



**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

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JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2010 and 2009, as listed on the table of contents. These general purpose financial statements are the responsibility of CEDAC's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Community Economic Development Assistance Corporation as of June 30, 2010 and 2009, and the results of its operations and the cash flows of its proprietary fund for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic general purpose financial statements of CEDAC taken as a whole. The accompanying supplemental information for the years ended June 30, 2010 and 2009, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

A large, handwritten signature in black ink that reads 'Alexander Aronson Finning & Co., P.C.'.

Wellesley, Massachusetts
September 30, 2010

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009**

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, 2010.

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 carry out community economic development activity in economically distressed areas of the state, primarily in the development of affordable housing. 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 is the primary provider of pre-development risk capital to nonprofit producers of affordable housing in Massachusetts. While bankrolling critical early seed money needs in the form of pre-development loans and site acquisition loans, CEDAC also provides nonprofit developers with its staff's expertise in housing 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 permanent loan programs of the Commonwealth's Department of Housing and Community Development.

CEDAC also administers workforce development-based programs through its Commonwealth Workforce Coalition (CWC) that provide technical assistance, training, and strategic planning services to community-based corporations engaged in workforce development.

Through its related affiliate, the Children's Investment Fund (the Fund), CEDAC provides facilities development loans and capital grants, as well as technical assistance, to nonprofit child care providers to help expand the supply and improve the quality of affordable child care to low income families in Massachusetts.

CEDAC also serves as fiscal intermediary for public agencies, or other nonprofit organizations to administer loan and/or grant programs that support affordable housing or child care development programs. 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 general purpose financial statements that report the activities of CEDAC and present CEDAC's financial picture as a whole.

The Statements of Net Assets for fiscal year 2010 and a comparative year, 2009, are found on pages 9 and 10, 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 Assets are reported as net assets, according to three different classifications: Net assets invested in capital assets, net of related debt; Restricted expendable net assets; and Unrestricted net assets. Net assets invested in capital assets, net of related debt, report the fixed assets used by CEDAC.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010 AND 2009

(Continued)

Using This Report (Continued)

CEDAC has not financed the purchase of any fixed assets and there is no debt outstanding on these capital items. Accordingly, the net assets invested in capital assets reflects the cost of furniture and fixtures and leasehold improvements, net of accumulated depreciation. Restricted expendable net assets include the activities of CEDAC's Commonwealth Workforce Coalition. All expendable net assets are intended by the donor to be available for disbursement for program purposes until the net asset balance equals zero. Unrestricted net assets include those net assets 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 assets to support CEDAC's lending mission. Those net assets are reported as CEDAC Loan Funds. Additional unrestricted net assets 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 Assets for 2010 and 2009 found on pages 11 and 12, respectively, report CEDAC's earned and contributed income received during the year, as well as the year's expenses.

The Statements of Cash Flows for 2010 and 2009 found on pages 13 and 14, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for 2010 and 2009, can be found on pages 34 and 35, 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 Assets are found on page 15, and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 16 are notes provided to further explain the balances and information contained in the general purpose financial statements.

CEDAC Housing Programs

CEDAC continues to experience a high volume of lending activity for both its high risk pre-development lending program and for permanent financing offered through deferred payment loan 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 two to three year timeframe. During 2009, the softened housing market required CEDAC's capital to remain patient in financed projects, thereby extending the pre-development term, while 2010 saw an unprecedented level of loan repayments as formerly stalled projects moved forward rapidly and repaid.

Two market factors impacted CEDAC's lending in late 2008 through 2009: the softening of the overall real estate market, and the weakened low-income housing tax credit market (LIHTC). The soft real estate market significantly reduced the demand for affordable homeownership units. As a result, CEDAC borrowers in the midst of developing and rehabilitating buildings to sell to homeowners, often first time homebuyers, were unable to market and sell homeownership units. Many developers, including CEDAC's nonprofit borrowers, had to alter their development strategies and re-work their projects to create additional rental housing. As a result, CEDAC's capital remained in the projects to allow the nonprofit developers sufficient time to alter their projects in response to market conditions.

**COMMUNITY ECONOMIC DEVELOPMENT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009
(Continued)**

CEDAC Housing Programs (Continued)

The Federal Low Income Housing Tax Credit (LIHTC), the primary financial resource used to meet the long-term financing needs of affordable rental housing projects, saw its first substantial market decline when developers faced diminished demand from investors, resulting in a significant price decline of the tax credits. As a result, CEDAC's financed projects nearing their construction closing were delayed, requiring borrowers to obtain additional financing to meet the needs of their projects, and delaying repayment to CEDAC.

In order to support the demand for CEDAC's capital during 2008 and 2009, CEDAC's Board of Directors authorized the commitment of pre-development loans in small amounts in excess of capital available. Because pre-development borrowers access funds on a cost reimbursement basis, and in our thirty year history of lending, our experience is that borrowers draw on average approximately 80% of the capital committed. Based on this historical performance, CEDAC's Board authorized issuing loan commitments of amounts up to approximately 115% of available unrestricted capital. In light of the pressure on loan demand, and to enable borrowers to respond to the market conditions, the Board continued this policy into early 2010.

The American Recovery and Reinvestment Act of 2009 (ARRA), passed in February, 2009, contained two important funding mechanisms that assisted stalled housing tax credit projects nationally. The Tax Credit Assistance Program and the Tax Credit Exchange Program provided over \$50 million in funding for Massachusetts projects. The impact of ARRA supported projects began to be felt early in fiscal year 2010. The effect of ARRA spending enabled CEDAC's nonprofit borrowers to access the capital needed to advance their projects to repay CEDAC pre-development loans and to further advance their projects to enable them to close on their permanent financing and the deferred payment loan activity. The majority of the ARRA funding was disbursed during fiscal year 2010, as the stalled projects in CEDAC's portfolio moved forward. Fifteen projects in CEDAC's loan portfolio benefited from the program, resulting in repayments of \$10.8 million, which, when constructed, will result in the creation of 969 housing units.

Loan commitments to new projects slowed substantially during 2010 as nonprofit developers were occupied with advancing and closing stalled projects. Late in 2010, loan demand began to increase as developers sought new opportunities. For the first time in CEDAC's history, we experienced a much higher volume of loan repayments than new commitments, which was to be expected because of the market environment having stalled so much development for a period of time. We anticipate that fiscal year 2011, will bring some further repayment activity and that we will see the demand for loan capital increase again as developers begin to seek new projects to seed their development pipelines.

Year end total commitments and deployments are as follows:

<u>Commitment Summary</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Pre-development Loans:			
Capital Available	\$15,936,061	\$14,647,734	\$14,024,207
Loan Commitments	\$10,375,198	\$15,329,843	\$15,165,131
Commitment Ratio	65%	105%	108%
Deployment Ratio	74%	76%	66%
Acquisition Loans:			
Capital Available	\$28,622,112	\$25,370,062	\$25,478,112
Loan Commitments	\$13,215,049	\$22,378,351	\$21,791,123
Commitment Ratio	46%	88%	85%
Deployment Ratio	89%	86%	88%

**COMMUNITY ECONOMIC DEVELOPMENT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009
(Continued)**

Pre-development and Acquisition Loan Demand

Commitments to projects declined in 2010 as CEDAC supported projects with constrained capital, and experienced lower demand from borrowers for support to new projects. Many CEDAC borrowers focused efforts in 2010 toward moving their stalled pipeline of projects forward in order to meet the timelines mandated by ARRA funding commitments. As a result, loan demand was lower during the year, with demand increasing late in 2010 once stalled projects had moved sufficiently forward.

