	<u>543,393</u>	<u>-</u>
Total	<u>\$ 1,993,788</u>	<u>\$ 1,993,788</u>	<u>\$ 1,993,788</u>	<u>\$ -</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>2013</u>	<u>2012</u>
1-30 Days	40.4%	37.0%
31-90 Days	39.1%	29.8%
91-180 Days	15.5%	21.4%
181-397 Days	<u>5.0%</u>	<u>11.8%</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>2013</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</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>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION AND AFFILIATE**

**NOTES TO COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012  
(Continued)**

**(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)**

<u>2012</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$28,333,209	See below	
Other cash	4,501,885	\$ -	\$4,501,885
Government sponsored enterprise notes	<u>1,718,830</u>	<u>1,718,830</u>	<u>-</u>
Total	<u>\$34,553,924</u>	<u>\$1,718,830</u>	<u>\$4,501,885</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>
2013	96.6%	3.4%
2012	91.0%	9.0%

**(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, 2013 and 2012, were \$95,641 and \$93,437, 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, 2013 AND 2012  
(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 \$105,204 and \$98,419 for the years ended June 30, 2013 and 2012, respectively, and is included in employee compensation in the accompanying combined general purpose financial statements.

**(9) DEFERRED REVENUE**

Deferred revenue in the Operating and CEDAC Loan Funds consist of unearned underwriting fees and grants which have been received but not yet earned as of June 30, 2013 and 2012.

Included in the Loan Funds Under Management is deferred revenue for the MHP Acquisition Loan Program as described in Note 2. Also 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>2013</u>	<u>2012</u>
Operating and CEDAC Loan Funds:		
Unearned Underwriting Fees and Grants	\$144,623	\$188,914
Unearned Underwriting Fees and Monitoring DMH MetState Trust Loan Program	<u>112,500</u>	<u>112,500</u>
Total Operating and CEDAC Loan Fund	257,123	301,414
Loan Funds Under Management:		
Deferred legal fees	<u>537,181</u>	<u>380,413</u>
Total deferred revenue	<u>\$794,304</u>	<u>\$681,827</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 Eastern Bank in the amount of \$84,615. Rental expenses were \$383,689 and \$376,542 for the years ended June 30, 2013 and 2012, 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, 2013 AND 2012  
(Continued)**

**(10) COMMITMENTS (Continued)**

Facility Lease (Continued)

Future minimum payments under this lease obligation are as follows:

2014	\$365,589
2015	\$368,596
2016	\$371,603
2017	\$167,614

Loan Commitments

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

	<u>2013</u>	<u>2012</u>
Pre-development, acquisition and bridge loans	\$ 31,496,886	\$ 32,837,358
Subordinated deferred payment loans	<u>17,300,256</u>	<u>19,353,515</u>
Total outstanding commitments	48,797,142	52,190,873
Less - loans receivable	<u>(22,433,666)</u>	<u>(25,525,287)</u>
Total outstanding commitments	26,363,476	26,665,586
Less - commitments to be drawn under credit lines	<u>(4,441,699)</u>	<u>(1,420,516)</u>
Total outstanding commitments held in cash and short-term investments	<u>\$ 21,921,777</u>	<u>\$ 25,245,070</u>

The Fund had unfunded loan commitments outstanding of \$350,000 and \$100,000 as of June 30, 2013 and 2012, 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>2013</u>	<u>2012</u>
Services provided to the Fund during the fiscal year	<u>\$454,929</u>	<u>\$437,000</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 27,134</u>	<u>\$119,035</u>

CEDAC has a contract with the Fund to provide these services during fiscal year 2013 for an amount not to exceed \$847,214.

In fiscal years 2013 and 2012, CEDAC received and passed-through to the Fund \$150,000 and \$185,000, respectively, from a foundation grant that was restricted for the Fund's activities. In fiscal year 2013, CEDAC 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, 2013 AND 2012  
(Continued)**

**(12) FAIR VALUE OF FINANCIAL INSTRUMENTS**

As of June 30, 2013 and 2012, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,384,557	\$ 1,384,557	\$ 1,316,718	\$ 1,316,718
Restricted cash and cash equivalents	\$31,708,416	\$31,708,416	\$31,518,376	\$31,518,376
Investments	\$ 1,146,173	\$ 1,146,173	\$ 1,718,830	\$ 1,718,830
Loans receivable, net	\$20,713,207	\$ -	\$23,735,984	\$ -
Notes payable to funding sources	\$43,390,203	\$ -	\$46,726,214	\$ -

As of June 30, 2013 and 2012, the carrying amounts and approximate fair value of the Fund's financial instruments are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 469,370	\$ 469,370	\$ 1,289,228	\$ 1,289,228
Restricted cash and cash equivalents	\$ 149,933	\$ 149,933	\$ 161,167	\$ 161,167
Investments	\$ 532,219	\$ 532,219	\$ 543,393	\$ 543,393
Loans receivable, net	\$ 1,559,858	\$ 1,559,858	\$ 934,999	\$ 934,999
Notes payable to funding sources	\$ 319,514	\$ 319,514	\$ 397,676	\$ 397,676

