



**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**CONTENTS  
JUNE 30, 2011 AND 2010**

	<b><u>PAGES</u></b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	2 - 9
<b>GENERAL PURPOSE FINANCIAL STATEMENTS:</b>	
Statements of Net Assets .....	10 - 11
Statements of Revenues, Expenses and Changes in Net Assets.....	12 - 13
Statements of Cash Flows .....	14 - 15
Statements of Fiduciary Net Assets .....	16
Notes to General Purpose Financial Statements .....	17 - 34
<b>SUPPLEMENTAL INFORMATION:</b>	
Statements of Functional Expenses .....	35 - 36

## 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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, 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.

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

Wellesley, Massachusetts  
September 22, 2011

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010**

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, 2011.

**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 2011 and a comparative year, 2010, are found on pages 10 and 11, 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, 2011 AND 2010  
(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 fiscal years 2011 and 2010 found on pages 12 and 13, respectively, report CEDAC's earned and contributed income received during the year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2011 and 2010 found on pages 14 and 15, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2011 and 2010, can be found on pages 35 and 36, 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 16, and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 17 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 steady volume of lending activity for its high risk pre-development lending program and a high volume of activity 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 three to four year timeframe, an increase over previous years. In a weak economic environment, CEDAC's pre-development capital is most critical because the capital is able to be patient and remain in financed projects until the longer term financing is available to fund project costs. Without this resource, many nonprofit developers would be forced to abandon partially developed projects and lose their financial investment in those projects because they lacked the resources to carry projects for a longer than anticipated holding period.

There are two primary economic factors that have impacted the nonprofit housing development market and CEDAC's lending since the economic recession: the weakened low-income housing tax credit market (LIHTC) and the availability of state capital resources to meet the increased demand for subordinate permanent capital.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010  
(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.

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. The majority of the ARRA funding was disbursed during fiscal year 2010, and continued into fiscal year 2011, 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. Since late 2010, the LIHTC market has begun to stabilize, providing a degree of predictability for developers and investors. While pricing remains below the rates seen prior to the recession, there has been a modest increase in prices in fiscal year 2011, but not to pre-recession levels.

Lower prices for the LIHTC-supported projects and tighter capital markets overall has increased the pressure on the Commonwealth's pipeline of subordinate permanent capital. The increased pressure comes at the same time that the Commonwealth has been facing its own challenges due to the prolonged weakened economy, and has resulted in a slight reduction in the availability of subordinate permanent capital resources annually over the last three years. The increased demand for these resources, combined with the reduction in supply, has increased the pressure on the system, causing projects to be delayed as they await funding commitments to be released, which delays repayment to CEDAC.

In response to the delayed availability of state subordinate permanent capital, CEDAC's Board committed a portion of CEDAC's equity, sought a modification of an existing credit agreement to allow bridge loans, and raised additional capital to create a new bridge loan product in fiscal year 2011. The bridge product will allow CEDAC to help projects move forward into construction and maintain the momentum in the housing pipeline. CEDAC is repaid once the Commonwealth's capital resources are released. While the new bridge product enables otherwise "shovel ready" projects to proceed into construction and development, the Commonwealth remains challenged in managing the increased demand for resources, at a time when that resource is constrained. We anticipate the need for bridge financing to be time limited, until the state capital resources better align with the project flow – likely over the next two to three years.

These larger economic issues impacted CEDAC's lending programs and our financial results between 2009 and 2011. Through 2009, CEDAC committed resources to help advance stalled projects. In the second half of 2010, and continuing into the first half of 2011, CEDAC experienced an unprecedented level of loan repayments spurred in large part from the ARRA capital that allowed so many projects to advance. Loan repayment levels exceeded new commitments, which was to be expected because of the market environment having stalled so much development for a period of time.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010  
(Continued)**

**CEDAC Housing Programs (Continued)**

Loan commitments to new projects slowed substantially during fiscal year 2010 as nonprofit developers were occupied with advancing and closing stalled projects. Commitments to support new project development began to increase in the second half of fiscal year 2010, and continued through fiscal year 2011, and overall activity has increased, but not to the levels experienced prior to the recession in 2009.

The weak economy has caused developers to be appropriately conservative in their development strategies, and while we have seen some increase in commitments in fiscal year 2011, we anticipate that those commitment levels and the number of active projects for fiscal year 2012 will remain level with our current activity and not increase to the 2009 levels.