Historically, loan commitments have ranged between \$10 million and \$15 million annually since 2003. In 2008, commitments were just shy of the \$10 million range, and we experienced demand at 2010 levels last in 2002. We attribute the decline of commitments CEDAC's capital constraints as we had to manage capital levels while supporting stalled projects, and to a decrease in borrower demand. Borrower demand declined primarily due to the expenditure requirements associated with the ARRA funding and level of attention that nonprofit borrowers focused on their projects, which caused a reduction in demand for seed capital for new projects as borrowers were unable to begin new projects until they completed current portfolio projects. Late in 2010, loan demand began to increase to levels that had existed prior to the softened Federal Low Income Housing Tax Credit (LIHTC) environment. Nonprofit borrowers are seeking new development opportunities and we anticipate loan demand in 2011 to reach historic levels.

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

<u>Annual Loan Commitments</u>	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development Loans	\$4,181,150	47%	\$ 6,280,387	36%	\$8,561,694	89%
Acquisition Loans	<u>4,663,000</u>	<u>53%</u>	<u>11,366,349</u>	<u>64%</u>	<u>1,095,000</u>	<u>11%</u>
Total	<u>\$8,844,150</u>	<u>100%</u>	<u>\$17,646,736</u>	<u>100%</u>	<u>\$9,656,694</u>	<u>100%</u>

Housing Preservation

During 2009, CEDAC was awarded a grant of \$1 million from The John D. and Catherine T. MacArthur Foundation (MacFound) to support a Massachusetts Housing Preservation Initiative. Massachusetts was one of twelve states awarded funding from MacFound through a competitive process, in which eighty public entities originally applied. With this funding, CEDAC, collaborating with other state and quasi public agencies, will monitor and identify affordable housing properties at risk of loss of affordability at the expiration of a legally mandated affordability period and work 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 government. CEDAC will also provide technical assistance and training to developers and owners regarding Federal housing preservation programs.

As part of the Massachusetts 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. During 2010, CEDAC received a \$3.5 million grant from the Commonwealth, which was Governor Deval Patrick's commitment of additional state capital bond funds to match MacFound's commitment.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009
(Continued)**

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 in 2010 and 2009. 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. FCF in particular has experienced enormous demand as Department of Developmental Services (DDS) service providers respond to recent federal and state litigation 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-based housing as well. Currently, CEDAC has over \$27 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 general purpose financial statements as a net payable. Detailed information on gross loan receivable and note payable balances is reported on pages 21 through 26 of these 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:

<u>Outstanding Commitments</u>	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 8,653,234	44%	\$14,551,891	56%	\$15,821,366	55%
Facilities Consolidation Fund	5,331,967	27%	6,308,440	24%	8,337,528	29%
Community Based Housing	<u>5,600,888</u>	<u>29%</u>	<u>5,031,710</u>	<u>20%</u>	<u>4,409,607</u>	<u>16%</u>
Total	<u>\$19,586,089</u>	<u>100%</u>	<u>\$25,892,041</u>	<u>100%</u>	<u>\$28,568,501</u>	<u>100%</u>

Economic Development

CEDAC's Commonwealth Workforce Coalition (CWC) is a capacity building program for community-based organizations (CBO's) in workforce development. Through this program, CEDAC provides networking opportunities to CBO's to share best practices in the workforce development field, and conducts trainings on topics such as employer relations and case management practices. During 2008, CWC was selected by the United Way of Massachusetts Bay and Merrimack Valley as one of its new venture funding agencies. As a result of this award, CWC has received an annual commitment of \$40,000 to \$50,000 for three years. During 2009, CWC was awarded a contract for Capacity Building Services by SkillWorks, a program of The Boston Foundation, in the amount of \$100,000. The contract is anticipated to be renewed annually for five years. During 2010, CWC, jointly with the Commonwealth Corporation, received ARRA funding to provide training and capacity building services to CBO's state-wide. CWC will receive \$112,500 as an ARRA subrecipient during 2010 and 2011. CWC activities are reported in the general purpose financial statements as Restricted Program Funds and, in addition to the venture funding, are funded primarily by private foundation grants.

**COMMUNITY ECONOMIC DEVELOPMENT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010 AND 2009

(Continued)

Summary of Financial Performance and Changes in Net Assets

As reported in CEDAC's general purpose financial statements, net assets increased by \$3,315,540 and \$927,427 in 2010 and 2009, respectively, to approximately \$11.8 and \$8.4 million, respectively, as CEDAC received and recorded grant activity connected with its housing preservation program.

These figures break down as follows:

	<u>Net Assets</u> <u>6/30/08</u>	<u>Change in</u> <u>Net Assets</u>	<u>Net Assets</u> <u>6/30/09</u>	<u>Change in</u> <u>Net Assets</u>	<u>Net Assets</u> <u>6/30/10</u>
Operating and CEDAC					
Loan Funds	\$7,452,330	\$ (66,576)	\$7,385,754	\$3,572,346	\$10,958,100
Restricted Program Funds	<u>55,199</u>	<u>994,003</u>	<u>1,049,202</u>	<u>(256,806)</u>	<u>792,396</u>
Total	<u>\$7,507,529</u>	<u>\$927,427</u>	<u>\$8,434,956</u>	<u>\$3,315,540</u>	<u>\$11,750,496</u>

Operating and CEDAC Loan Funds

CEDAC's operating and loan fund net assets decreased in 2009, driven in large part by the combination of annual results from our core operations, and the result of adjustments to CEDAC loan fund for potential loan losses. As loss reserves decline, CEDAC posts revenue in the amount of the change in reserves, but when the reserves increase, CEDAC posts an expense for the amount of the change. The substantial market changes in 2008 resulted in an overall increase in portfolio risk, justifying a substantial increase in the loan loss reserves, and a corresponding provision for loan loss expense, affecting our operating results. Loan loss reserves remained relatively level in relation to the loan portfolio in 2009. The loan loss reserve adjustment results in some added volatility in the annual operating results.

During 2010, core operating and loan fund net assets decreased by \$47,654 driven by reduced interest income and an increase in operating expenses associated primarily with an investment in our housing lending and preservation staffing. The net investment in core operations was offset somewhat by the reduction in the loan loss reserve as loans repaid during 2010. The net result from core operating activities was a decrease of \$135,079.

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

	<u>2010</u>	<u>2009</u>
Adjusted change in net assets	\$ (47,654)	\$(66,576)
Loan loss reserve adjustment	<u>(87,425)</u>	<u>89,889</u>
Net core operating results	<u>\$(135,079)</u>	<u>\$ 23,313</u>

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As CEDAC's core operating expenses and lending volume increase, particularly in our housing preservation program, the Board and staff anticipate that it will need to depend on more predictable investment returns to support operations and offset the volatility which sometimes arises from pre-development lending. The soft economic conditions have impacted interest rates on CEDAC's investments, but as interest rates rise, we expect higher returns, which will provide additional support to CEDAC. We believe that a good foundation is in place to take advantage of higher returns as economic conditions continue to improve.

**COMMUNITY ECONOMIC DEVELOPMENT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010 AND 2009
(Continued)**

Operating and CEDAC Loan Funds (Continued)

Housing preservation activities are reported in the Restricted Program Funds. During 2009, we received a \$1 million grant from MacArthur, net of interest income and expenses of \$6,377, resulting in a surplus of \$993,623. The funds are to be used to support the start-up of a ten-year preservation initiative. The grant is to be expended generally over the first three years of the initiative. During 2010, in accordance with the grant terms, preservation start-up costs were funded in the amount of \$130,097, and \$120,000 was transferred to the Operating and CEDAC Loan Funds to fund a loan loss reserve.

The operating results of CEDAC's workforce development initiative, CWC, as reported in the Restricted Program Funds, posted deficits in 2009 and 2010. During 2010, CEDAC's Board of Directors approved additional staff support to fund CWC activities, funded in large part by multi-year grant commitments from donors. A modest deficit of \$6,708 was posted during 2010.

CWC sponsored its annual training conference for workforce development professionals in Massachusetts, which drew over 300 professionals in 2009 and 2010, for workshops in areas of employer relations, case management, and program management. Fundraising continues for the next phase of the CWC program activities, while the current funds are being expended to carry out existing programs. We expect these programs to continue into the next several years.