**Cash and cash equivalents and 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, 2013 and 2012.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE**

**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			
<b>EMPLOYEE COMPENSATION:</b>							
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
<b>PROFESSIONAL FEES:</b>							
Management fees	-	-	-	-	-	454,929	454,929
Contracted services	82,779	-	42,812	65,332	190,923	141,132	332,055
Legal	31,250	465	-	16,794	48,509	18,978	67,487
Accounting and audit	16,075	5,825	2,055	9,295	33,250	16,850	50,100
Total professional fees	130,104	6,290	44,867	91,421	272,682	631,889	904,571
<b>OTHER:</b>							
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
Depreciation	23,176	8,398	2,963	13,401	47,938	3,392	51,330
Supplies	20,742	7,517	2,652	11,994	42,905	790	43,695
In-kind services	-	-	-	-	-	43,894	43,894
Insurance	7,090	2,569	907	4,100	14,666	6,363	21,029
Travel	17,044	-	-	1,706	18,750	1,925	20,675
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
Postage and messengers	4,645	1,683	594	2,687	9,609	-	9,609
Printing	4,133	1,497	528	2,389	8,547	1,060	9,607
Memberships	4,061	1,472	519	2,348	8,400	450	8,850
Equipment	4,108	1,488	525	2,375	8,496	-	8,496
Utilities	5,235	968	301	1,911	8,415	-	8,415
Telephone	705	-	230	6,280	7,215	-	7,215
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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2012**

	ENTERPRISE FUNDS - CEDAC				CEDAC TOTAL	COMPONENT	(Memorandum Only) TOTAL
	PROGRAM EXPENSES		ECONOMIC DEVELOP- MENT	MANAGE-		THE FUND	
	HOUSING AND INTERMEDIARY PROGRAM	CHILD CARE PROGRAM		MENT AND GENERAL			
<b>EMPLOYEE COMPENSATION:</b>							
Salaries	\$ 1,020,527	\$ 266,273	\$ 85,074	\$ 605,094	\$ 1,976,968	\$ -	\$ 1,976,968
Fringe benefits and payroll taxes	268,315	73,655	21,044	163,094	526,108	-	526,108
Total employee compensation	<u>1,288,842</u>	<u>339,928</u>	<u>106,118</u>	<u>768,188</u>	<u>2,503,076</u>	<u>-</u>	<u>2,503,076</u>
<b>PROFESSIONAL FEES:</b>							
Management fees	-	-	-	-	-	436,993	436,993
Contracted services	84,260	-	63,966	54,069	202,295	160,275	362,570
Legal	70,901	-	-	23,771	94,672	13,599	108,271
Accounting and audit	14,885	4,981	2,149	8,235	30,250	16,350	46,600
Total professional fees	<u>170,046</u>	<u>4,981</u>	<u>66,115</u>	<u>86,075</u>	<u>327,217</u>	<u>627,217</u>	<u>954,434</u>
<b>OTHER:</b>							
Grants and related expenses	-	185,000	61,668	-	246,668	786,886	1,033,554
Rent	234,310	43,296	13,483	85,453	376,542	-	376,542
Depreciation	33,802	11,311	4,880	18,701	68,694	3,375	72,069
Supplies	18,506	6,193	2,672	10,238	37,609	720	38,329
In-kind services	-	-	-	-	-	113,518	113,518
Insurance	6,398	2,141	924	3,538	13,001	5,779	18,780
Travel	15,448	-	-	1,629	17,077	8,426	25,503
Other expenses	8,781	2,938	1,268	4,859	17,846	27,648	45,494
Maintenance and repair	7,998	2,676	1,155	4,425	16,254	-	16,254
Postage and messengers	3,990	1,335	576	2,207	8,108	-	8,108
Printing	4,168	1,395	602	2,306	8,471	11,824	20,295
Memberships	5,273	1,764	761	2,917	10,715	944	11,659
Equipment	5,225	1,749	754	2,891	10,619	-	10,619
Utilities	6,018	1,112	346	2,195	9,671	-	9,671
Telephone	1,598	-	64	5,937	7,599	-	7,599
Staff development	874	292	126	483	1,775	-	1,775
Publications and subscriptions	1,973	660	285	1,091	4,009	-	4,009
Total other	<u>354,362</u>	<u>261,862</u>	<u>89,564</u>	<u>148,870</u>	<u>854,658</u>	<u>959,120</u>	<u>1,813,778</u>
Total expenses	<u>\$ 1,813,250</u>	<u>\$ 606,771</u>	<u>\$ 261,797</u>	<u>\$ 1,003,133</u>	<u>\$ 3,684,951</u>	<u>\$ 1,586,337</u>	<u>\$ 5,271,288</u>