As indicated above, CEDAC launched a new bridge loan product during fiscal year 2011, designed to allow projects to advance into construction and bridge the availability of the state capital resources in a future fiscal year. The chart below illustrates the level of activity in the new bridge loan program relative to CEDAC's other housing programs.

Year end total portfolio activity is as follows:

<b><u>Portfolio Summary</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Pre-development Loans</u></b>			
Capital Available	\$12,682,249	\$15,936,061	\$14,647,734
Loan Commitments	\$10,380,649	\$10,375,198	\$15,329,843
Commitment Ratio	82%	65%	105%
Deployment Ratio	69%	74%	76%
<b><u>Acquisition Loans</u></b>			
Capital Available	\$27,375,924	\$28,622,112	\$25,370,062
Loan Commitments	\$16,960,426	\$13,215,049	\$22,378,351
Commitment Ratio	62%	46%	88%
Deployment Ratio	67%	89%	86%
<b><u>Bridge Loans</u></b>			
Capital Available	\$ 8,000,000	\$ -	\$ -
Loan Commitments	\$ 3,030,000	\$ -	\$ -
Commitment Ratio	38%	- %	- %
Deployment Ratio	13%	- %	- %

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

Annual commitments to projects were higher in 2011 over 2010 levels, although 2010 was the lowest level of commitment activity in more than five years. As developers pursued new projects and sought pre-development resources in fiscal year 2011, we saw commitment levels increase in fiscal year 2011, consistent with our experience at the end of fiscal year 2010. During fiscal year 2011, increased commitments were driven by significant commitments to two projects totaling \$4 million. Even accounting for the impact of the two large commitments, overall activity has increased. Annual commitments in fiscal year 2011 were also boosted by the addition of our new bridge loan product, which we expect to help boost lending volume for the next three years.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

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

<b>Annual Loan Commitments</b>	<b>2011</b>		<b>2010</b>		<b>2009</b>	
	<b><u>Amount</u></b>	<b><u>Ratio</u></b>	<b><u>Amount</u></b>	<b><u>Ratio</u></b>	<b><u>Amount</u></b>	<b><u>Ratio</u></b>
Pre-development loans	\$ 8,202,548	40%	\$4,181,150	47%	\$ 6,280,387	36%
Acquisition loans	9,515,171	45%	4,663,000	53%	11,366,349	64%
Bridge loans	<u>3,030,000</u>	<u>15%</u>	<u>-</u>	<u>- %</u>	<u>-</u>	<u>- %</u>
Total	<u>\$20,747,719</u>	<u>100%</u>	<u>\$8,844,150</u>	<u>100%</u>	<u>\$17,646,736</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, owners, and state and local officials regarding Federal housing preservation programs and the state's new law, Chapter 40T, which regulates publicly-assisted multifamily rental housing.

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 fiscal year 2010, CEDAC received a \$3.5 million investment from the Commonwealth, which was Governor Deval Patrick's commitment of additional state capital bond funds to match MacFound's commitment.

**Permanent Deferred Payment Lending**

CEDAC continued to serve as underwriter for the Department of Housing and Community Development (DHCD) for Housing Innovations Fund (HIF), Facilities Consolidation Fund (FCF) loans, and Community- Based Housing (CBH) loans. HIF, FCF, and CBH loans are deferred payment permanent loans that fund affordable housing development. Demand for permanent deferred payment loans has also increased substantially in the last several years, and particularly in the last year. FCF in particular has experienced enormous demand as Department of Developmental Services (DDS) service providers respond to recent Federal and state litigation 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 \$25 million of funding requests in hand for FCF capital.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011 AND 2010**

(Continued)

**Permanent Deferred Payment Lending (Continued)**

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 22 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>2011</u>		<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 5,097,802	31%	\$ 8,653,234	44%	\$14,551,891	56%
Facilities Consolidation Fund	5,631,541	34%	5,331,967	27%	6,308,440	24%
Community Based Housing	<u>5,715,989</u>	<u>35%</u>	<u>5,600,888</u>	<u>29%</u>	<u>5,031,710</u>	<u>20%</u>
Total	<u>\$16,445,332</u>	<u>100%</u>	<u>\$19,586,089</u>	<u>100%</u>	<u>\$25,892,041</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 fiscal years 2010 and 2011, CWC received annual funding from the United Way of Massachusetts Bay and Merrimack Valley and from SkillWorks, a program of The Boston Foundation. On a combined basis, these funders provide approximately \$125,000 to support CWC's core activities. During fiscal year 2010, CWC, jointly with the Commonwealth Corporation, received ARRA funding to provide training and capacity building services to CBO's state-wide. CWC received a total of \$112,500 as an ARRA subrecipient during fiscal years 2011 and 2010. 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.