Conclusion

CEDAC is assisting the nonprofit development community in Massachusetts to respond to the housing crisis 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. 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

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>			<u>TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,425,539	\$ -	\$ -	\$ 1,425,539
Restricted cash and cash equivalents for approximately \$22,702,000 committed to borrowers for loans (see Note 10)	9,598,069	540,110	30,627,621	40,765,800
Short-term investments	1,250,000	-	-	1,250,000
Accounts receivable	168,057	32,987	24,907	225,951
Grants receivable	43,773	335,139	-	378,912
Loans receivable, net of allowance for uncollectible loans of \$327,274	4,060,275	-	3,172,200	7,232,475
Net interfund receivables (payables)	173,214	(128,049)	(45,165)	-
Other current assets	67,801	-	-	67,801
Total current assets	16,786,728	780,187	33,779,563	51,346,478
OTHER ASSETS:				
Long-term investments	954,750	-	-	954,750
Interest receivable, net of allowance for uncollectible accounts of \$294,119	289,744	-	206,971	496,715
Loans receivable, net of allowance for uncollectible loans of \$2,065,878	5,605,753	-	4,092,571	9,698,324
Terminated contract receivable	54,473	-	-	54,473
Fixed assets, net of accumulated depreciation	183,820	19,370	-	203,190
Total other assets	7,088,540	19,370	4,299,542	11,407,452
Total assets	\$ 23,875,268	\$ 799,557	\$ 38,079,105	\$ 62,753,930
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 32,048	\$ 7,161	\$ 6,128	\$ 45,337
Deferred revenue	189,138	-	712,333	901,471
Current portion of notes payable	4,376,349	-	503,400	4,879,749
Accrued and deferred compensation	209,128	-	-	209,128
Total current liabilities	4,806,663	7,161	1,221,861	6,035,685
LONG-TERM NOTES PAYABLE, net of current portion	8,110,505	-	36,857,244	44,967,749
Total liabilities	12,917,168	7,161	38,079,105	51,003,434
NET ASSETS:				
Unrestricted net assets	7,162,703	-	-	7,162,703
Invested in capital assets, net of related debt	183,820	19,370	-	203,190
Restricted net assets - expendable	3,611,577	773,026	-	4,384,603
Total net assets	10,958,100	792,396	-	11,750,496
Total liabilities and net assets	\$ 23,875,268	\$ 799,557	\$ 38,079,105	\$ 62,753,930

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>			<u>TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,179,799	\$ -	\$ -	\$ 1,179,799
Restricted cash and cash equivalents for approximately \$30,498,000 committed to borrowers for loans (see Note 10)	878,911	517,532	28,947,352	30,343,795
Accounts receivable, net of allowance for uncollectible accounts of \$2,498	285,398	49,092	5,402	339,892
Grants receivable	36,078	476,166	-	512,244
Loans receivable, net of allowance for uncollectible loans of \$273,366	5,732,837	-	6,113,412	11,846,249
Net interfund receivables (payables)	259,808	(189,594)	(70,214)	-
Other current assets	87,803	-	-	87,803
 Total current assets	<u>8,460,634</u>	<u>853,196</u>	<u>34,995,952</u>	<u>44,309,782</u>
OTHER ASSETS:				
Long-term investments	2,217,907	-	-	2,217,907
Interest receivable, net of allowance for uncollectible accounts of \$387,136	586,663	-	285,606	872,269
Grants receivable	-	200,000	-	200,000
Loans receivable, net of allowance for uncollectible loans of \$2,222,043	10,798,842	-	5,818,139	16,616,981
Terminated contract receivable	41,855	-	-	41,855
Fixed assets, net of accumulated depreciation	200,729	9,167	-	209,896
 Total other assets	<u>13,845,996</u>	<u>209,167</u>	<u>6,103,745</u>	<u>20,158,908</u>
 Total assets	<u><u>\$ 22,306,630</u></u>	<u><u>\$ 1,062,363</u></u>	<u><u>\$ 41,099,697</u></u>	<u><u>\$ 64,468,690</u></u>
 <u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 36,217	\$ 13,161	\$ 9,153	\$ 58,531
Deferred revenue	314,677	-	670,698	985,375
Current portion of notes payable	5,067,168	-	1,390,000	6,457,168
Accrued and deferred compensation	160,039	-	-	160,039
 Total current liabilities	5,578,101	13,161	2,069,851	7,661,113
 LONG-TERM NOTES PAYABLE , net of current portion	9,342,775	-	39,029,846	48,372,621
 Total liabilities	<u>14,920,876</u>	<u>13,161</u>	<u>41,099,697</u>	<u>56,033,734</u>
 NET ASSETS:				
Unrestricted net assets	7,185,025	-	-	7,185,025
Invested in capital assets, net of related debt	200,729	9,167	-	209,896
Restricted net assets - expendable	-	1,040,035	-	1,040,035
 Total net assets	<u>7,385,754</u>	<u>1,049,202</u>	<u>-</u>	<u>8,434,956</u>
 Total liabilities and net assets	<u><u>\$ 22,306,630</u></u>	<u><u>\$ 1,062,363</u></u>	<u><u>\$ 41,099,697</u></u>	<u><u>\$ 64,468,690</u></u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	ENTERPRISE FUNDS			TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	
OPERATING REVENUES:				
Interest	\$ 1,087,284	\$ 1,959	\$ 596,211	\$ 1,685,454
Loan fund management fees and other fees	222,570	-	16,206	238,776
Plus - loan and interest reserve adjustment	87,425	-	(27,064)	60,361
Less - interest expense	(599,192)	-	(107,568)	(706,760)
Net financial and related revenue	798,087	1,959	477,785	1,277,831
Restricted grants and contributions	-	4,162,975	-	4,162,975
Government contracts	1,438,846	94,484	-	1,533,330
Earned revenue and other	532,261	90,990	-	623,251
Legal fee revenue	-	-	322,898	322,898
Legal fee expense	-	-	(322,898)	(322,898)
Grants applied to operations	91,418	(91,418)	-	-
Unrealized loss on investments	(13,157)	-	-	(13,157)
Management fees expense	-	-	(198,234)	(198,234)
Net increase in notes payable	-	-	(251,019)	(251,019)
Total operating revenues	<u>2,847,455</u>	<u>4,258,990</u>	<u>28,532</u>	<u>7,134,977</u>
OPERATING EXPENSES:				
Employee compensation	2,133,827	420,063	-	2,553,890
Contracted services	92,083	370,361	3,150	465,594
Rent	338,099	-	-	338,099
Legal	82,782	4,280	25,382	112,444
Grants and related expenses	-	79,770	-	79,770
Depreciation	49,252	6,296	-	55,548
Supplies	46,659	1,910	-	48,569
Accounting and audit	28,314	-	-	28,314
Maintenance and repair	19,910	-	-	19,910
Other expenses	14,246	3,978	-	18,224
Travel	14,890	2,731	-	17,621
Telephone	13,140	1,086	-	14,226
Postage and messengers	10,888	1,800	-	12,688
Insurance	12,188	-	-	12,188
Printing	6,927	3,521	-	10,448
Utilities	10,294	-	-	10,294
Memberships	6,483	-	-	6,483
Equipment	6,178	-	-	6,178
Publications and subscriptions	4,867	-	-	4,867
Staff development	3,984	-	-	3,984
Temporary help	98	-	-	98
Total operating expenses	<u>2,895,109</u>	<u>895,796</u>	<u>28,532</u>	<u>3,819,437</u>
Changes in net assets from operations	(47,654)	3,363,194	-	3,315,540
GRANTS APPLIED TO LOAN CAPITAL	<u>3,620,000</u>	<u>(3,620,000)</u>	<u>-</u>	<u>-</u>
Changes in net assets	3,572,346	(256,806)	-	3,315,540
NET ASSETS, beginning of year	<u>7,385,754</u>	<u>1,049,202</u>	<u>-</u>	<u>8,434,956</u>
NET ASSETS, end of year	<u>\$ 10,958,100</u>	<u>\$ 792,396</u>	<u>\$ -</u>	<u>\$ 11,750,496</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

	ENTERPRISE FUNDS			<u>TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	
OPERATING REVENUES:				
Interest	\$ 1,241,334	\$ 2,247	\$ 981,868	\$ 2,225,449
Loan fund management fees and other fees	233,337	-	23,314	256,651
Less - loan and interest reserve adjustment	(89,889)	-	(205,672)	(295,561)
Less - interest expense	<u>(575,407)</u>	<u>-</u>	<u>(99,882)</u>	<u>(675,289)</u>
Net financial and related revenue	809,375	2,247	699,628	1,511,250
Restricted grants and contributions	-	1,466,573	-	1,466,573
Government contracts	1,224,903	37,813	-	1,262,716
Earned revenue and other	483,757	94,989	-	578,746
Legal fee revenue	-	-	319,929	319,929
Legal fee expense	-	-	(319,929)	(319,929)
Unrealized loss on investments	(344)	-	-	(344)
Management fees expense	-	-	(241,240)	(241,240)
Net increase in notes payable	-	-	(458,388)	(458,388)
Total operating revenues	<u>2,517,691</u>	<u>1,601,622</u>	<u>-</u>	<u>4,119,313</u>
OPERATING EXPENSES:				
Employee compensation	1,881,890	123,166	-	2,005,056
Contracted services	106,933	396,704	-	503,637
Rent	236,347	-	-	236,347
Legal	93,146	338	-	93,484
Grants and related expenses	-	73,264	-	73,264
Depreciation	41,734	833	-	42,567
Supplies	45,761	248	-	46,009
Accounting and audit	32,157	-	-	32,157
Maintenance and repair	17,745	-	-	17,745
Other expenses	20,584	-	-	20,584
Travel	15,634	3,299	-	18,933
Telephone	9,932	1,729	-	11,661
Postage and messengers	11,729	3,900	-	15,629
Insurance	15,332	-	-	15,332
Printing	8,584	4,138	-	12,722
Utilities	9,407	-	-	9,407
Memberships	12,355	-	-	12,355
Equipment	9,583	-	-	9,583
Publications and subscriptions	4,260	-	-	4,260
Staff development	5,783	-	-	5,783
Temporary help	5,371	-	-	5,371
Total operating expenses	<u>2,584,267</u>	<u>607,619</u>	<u>-</u>	<u>3,191,886</u>
Changes in net assets from operations	(66,576)	994,003	-	927,427
NET ASSETS, beginning of year	<u>7,452,330</u>	<u>55,199</u>	<u>-</u>	<u>7,507,529</u>
NET ASSETS, end of year	<u>\$ 7,385,754</u>	<u>\$ 1,049,202</u>	<u>\$ -</u>	<u>\$ 8,434,956</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	ENTERPRISE FUNDS			
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from funders, net of management fees expense	\$ 2,045,174	\$ 1,205,581	\$ 361,232	\$ 3,611,987
Interest received on loans	1,405,557	-	533,892	1,939,449
Interest received on bank deposits	94,200	1,959	118,336	214,495
Employee compensation	(2,084,738)	(420,063)	-	(2,504,801)
Payments for supplies and services	(696,199)	(475,436)	(549,664)	(1,721,299)
Interest payments to lenders	(599,193)	-	(110,593)	(709,786)
Internal activity - payments between funds	298,012	(272,963)	(25,049)	-
Net cash provided by operating activities	<u>462,813</u>	<u>39,078</u>	<u>328,154</u>	<u>830,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans disbursed	(5,059,684)	-	(30,771,677)	(35,831,361)
Proceeds from loan repayments	11,897,204	-	8,379,547	20,276,751
Purchase of investments	(5,350,000)	-	-	(5,350,000)
Maturity of investments	5,350,000	-	-	5,350,000
Acquisition of fixed assets	(32,343)	(16,500)	-	(48,843)
Net cash provided by (used in) investing activities	<u>6,805,177</u>	<u>(16,500)</u>	<u>(22,392,130)</u>	<u>(15,603,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from notes payable	4,059,000	-	26,938,237	30,997,237
Grants applied to loan capital	3,620,000	-	-	3,620,000
Repayments of principal of notes payable	(5,982,092)	-	(3,193,992)	(9,176,084)
Net cash used in financing activities	<u>1,696,908</u>	<u>-</u>	<u>23,744,245</u>	<u>25,441,153</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,964,898	22,578	1,680,269	10,667,745
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,058,710</u>	<u>517,532</u>	<u>28,947,352</u>	<u>31,523,594</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 11,023,608</u></u>	<u><u>\$ 540,110</u></u>	<u><u>\$ 30,627,621</u></u>	<u><u>\$ 42,191,339</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Changes in net assets	\$ 3,572,346	\$ (256,806)	\$ -	\$ 3,315,540
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation	49,252	6,296	-	55,548
Allowance for loan losses	(87,425)	-	27,064	(60,361)
Allowance for uncollectible receivables	(2,498)	-	-	(2,498)
Unrealized loss on investments	13,157	-	-	13,157
Grants applied to loan capital	(3,620,000)	-	-	(3,620,000)
Changes in operating assets and liabilities -				
Accounts receivable	119,839	16,105	(19,505)	116,439
Grants receivable	(7,695)	341,028	-	333,333
Interfund receivables	86,594	(61,545)	(25,049)	-
Other current assets	20,002	-	-	20,002
Interest receivable	412,478	-	56,015	468,493
Terminated contract receivable	(12,618)	-	-	(12,618)
Accounts payable and accrued expenses	(4,169)	(6,000)	(3,025)	(13,194)
Deferred revenue	(125,539)	-	41,635	(83,904)
Net increase in notes payable	-	-	251,019	251,019
Accrued and deferred compensation	49,089	-	-	49,089
Net cash provided by operating activities	<u><u>\$ 462,813</u></u>	<u><u>\$ 39,078</u></u>	<u><u>\$ 328,154</u></u>	<u><u>\$ 830,045</u></u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009**

	ENTERPRISE FUNDS			TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from funders, net of management fees expense	\$ 2,064,083	\$ 1,019,104	\$ 286,949	\$ 3,370,136
Interest received on loans	896,624	-	369,751	1,266,375
Interest received on bank deposits	151,983	2,244	546,814	701,041
Employee compensation	(1,841,455)	-	-	(1,841,455)
Payments for supplies and services	(704,401)	(605,441)	(561,169)	(1,871,011)
Interest payments to lenders	(575,407)	-	(95,472)	(670,879)
Internal activity - payments between funds	(225,962)	61,957	164,005	-
Net cash provided by (used in) operating activities	<u>(234,535)</u>	<u>477,864</u>	<u>710,878</u>	<u>954,207</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans disbursed	(10,294,253)	-	(25,371,730)	(35,665,983)
Proceeds from loan repayments	9,382,660	-	3,609,846	12,992,506
Purchase of investments	(3,400,000)	-	-	(3,400,000)
Maturity of investments	3,400,000	-	-	3,400,000
Acquisition of fixed assets	(67,915)	(10,000)	-	(77,915)
Net cash used in investing activities	<u>(979,508)</u>	<u>(10,000)</u>	<u>(21,761,884)</u>	<u>(22,751,392)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from notes payable	7,447,249	-	18,761,995	26,209,244
Repayments of principal of notes payable	(7,774,948)	-	(19,200)	(7,794,148)
Net cash provided by (used in) financing activities	<u>(327,699)</u>	<u>-</u>	<u>18,742,795</u>	<u>18,415,096</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,541,742)	467,864	(2,308,211)	(3,382,089)
CASH AND CASH EQUIVALENTS, beginning of year	3,600,452	49,668	31,255,563	34,905,683
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,058,710</u>	<u>\$ 517,532</u>	<u>\$ 28,947,352</u>	<u>\$ 31,523,594</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Changes in net assets	\$ (66,576)	\$ 994,003	\$ -	\$ 927,427
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation	41,734	833	-	42,567
Loan and interest reserve adjustment	89,889	-	205,672	295,561
Unrealized loss on investments	344	-	-	344
Changes in operating assets and liabilities -				
Accounts receivable	226,011	(31,745)	15,186	209,452
Grants receivable	11,288	(548,529)	-	(537,241)
Interfund receivable	(225,962)	61,957	164,005	-
Other current assets	(49,239)	-	-	(49,239)
Interest receivable	(192,726)	-	(65,303)	(258,029)
Terminated contract receivable	(22,590)	-	-	(22,590)
Accounts payable and accrued expenses	5,480	1,345	4,410	11,235
Deferred revenue	(92,623)	-	(71,480)	(164,103)
Net increase in notes payable	-	-	458,388	458,388
Accrued and deferred compensation payable	40,435	-	-	40,435
Net cash provided by (used in) operating activities	<u>\$ (234,535)</u>	<u>\$ 477,864</u>	<u>\$ 710,878</u>	<u>\$ 954,207</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