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

As reported in CEDAC's general purpose financial statements, net assets increased in fiscal year 2010 by \$3,315,540 to \$11,750,496, as CEDAC received and recorded one-time grant activity connected with its housing preservation program, and then decreased in fiscal year 2011 by \$494,683.

These figures break down as follows:

	<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>	<u>Change in</u> <u>Net Assets</u>	<u>Net Assets</u> <u>6/30/11</u>
Operating and CEDAC					
Loan Funds	\$7,385,754	\$3,572,346	\$10,958,100	\$(306,522)	\$10,651,578
Restricted Program Funds	<u>1,049,202</u>	<u>(256,806)</u>	<u>792,396</u>	<u>(188,161)</u>	<u>604,235</u>
Total	<u>\$8,434,956</u>	<u>\$3,315,540</u>	<u>\$11,750,496</u>	<u>\$(494,683)</u>	<u>\$11,255,813</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010  
(Continued)**

**Operating and CEDAC Loan Funds**

During fiscal year 2010, CEDAC's 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 start up activities. The net investment in core operations was offset somewhat by the reduction in the loan loss reserve as loans repaid during fiscal year 2010. The net result from core operating activities was a decrease of \$135,079.

In fiscal year 2011, the high volume of loan repayments and historically low rates on idle capital resulted in lower than anticipated earnings in fiscal year 2011, which was the single largest contributor to the deficit of \$306,522 for the year. The deficit was helped by the reduction in loan loss reserves of \$46,495, which is a revenue item.

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

	<u><b>2011</b></u>	<u><b>2010</b></u>
Adjusted change in net assets	\$ (306,522)	\$ (47,654)
Loan loss reserve adjustment	<u>(46,495)</u>	<u>(87,425)</u>
Net core operating results	<u><b>\$ (353,017)</b></u>	<u><b>\$ (135,079)</b></u>

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As our level of capitalization has increased, CEDAC has also relied on earnings from lending activity, which is generated from the gross interest earned on loans, less the interest paid to lenders for the capital. When capital is deployed to borrowers, interest returns are higher than if the capital is idle and held in cash or investments by CEDAC. This equation is illustrated quite clearly in fiscal year 2011, with interest rates at historic lows, and not anticipated to increase substantially within the next two to three years. In addition, we anticipate that lending volumes will remain relatively level with fiscal year 2011 levels, and not projected to increase to pre-recession levels for at least the next two years.

Having sustained losses in core operations for the last two years, totaling \$488,096, CEDAC took an aggressive approach in budgeting for fiscal year 2012, with the goal of generating a modest surplus for 2012. In order to achieve that goal, management recommended three actions to CEDAC's Board as part of the budget process, which include:

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

We believe that by taking these actions and acting decisively and aggressively, we will eliminate the deficit beginning in fiscal year 2012, and position CEDAC to respond to the needs of our nonprofit partners and to remain financially strong and healthy.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011 AND 2010  
(Continued)**

**Operating and CEDAC Loan Funds (Continued)**

During fiscal year 2011, CEDAC's Board of Directors authorized an external rating agency, the CARS rating system, to provide a rigorous review and evaluate CEDAC's financial strength and stability, the impact of CEDAC's programs, and its impact on public policy. As part of the rating process, the CARS reviewers analyzed CEDAC's financial results and program performance between 2006 and December, 2010, including an evaluation of both our operating and lending policies and procedures. The CARS rating system is the industry standard metric used nationally to evaluate independent community development finance institutions (CDFI's). The rating is used by investors, foundations, and industry experts to evaluate the success of CDFI's of all sizes and lending profiles, and provide a common rating for the field. CEDAC received its rating in May, 2011, a AA3+, indicating that CEDAC remains financially sound, with a strong track record of impact and contributions to public policy. More information on the CARS rating process can be found at [www.carsratingsystem.com](http://www.carsratingsystem.com).