STATEMENTS OF FIDUCIARY NET ASSETS

JUNE 30, 2010 AND 2009

<u>ASSETS</u>	<u>CEDAC AGENCY FUND</u>	
	<u>2010</u>	<u>2009</u>
ASSETS:		
Cash and cash equivalents	\$ 9,786,193	\$ 8,778,827
Terminated contract receivable - HMDL	482,958	767,688
	<hr/>	<hr/>
Total assets	<u>\$ 10,269,151</u>	<u>\$ 9,546,515</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Agency funds held for others	\$ 9,786,193	\$ 8,778,827
Terminated contracts payable - HMDL	482,958	767,688
	<hr/>	<hr/>
Total liabilities	10,269,151	9,546,515
NET ASSETS	<hr/>	<hr/>
	-	-
Total liabilities and net assets	<u>\$ 10,269,151</u>	<u>\$ 9,546,515</u>

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

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(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 the United Way to CEDAC, the United Way transferred its sole membership in the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. The United Way also maintains certain rights with regard to the composition of the Fund's Board of Directors.

The Fund's mission is to improve the quality and expand the availability of early child development programs for low and moderate income families in Massachusetts through investment in center-based and family-based preschool and school-age child care facilities.

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – GASB Standards

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

Consistent with the provisions of GASB Statement Nos. 14 and 39, the Fund does not meet the definition of a component unit of CEDAC because its financial resources are not held or used for the primary benefit of CEDAC. A separate audit of the Fund's financial statements is performed. See Note 11 for a summary of the transactions between CEDAC and the Fund.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets

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

Operating and CEDAC Loan Funds:

Operating net assets - Operating net assets represent 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 assets 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, 2010 and 2009, CEDAC had set aside \$1,447,559 and \$1,286,686 for the operating reserve and \$296,400 and \$356,490 to fund loan losses, respectively. To the extent possible and as loans are forgiven, the Board may authorize the transfer of loan loss reserve funds to the CEDAC Loan Funds to help maintain lending capacity.

CEDAC Loan Funds - The CEDAC Loan Funds consist of \$5,418,744 and \$5,541,849 of unrestricted net assets designated by the Board of Directors as of June 30, 2010 and 2009, 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 statements of net assets because the collection of these loans is generally based on the progress of the development project and is not readily determinable. Those loans that fund the acquisition of properties and have a specific loan term are allocated between current and long-term loans receivable based on stated maturities. Debt capital is reported on the statements of net assets as notes payable to funding sources (see Note 2).

Unrestricted net assets as of June 30, 2010 and 2009, are summarized as follows:

	<u>2010</u>	<u>2009</u>
CEDAC Loan Funds	\$5,418,744	\$5,541,849
Operating Reserve	1,447,559	1,286,686
Loan Loss Reserve	<u>296,400</u>	<u>356,490</u>
	<u>\$7,162,703</u>	<u>\$7,185,025</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (Continued)

Operating and CEDAC Loan Funds: (Continued)

Invested in Capital Assets, net of related debt - This classification is used to account for all property and equipment purchased by CEDAC and used in operations. Property and equipment are recorded at cost, or if donated, at its fair market value at the date of donation. Depreciation is provided in amounts sufficient to allocate cost to operations over the estimated useful lives of the underlying assets, using the straight-line method. Property and equipment of \$183,820 and \$200,729 as of June 30, 2010 and 2009, respectively, are presented on the accompanying statements of net assets as net assets invested in capital assets, net of related debt.

Restricted Net Assets - Expendable - Included in this classification as of June 30, 2010, 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 will coordinate and collaborate with other public agencies and nonprofit organizations to preserve affordable housing whose affordability term is expiring. According to the agreement with MacFound, during 2010, \$120,000 was transferred to establish a cash reserve for the Housing Preservation Loan Fund. The \$3.5 million awarded by the Commonwealth of Massachusetts is dedicated entirely for loan capital.

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

Included in the Restricted Program Funds at June 30, 2010 and 2009, 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>2010</u>	<u>2009</u>
Housing Preservation Initiative	\$745,133	\$ 995,230
Commonwealth Workforce Coalition	<u>47,263</u>	<u>53,972</u>
Total	<u>\$792,396</u>	<u>\$1,049,202</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Assets (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 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 they are shown as direct loan fund expenses in the accompanying statements of revenues, expenses and changes in net assets.

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 assets. Also included in Funds Held for Others is a receivable due from an agency whose contract was terminated (see Note 6).

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 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 balances held in the MMDT amounted to approximately \$48.9 million as of June 30, 2010, 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 90 days or less, and consists of certificates of deposit, money market funds, U.S. Government securities, and high-grade commercial paper (see Note 7).

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

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fixed assets are recorded at cost and totaled \$457,168 and \$412,855 at June 30 2010 and 2009, respectively. Accumulated depreciation at June 30, 2010 and 2009, totaled \$253,978 and \$202,959, respectively.

Use of Estimates

In preparing 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 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 financial statements.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(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, where those loan programs included in Loan Funds Under Management are comprised of non-recourse loans (see Note 1). All others are classified within Loan Funds Under Management. CEDAC was in compliance with all restrictions and covenants as of June 30, 2010 and 2009. CEDAC has partnered with Wainwright Bank on various loans under an agreement intended to function as a participation in which CEDAC has financed certain loans receivables with borrowers. These items are reflected as non-recourse collateralized obligations in the accompanying statement of net assets for 2009. These items were repaid in 2010 and there were no outstanding balances as of June 30, 2010. 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 expired on July 1, 2010. The current interest rate is 5.87% through July 1, 2010. The loan is reviewed and renewed every five years. The lender has made a commitment to extend the loan for another five years, with an interest rate of 6%.
- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition and pre-development loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. The 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, 2010, the loan matures in June, 2019, with borrowing authority of up to \$8.15 million. In accordance with repayment terms, a payment of \$1 million was made in 2010. Interest is payable semi-annually at a rate of 1%.
- **The City of Boston Department of Neighborhood Development (DND) Loan Fund** authorized the capitalization of a revolving loan fund of funds held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. Under the terms of the contract, all principal accrues to the DND Loan Fund and interest earned is paid annually.
- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$3 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The current term expires in September, 2011. The line of credit carries an interest rate of prime (3.25% as of June 30, 2010 and 2009), minus 1.25%, due quarterly. Advances under the line of credit have a maximum term of twenty-four months. Recourse to CEDAC is limited to the greater of \$250,000 or 10% of the outstanding loan amount.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund (Continued)**

MHP has provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. CEDAC may use these funds to make loans to borrowers on more flexible terms or make principal and interest payments, if nonprofit developers are delinquent in making payments to CEDAC. The balance as of June 30, 2010 and 2009, is \$365,661 and \$370,448, respectively, net of allowances of \$34,339 and \$29,552, respectively, is included in the general purpose financial statements as deferred revenue (see Note 9). This agreement allows for annual reviewed renewal options. The current term expires in September, 2011.

- **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 February, 2010.

- **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 Wainwright Bank Acquisition Line of Credit** was executed during 2005 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$12.5 million as of June 30, 2010. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with a term of three years, maturing in November, 2010. For amounts borrowed through November 15, 2009, interest is payable quarterly at the 90-day London Interbank Offered Rate (LIBOR) (0.54% and 0.62% at June 30, 2010 and 2009, respectively), plus 1.25% or a fixed rate as published on the draw date based on the Federal Home Loan Bank two year classic rate, plus 1.35%. For amounts borrowed since November 15, 2009, interest is payable quarterly at the 90-day London Interbank Offered Rate (LIBOR) (0.54% and 0.62% at June 30, 2010 and 2009, respectively), plus 3% or a fixed rate of 4%. The agreement contains various covenants. As of June 30, 2010, CEDAC was not in compliance with a covenant relating to debt service coverage, but Wainwright has indicated their intent to issue a waiver.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Wainwright Collateralized Non-recourse Obligations** were executed during 2006. Terms of borrowings under this agreement coincide with those specified within the individual loan agreements made with CEDAC borrowers (see Note 4). This agreement is intended to function like a participation, but given the repurchase rights reserved by CEDAC under this agreement, borrowings do not meet the requirements for treatment as a participation under GASB Statement No. 48. The balances were paid in full as of June 30, 2010, with future borrowing available under the terms of the Master Participation agreement in place. Borrowings mature with underlying loans receivable.
- **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 the Department of Housing and Community Development (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 funds are being disbursed over two years. The first disbursement was received in 2010. The remaining funds will be disbursed to CEDAC in 2011.

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

	<u>2010</u>	<u>2009</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	1,500,000	-
Wainwright Bank Acquisition Loan Fund	<u>6,486,854</u>	<u>9,871,705</u>
Subtotal - Recourse Notes	12,486,854	14,371,705
Wainwright Collateralized Non-recourse Obligations	<u>-</u>	<u>38,238</u>
Total Operating and CEDAC Loan Funds	<u>12,486,854</u>	<u>14,409,943</u>
Loan funds under management:		
Home Funders Collaborative Loan Fund	8,190,165	9,176,519
DND Loan Fund	564,681	554,854
MHP Acquisition Loan Fund	1,212,140	817,890
HSF Acquisition Loan Fund	1,563,479	1,540,362
AHT Pre-development Loan Fund	2,564,926	2,438,180
Net DMH Trust (see Note 3)	3,679,164	-
Net HIF/FCF/CBH (see Note 3)	<u>19,586,089</u>	<u>25,892,041</u>
Total Loan Funds Under Management	<u>37,360,644</u>	<u>40,419,846</u>
	<u>\$49,847,498</u>	<u>\$54,829,789</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(2) NOTES PAYABLE TO FUNDING SOURCES (Continued)

Lending Line of Credit - In July, 2002, CEDAC obtained a \$2,000,000 line of credit from a local bank to help maintain liquidity in lending capacity, while investing a portion of loan capital in investments with longer term maturities. Borrowings will bear interest at LIBOR (0.54% and 0.62% at June 30, 2010 and 2009, respectively), plus .85%. A cash account and certain investments are held as collateral by the bank. The line of credit expired in June, 2010. As of June 30, 2010, CEDAC was in discussion with the local bank to renew the line of credit. No balances were outstanding on June 30, 2010 and 2009.

(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 \$322,898 and \$319,929 of legal fees during 2010 and 2009, 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.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the general purpose financial statements net of loans receivable at June 30, 2010 and 2009.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

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

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

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

<u>2010</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>Total</u>
Note payable, June 30, 2010	\$154,112,638	\$80,061,663	\$18,367,794	\$252,542,095
Less - loans receivable	<u>145,459,404</u>	<u>74,729,696</u>	<u>12,766,906</u>	<u>232,956,006</u>
Net note payable, June 30, 2010	<u>\$ 8,653,234</u>	<u>\$ 5,331,967</u>	<u>\$ 5,600,888</u>	<u>\$ 19,586,089</u>
<u>2009</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>Total</u>
Note payable, June 30, 2009	\$145,301,565	\$73,428,923	\$12,620,133	\$231,350,621
Less - loans receivable	<u>130,749,674</u>	<u>67,120,483</u>	<u>7,588,423</u>	<u>205,458,580</u>
Net note payable, June 30, 2009	<u>\$ 14,551,891</u>	<u>\$ 6,308,440</u>	<u>\$ 5,031,710</u>	<u>\$ 25,892,041</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 DMH to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in 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 is to select a nonprofit service provider, enter into a long-term loan and use agreement for the units procured, oversee the development of the ten units jointly with DMH, and monitor the loan over the loan term. As of June 30, 2010, CEDAC has selected the nonprofit provider. Under the terms of the agreement, CEDAC shall receive fees for program start-up, site selection, and on-going administration, which will be funded from the loan fund. As of June 30, 2010, the balance of \$52,320, representing the fees budgeted for administration and compliance, is reported as deferred revenue in the accompanying 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. Under the terms of the agreement, any funds not used to develop the ten units as of October 1, 2011, shall be returned to DMH.

(4) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development and acquisition loan commitments at June 30, 2010 and 2009. 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 interest and principal are due at the first project closing. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 9%, 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 maturity or the closing of the first project financing.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(4) LOANS RECEIVABLE (Continued)

Loan receivable balances of CEDAC include:

<u>2010</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	74	\$ 7,626,349	\$(1,641,210)	\$ 5,985,139
Acquisition loans	<u>15</u>	<u>11,697,602</u>	<u>(751,942)</u>	<u>10,945,660</u>
Total	<u>89</u>	19,323,951	(2,393,152)	16,930,799
Less - current portion		<u>7,559,749</u>	<u>(327,274)</u>	<u>7,232,475</u>
Long-term portion		<u>\$11,764,202</u>	<u>\$(2,065,878)</u>	<u>\$ 9,698,324</u>
<u>2009</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	88	\$11,721,479	\$(1,991,604)	\$ 9,729,875
Acquisition loans	<u>22</u>	<u>19,237,160</u>	<u>(503,805)</u>	<u>18,733,355</u>
Total	<u>110</u>	30,958,639	(2,495,409)	28,463,230
Less - current portion		<u>12,119,615</u>	<u>(273,366)</u>	<u>11,846,249</u>
Long-term portion		<u>\$18,839,024</u>	<u>\$(2,222,043)</u>	<u>\$16,616,981</u>

See Note 10 for disclosure of loan commitments.

(5) ALLOWANCE FOR UNCOLLECTIBLE LOANS

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2008	\$2,335,749	\$269,599	\$2,605,348
Changes to allowance	178,024	117,537	295,561
Offset to deferred revenue	29,554	-	29,554
Loans forgiven	<u>(47,918)</u>	<u>-</u>	<u>(47,918)</u>
Balance, June 30, 2009	2,495,409	387,136	2,882,545
Changes to allowance	32,656	(93,017)	(60,361)
Offset to deferred revenue	4,787	-	4,787
Loans written off as uncollectible	(130,000)	-	(130,000)
Loans forgiven	<u>(9,700)</u>	<u>-</u>	<u>(9,700)</u>
Balance, June 30, 2010	<u>\$2,393,152</u>	<u>\$294,119</u>	<u>\$2,687,271</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(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 general purpose financial statements as funds held for others.

Through an agreement with the Hampden Hampshire Housing Partnership (HAP), CEDAC provides pre-development and acquisition loan underwriting services for projects deemed eligible by HAP. Through this program, CEDAC underwrites and administers loans to HAP - eligible projects.