Restricted Program Funds report housing preservation activities and CEDAC's workforce development program, the Commonwealth Workforce Coalition (CWC). CEDAC plays a key role in public policy development and implementation in the Housing Preservation area. During 2009, CEDAC received a \$1 million grant from MacFound, to support the start-up of a ten-year Preservation initiative. During fiscal year 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. In fiscal year 2011, costs of \$145,468 were expended from these funds.

The operating results of CEDAC's workforce development initiative, Commonwealth Workforce Coalition (CWC), as reported in the Restricted Program Funds, posted deficits in fiscal years 2010 and 2011. In fiscal year 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 deficit of \$42,693 was posted during fiscal year 2011, and a deficit of \$6,708 was posted during fiscal year 2010.

CWC sponsored its annual training conference for workforce development professionals in Massachusetts, which drew over 300 professionals in fiscal year 2011 and 2010, for workshops in areas of employer relations, case management, and program management. Fundraising continues to support CWC program activities, with a greater focus on providing services targeted to the needs of different regions throughout the Commonwealth, as well as to deliver key programs already supported.

**Conclusion**

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

<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>	
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 586,768	\$ -	\$ -	\$ 586,768
Restricted cash and cash equivalents for approximately \$26,282,000 committed to borrowers for loans (see Note 10)	3,063,235	651,084	28,651,145	32,365,464
Short-term investments	1,100,000	-	-	1,100,000
Accounts receivable	459,234	202	23,987	483,423
Grants receivable	64,067	162,499	-	226,566
Loans receivable, net of allowance for uncollectible loans of approximately \$562,000	5,018,493	-	1,753,094	6,771,587
Net interfund receivables (payables)	574,734	(219,155)	(355,579)	-
Other current assets	67,179	-	-	67,179
Total current assets	10,933,710	594,630	30,072,647	41,600,987
<b>OTHER ASSETS:</b>				
Long-term investments	815,863	-	-	815,863
Interest receivable, net of allowance for uncollectible accounts of approximately \$183,000	370,840	-	163,682	534,522
Loans receivable, net of allowance for uncollectible loans of approximately \$1,377,000	10,339,866	-	2,481,751	12,821,617
Fixed assets, net of accumulated depreciation	159,153	13,623	-	172,776
Total other assets	11,685,722	13,623	2,645,433	14,344,778
Total assets	<u>\$ 22,619,432</u>	<u>\$ 608,253</u>	<u>\$ 32,718,080</u>	<u>\$ 55,945,765</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 8,683	\$ 4,018	\$ 5,533	\$ 18,234
Deferred revenue	227,962	-	685,292	913,254
Current portion of notes payable	2,416,500	-	540,000	2,956,500
Accrued and deferred compensation	229,706	-	-	229,706
Total current liabilities	2,882,851	4,018	1,230,825	4,117,694
<b>LONG-TERM NOTES PAYABLE, net of current portion:</b>				
Recourse notes payable	6,585,003	-	-	6,585,003
Non-recourse notes payable	2,500,000	-	31,487,255	33,987,255
Total liabilities	11,967,854	4,018	32,718,080	44,689,952
<b>NET ASSETS:</b>				
Unrestricted net assets	7,097,104	-	-	7,097,104
Invested in capital assets	159,153	13,623	-	172,776
Restricted net assets - expendable	3,395,321	590,612	-	3,985,933
Total net assets	10,651,578	604,235	-	11,255,813
Total liabilities and net assets	<u>\$ 22,619,432</u>	<u>\$ 608,253</u>	<u>\$ 32,718,080</u>	<u>\$ 55,945,765</u>

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

**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>	
<b>CURRENT ASSETS:</b>				
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 approximately \$327,000	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
<b>OTHER ASSETS:</b>				
Long-term investments	954,750	-	-	954,750
Interest receivable, net of allowance for uncollectible accounts of approximately \$294,000	289,744	-	206,971	496,715
Loans receivable, net of allowance for uncollectible loans of approximately \$2,066,000	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
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
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
<b>LONG-TERM NOTES PAYABLE, net of current portion</b>				
Recourse notes payable	8,110,505	-	-	8,110,505
Non-recourse notes payable	-	-	36,857,244	36,857,244
Total liabilities	12,917,168	7,161	38,079,105	51,003,434
<b>NET ASSETS:</b>				
Unrestricted net assets	7,162,703	-	-	7,162,703
Invested in capital assets	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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	ENTERPRISE FUNDS			TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	
<b>OPERATING REVENUES:</b>				
Interest	\$ 890,818	\$ 1,680	\$ 222,295	\$ 1,114,793
Plus - loan and interest reserve adjustment	46,495	-	352,610	399,105
Loan fund management fees and other fees	186,995	-	21,421	208,416
Less - interest expense	(456,687)	-	(96,828)	(553,515)
Net financial and related revenue	667,621	1,680	499,498	1,168,799
Government contracts	1,377,139	62,504	-	1,439,643
Earned revenue and other	524,011	170,852	-	694,863
Restricted grants and contributions	-	608,116	-	608,116
Legal fee revenue	-	-	249,422	249,422
Legal fee expense	-	-	(249,422)	(249,422)
Grants applied to operations	236,934	(236,934)	-	-
Unrealized loss on investments	(5,553)	-	-	(5,553)
Management fees expense	-	-	(124,239)	(124,239)
Net increase in notes payable	-	-	(333,082)	(333,082)
Total operating revenues	2,800,152	606,218	42,177	3,448,547
<b>OPERATING EXPENSES:</b>				
Employee compensation	2,280,739	404,738	-	2,685,477
Contracted services	139,153	209,608	7,665	356,426
Rent	353,051	-	-	353,051
Grants and related expenses	-	159,967	-	159,967
Legal	62,034	4,692	34,475	101,201
Depreciation	54,435	9,098	-	63,533
Supplies	39,010	1,088	-	40,098
Accounting and audit	30,784	-	-	30,784
Maintenance and repair	21,495	-	-	21,495
Other expenses	15,387	549	-	15,936
Travel	13,788	1,844	-	15,632
Insurance	12,375	-	-	12,375
Printing	11,955	-	-	11,955
Postage and messengers	10,591	-	-	10,591
Recruitment	10,350	-	-	10,350
Memberships	7,495	2,500	-	9,995
Equipment	9,666	-	-	9,666
Utilities	9,340	-	-	9,340
Temporary help	7,977	-	-	7,977
Telephone	7,542	295	37	7,874
Publications and subscriptions	4,920	-	-	4,920
Staff development	4,587	-	-	4,587
Total operating expenses	3,106,674	794,379	42,177	3,943,230
Changes in net assets	(306,522)	(188,161)	-	(494,683)
<b>NET ASSETS, beginning of year</b>	10,958,100	792,396	-	11,750,496
<b>NET ASSETS, end of year</b>	\$ 10,651,578	\$ 604,235	\$ -	\$ 11,255,813

*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**

	<b>ENTERPRISE FUNDS</b>			
	<b>OPERATING AND CEDAC LOAN FUNDS</b>	<b>RESTRICTED PROGRAM FUNDS</b>	<b>LOAN FUNDS UNDER MANAGEMENT</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>				
Interest	\$ 1,087,284	\$ 1,959	\$ 596,211	\$ 1,685,454
Plus - loan and interest reserve adjustment	87,425	-	(27,064)	60,361
Loan fund management fees and other fees	222,570	-	16,206	238,776
Less - interest expense	(599,192)	-	(107,568)	(706,760)
Net financial and related revenue	798,087	1,959	477,785	1,277,831
Government contracts	1,430,643	63,709	-	1,494,352
Earned revenue and other	540,464	121,765	-	662,229
Restricted grants and contributions	-	4,162,975	-	4,162,975
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	2,847,455	4,258,990	28,532	7,134,977
<b>OPERATING EXPENSES:</b>				
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
Grants and related expenses	-	79,770	-	79,770
Legal	82,782	4,280	25,382	112,444
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
Insurance	12,188	-	-	12,188
Printing	6,927	3,521	-	10,448
Postage and messengers	10,888	1,800	-	12,688
Memberships	6,483	-	-	6,483
Equipment	6,178	-	-	6,178
Utilities	10,294	-	-	10,294
Temporary help	98	-	-	98
Telephone	13,140	1,086	-	14,226
Publications and subscriptions	4,867	-	-	4,867
Staff development	3,984	-	-	3,984
Total operating expenses	2,895,109	895,796	28,532	3,819,437
Changes in net assets from operations	(47,654)	3,363,194	-	3,315,540
<b>GRANTS APPLIED TO LOAN CAPITAL</b>	3,620,000	(3,620,000)	-	-
Changes in net assets	3,572,346	(256,806)	-	3,315,540
<b>NET ASSETS, beginning of year</b>	7,385,754	1,049,202	-	8,434,956
<b>NET ASSETS, end of year</b>	\$ 10,958,100	\$ 792,396	\$ -	\$ 11,750,496