CEDAC serves as disbursement agent for certain permanent loans of the Affordable Housing Trust Fund (AHT). CEDAC acts as disbursement agent for AHT loans, which generally occurs when AHT and HIF, FCF, or CBH represent a majority of a project's financing.

Through an agreement with the Massachusetts Rehabilitation Commission (MRC), CEDAC provides fiscal intermediary services for the Home Modifications for the Disabled Loan (HMDL) Program (see Note 13). 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 has entered into a termination and repayment agreement with a nonprofit corporation in connection with the HDML program. Balances owed by the nonprofit corporation were \$482,958 and \$767,688 as of June 30, 2010 and 2009, respectively (see Note 13).

During 2009, CEDAC entered into an agreement to serve 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>2010</u>	<u>2009</u>
HAP loan fund	\$ 731,326	\$ 923,743
AHT loan disbursements	1,678,275	231
MRC HMDL program	6,914,826	7,475,353
Boston Schoolyards Funders Collaborative	461,766	379,500
Terminated contract receivable – HMDL	<u>482,958</u>	<u>767,688</u>
Total	<u>\$10,269,151</u>	<u>\$9,546,515</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(7) INVESTMENTS AND CASH EQUIVALENTS

CEDAC follows the provisions of GASB Statement No. 40 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, 2010.

	<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	\$39,362,621	\$39,362,621	\$39,362,621	\$ -
Other cash	2,828,718	2,828,718	2,828,718	-
Government sponsored enterprise notes	<u>2,200,000</u>	<u>2,204,750</u>	<u>1,250,000</u>	<u>954,750</u>
Total	<u>\$44,391,339</u>	<u>\$44,396,089</u>	<u>\$43,441,339</u>	<u>\$954,750</u>

The table below represents CEDAC's total cash and investment of funds as of June 30, 2009:

	<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	\$29,481,879	\$29,481,879	\$29,481,879	\$ -
Other cash	2,041,715	2,041,715	2,041,715	-
Government sponsored enterprise notes	<u>2,200,000</u>	<u>2,217,907</u>	<u>-</u>	<u>2,217,907</u>
Total	<u>\$33,723,594</u>	<u>\$33,741,501</u>	<u>\$31,523,594</u>	<u>\$2,217,907</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)

The table below represents funds held by 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>2010</u>	Cash Portfolio			
	Investment Maturities (in Days)			
	<u>0-30</u>	<u>31-90</u>	<u>91-180</u>	<u>181-397</u>
Repurchase agreements	23.8%	0.4%	-%	-%
Certificates of deposit	21.1%	15.6%	2.7%	-%
Commercial paper	14.7%	5.8%	0.3%	-%
Medium term notes	5.0%	2.3%	-%	-%
Federal agencies	2.5%	-%	0.7%	-%
US Government and Government Agency Obligations	0.9%	1.4%	-%	0.1%
US Treasury Obligations	0.3%	1.4%	1.8%	-%
Other assets and liabilities, net	0.3%	-%	-%	-%

<u>2009</u>	Cash Portfolio			
	Investment Maturities (in Days)			
	<u>0-30</u>	<u>31-90</u>	<u>91-180</u>	<u>181-397</u>
Repurchase agreements	8.1%	-%	-%	-%
Certificates of deposit	11.8%	17.4%	11.9%	1.1%
Commercial paper	6.8%	6.3%	3.1%	-%
Medium term notes	6.1%	4.0%	0.6%	-%
Federal agencies	4.4%	5.1%	1.5%	4.9%
US Government and Government Agency Obligations	1.8%	-%	-%	-%
US Treasury Obligations	1.8%	-%	1.5%	0.9%
Other assets and liabilities, net	- %	0.9%	-%	-%

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(7) INVESTMENTS AND CASH EQUIVALENTS (Continued)

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

<u>2010</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$39,362,621	See below	
Other cash	2,828,718	\$ -	\$2,828,718
Government sponsored enterprise notes	<u>2,204,750</u>	<u>2,204,750</u>	<u>-</u>
Total	<u>\$44,396,089</u>	<u>\$2,204,750</u>	<u>\$2,828,718</u>

<u>2019</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$29,481,879	See below	
Other cash	2,041,715	\$ -	\$2,041,715
Government sponsored enterprise notes	<u>2,217,907</u>	<u>2,217,901</u>	<u>-</u>
Total	<u>\$33,741,501</u>	<u>\$2,217,907</u>	<u>\$2,041,715</u>

The MMDT cash portfolio's investments are required to be invested in only the "highest quality securities" defined as being rated in one of the highest categories by at least two Nationally Recognized Statistical Rating Organizations. Credit quality for the Cash Portfolio represents ratings assigned at the security level or ratings assigned to the entities that issue the securities. Repurchase Agreements in a joint trading account have been classified by Pyramis and approved by the Treasurer of the Commonwealth as P1. Both Funds use ratings from Moody's Investor Services, Inc. Where Moody's ratings are not available; S&P ratings have been used.

Credit ratings for the securities in the cash portfolio are shown in the table below as of June 30, 2010:

<u>Rated Investments</u>	<u>Cash Portfolio Quality Diversification</u>	
	<u>P1</u>	<u>P2</u>
Certificates of Deposit	39.4%	-%
Commercial Paper	20.4%	0.4%
Federal Agencies	3.2%	-%
US Government and Government Agency Obligations	2.4%	-%
US Treasury Obligations	3.5%	-%
Medium Term Notes	6.8%	0.5%
Other	0.3%	-%
Repurchase Agreements	24.2%	-%

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(8) DEFERRED COMPENSATION PLAN

CEDAC has a deferred compensation plan which is qualified under Section 403(b) of the Internal Revenue Code. 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, 2010 and 2009, were \$92,880 and \$71,731, respectively, and is included in employee compensation in the accompanying general purpose financial statements.

In addition, CEDAC has established a deferred compensation plan as a fringe benefit, whereby in each pay period 5.5% of each employee's gross wages are deposited into a separate cash account. At each employee's anniversary date of employment, the employee has the option of withdrawing the amount accumulated in his or her name or transferring the entire amount into a deferred compensation account to which employees may make voluntary contributions. CEDAC's contributions were \$100,116 and \$80,254 for the years ended June 30, 2010 and 2009, respectively, and is included in employee compensation in the accompanying general purpose financial statements.

(9) DEFERRED REVENUE

Deferred revenue in the Operating and CEDAC Loan Funds consists of unearned underwriting fees and grants which have been received but not yet earned as of June 30, 2010 and 2009.

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. Also included in the loan funds is deferred revenue to pay legal fees associated with permanent loans as directed by DHCD.

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

	<u>2010</u>	<u>2009</u>
Operating and CEDAC Loan Funds -		
Unearned Underwriting Fees and Grants	<u>\$189,138</u>	<u>\$314,677</u>
Loan Funds Under Management:		
MHP Acquisition Loan Program	365,661	370,448
DMH MetState Trust Loan Program	52,320	-
Deferred legal fees	<u>294,352</u>	<u>300,250</u>
Total Loan Funds Under Management	<u>712,333</u>	<u>670,698</u>
Total Deferred Revenue	<u>\$901,471</u>	<u>\$985,375</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(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 Wainwright Bank and Trust in the amount of \$84,615. Rental expenses were \$338,099 and \$236,347 for the years ended June 30, 2010 and 2009, respectively. Rental payments may be adjusted for increases in taxes and operating costs above specific amounts.

Future minimum payments under the lease obligations are as follows:

2011	\$327,032
2012	\$347,268
2013	\$362,582
2014	\$365,589
2015-2016	\$539,217

Loan Commitments

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

	<u>2010</u>	<u>2009</u>
Pre-development and acquisition loans	\$ 23,590,247	\$ 37,708,194
Subordinated deferred payment loans	<u>19,586,089</u>	<u>25,892,041</u>
Total outstanding commitments	43,176,336	63,600,235
Less - loans receivable	<u>(19,323,951)</u>	<u>(30,958,639)</u>
Total outstanding commitments	23,852,385	32,641,596
Less - commitments to be drawn under credit lines	<u>(1,150,000)</u>	<u>(2,143,800)</u>
Total outstanding commitments held in cash and short-term investments	<u>\$ 22,702,385</u>	<u>\$ 30,497,796</u>

(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>2010</u>	<u>2009</u>
Services provided to the Fund during fiscal year	<u>\$470,816</u>	<u>\$452,123</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 89,904</u>	<u>\$115,816</u>

CEDAC has a contract with the Fund to provide these services during fiscal year 2011 for an amount not to exceed \$898,647.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(12) FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2010 and 2009, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	2010		2009	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,425,539	\$ 1,425,539	\$ 1,179,799	\$ 1,179,799
Restricted cash and cash equivalents	\$40,765,800	\$40,765,800	\$30,343,795	\$30,343,795
Investments	\$ 2,204,750	\$ 2,204,750	\$ 2,217,907	\$ 2,217,907
Loans receivable, net	\$16,930,799	\$ -	\$28,463,230	\$ -
Notes payable to funding sources	\$49,847,498	\$ -	\$54,829,789	\$ -

Cash and cash equivalents and restricted cash and cash equivalents and investments. The carrying amounts reported in the statements of net assets 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, 2010 and 2009.

(13) CONTINGENCY

In 2008, CEDAC discovered that one of the nonprofit corporations that originates, disburses, and services loans under a program established and funded by the Commonwealth of Massachusetts for which CEDAC serves as the program's fiscal administrator (see Note 6) had misused program funds. CEDAC entered into an agreement in 2008, which was amended in 2009 and again in 2010 in order to account fully for the funds misappropriated and to outline a repayment plan in connection with the financial and managerial workout of the nonprofit corporation. As of June 30, 2009, the balance due was \$767,688. During 2010, the nonprofit corporation reduced the balance by correcting documentation errors and by making cash payments to CEDAC. As of June 30, 2010, the balance due is \$482,958. Repayment of the balance will occur as current properties are refinanced and new properties are developed, with the full balance due by October, 2013. It is not known whether CEDAC will be able to recover all of the misapplied funds due to the underlying financial condition of the nonprofit corporation. It is the opinion of CEDAC's management and legal counsel that under CEDAC's fiscal administration contract with the Commonwealth, CEDAC is not liable for the repayment of these misapplied program funds to the Commonwealth beyond the funds recovered from the nonprofit corporation, nor has the Commonwealth asserted any claim that CEDAC would be liable.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010**

	PROGRAM EXPENSES			MANAGE- MENT AND GENERAL	TOTAL
	HOUSING AND INTERMEDIARY PROGRAM	CHILD CARE PROGRAM	ECONOMIC DEVELOP- MENT		
EMPLOYEE COMPENSATION:					
Salaries	\$ 1,109,209	\$ 270,080	\$ 61,397	\$ 573,314	\$ 2,014,000
Fringe benefits and payroll taxes	<u>286,142</u>	<u>75,585</u>	<u>16,197</u>	<u>161,966</u>	<u>539,890</u>
Total employee compensation	<u>1,395,351</u>	<u>345,665</u>	<u>77,594</u>	<u>735,280</u>	<u>2,553,890</u>
PROFESSIONAL FEES:					
Contracted services	284,332	-	99,379	81,883	465,594
Legal	98,548	-	-	13,896	112,444
Accounting and audit	<u>15,907</u>	<u>3,040</u>	<u>2,130</u>	<u>7,237</u>	<u>28,314</u>
Total professional fees	<u>398,787</u>	<u>3,040</u>	<u>101,509</u>	<u>103,016</u>	<u>606,352</u>
OTHER:					
Rent	210,793	38,753	12,068	76,485	338,099
Grants and related expenses	-	-	79,770	-	79,770
Depreciation	31,207	5,963	4,180	14,198	55,548
Supplies	27,286	5,214	3,654	12,415	48,569
Maintenance and repair	11,185	2,137	1,498	5,090	19,910
Other expenses	10,238	1,956	1,371	4,659	18,224
Travel	16,054	-	-	1,567	17,621
Telephone	6,450	-	1,086	6,690	14,226
Postage and messengers	7,128	1,363	955	3,242	12,688
Insurance	6,847	1,308	917	3,116	12,188
Printing	5,870	1,122	786	2,670	10,448
Utilities	6,418	1,180	368	2,328	10,294
Memberships	3,642	696	488	1,657	6,483
Equipment	3,471	663	465	1,579	6,178
Publications and subscriptions	2,734	522	366	1,245	4,867
Staff development	2,238	428	300	1,018	3,984
Temporary help	<u>55</u>	<u>10</u>	<u>8</u>	<u>25</u>	<u>98</u>
Total other	<u>351,616</u>	<u>61,315</u>	<u>108,280</u>	<u>137,984</u>	<u>659,195</u>
Total expenses	<u><u>\$ 2,145,754</u></u>	<u><u>\$ 410,020</u></u>	<u><u>\$ 287,383</u></u>	<u><u>\$ 976,280</u></u>	<u><u>\$ 3,819,437</u></u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	PROGRAM EXPENSES			MANAGE- MENT AND GENERAL	TOTAL
	HOUSING AND INTERMEDIARY PROGRAM	CHILD CARE PROGRAM	ECONOMIC DEVELOP- MENT		
EMPLOYEE COMPENSATION:					
Salaries	\$ 810,545	\$ 266,075	\$ 21,306	\$ 456,243	\$ 1,554,169
Fringe benefits and payroll taxes	<u>234,461</u>	<u>76,651</u>	<u>4,509</u>	<u>135,266</u>	<u>450,887</u>
Total employee compensation	<u>1,045,006</u>	<u>342,726</u>	<u>25,815</u>	<u>591,509</u>	<u>2,005,056</u>
PROFESSIONAL FEES:					
Contracted services	297,195	-	118,929	87,513	503,637
Legal	75,447	-	-	18,037	93,484
Accounting and audit	<u>17,333</u>	<u>4,040</u>	<u>2,489</u>	<u>8,295</u>	<u>32,157</u>
Total professional fees	<u>389,975</u>	<u>4,040</u>	<u>121,418</u>	<u>113,845</u>	<u>629,278</u>
OTHER:					
Rent	147,394	27,078	8,432	53,443	236,347
Grants and related expenses	-	-	73,264	-	73,264
Depreciation	27,968	3,979	2,452	8,168	42,567
Supplies	24,800	5,781	3,562	11,866	46,009
Maintenance and repair	9,565	2,230	1,374	4,576	17,745
Other expenses	11,095	2,586	1,593	5,310	20,584
Travel	17,386	-	-	1,547	18,933
Telephone	2,787	-	1,729	7,145	11,661
Postage and messengers	8,424	1,964	1,209	4,032	15,629
Insurance	8,264	1,926	1,187	3,955	15,332
Printing	6,858	1,599	985	3,280	12,722
Utilities	5,867	1,078	336	2,126	9,407
Memberships	6,660	1,552	956	3,187	12,355
Equipment	5,165	1,204	742	2,472	9,583
Publications and subscriptions	2,296	535	330	1,099	4,260
Staff development	3,117	727	448	1,491	5,783
Temporary help	<u>2,895</u>	<u>675</u>	<u>416</u>	<u>1,385</u>	<u>5,371</u>
Total other	<u>290,541</u>	<u>52,914</u>	<u>99,015</u>	<u>115,082</u>	<u>557,552</u>
Total expenses	<u><u>\$ 1,725,522</u></u>	<u><u>\$ 399,680</u></u>	<u><u>\$ 246,248</u></u>	<u><u>\$ 820,436</u></u>	<u><u>\$ 3,191,886</u></u>