*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, 2011**

	ENTERPRISE FUNDS			TOTAL
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from funders, net of management fees expense	\$ 2,148,437	\$ 841,471	\$ 123,498	\$ 3,113,406
Interest received on loans	749,729	-	292,964	1,042,693
Interest received on bank deposits	51,874	1,679	76,712	130,265
Employee compensation	(2,259,801)	(404,738)	-	(2,664,539)
Payments for supplies and services	(796,145)	(415,193)	(314,784)	(1,526,122)
Interest payments to lenders	(459,187)	-	(99,596)	(558,783)
Internal activity - payments between funds	(401,521)	91,106	310,415	-
Net cash provided by (used in) operating activities	<u>(966,614)</u>	<u>114,325</u>	<u>389,209</u>	<u>(463,080)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Loans disbursed	(11,591,213)	-	(25,656,779)	(37,247,992)
Proceeds from loan repayments	5,916,009	-	5,796,831	11,712,840
Purchase of investments	(2,541,667)	-	-	(2,541,667)
Maturity of investments	2,825,001	-	-	2,825,001
Acquisition of fixed assets	(29,768)	(3,351)	-	(33,119)
Net cash used in investing activities	<u>(5,421,638)</u>	<u>(3,351)</u>	<u>(19,859,948)</u>	<u>(25,284,937)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from notes payable	3,085,000	-	18,167,033	21,252,033
Repayments of principal of notes payable	(4,070,353)	-	(672,770)	(4,743,123)
Net cash provided by (used in) financing activities	<u>(985,353)</u>	<u>-</u>	<u>17,494,263</u>	<u>16,508,910</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,373,605)</b>	<b>110,974</b>	<b>(1,976,476)</b>	<b>(9,239,107)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>11,023,608</b>	<b>540,110</b>	<b>30,627,621</b>	<b>42,191,339</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 3,650,003</u></b>	<b><u>\$ 651,084</u></b>	<b><u>\$ 28,651,145</u></b>	<b><u>\$ 32,952,232</u></b>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>				
Changes in net assets	\$ (306,522)	\$ (188,161)	\$ -	\$ (494,683)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation	54,435	9,098	-	63,533
Allowance for loan losses	(46,495)	-	(352,610)	(399,105)
Unrealized loss on investments	5,553	-	-	5,553
Changes in operating assets and liabilities:				
Accounts receivable	(291,177)	32,785	920	(257,472)
Grants receivable	(20,294)	172,640	-	152,346
Interfund receivables	(401,520)	91,106	310,414	-
Other current assets	622	-	-	622
Interest receivable	(51,726)	-	125,039	73,313
Terminated contract receivable	54,473	-	-	54,473
Accounts payable and accrued expenses	(23,365)	(3,143)	(595)	(27,103)
Deferred revenue	38,824	-	(27,041)	11,783
Net increase in notes payable	-	-	333,082	333,082
Accrued and deferred compensation	20,578	-	-	20,578
Net cash provided by (used in) operating activities	<u>\$ (966,614)</u>	<u>\$ 114,325</u>	<u>\$ 389,209</u>	<u>\$ (463,080)</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -</b>				
Cost basis of disposed equipment	<u>\$ 22,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,032</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**

	<b>ENTERPRISE FUNDS</b>			<b>TOTAL</b>
	<b>OPERATING AND CEDAC LOAN FUNDS</b>	<b>RESTRICTED PROGRAM FUNDS</b>	<b>LOAN FUNDS UNDER MANAGEMENT</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
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>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
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 provided by financing activities	<u>1,696,908</u>	<u>-</u>	<u>23,744,245</u>	<u>25,441,153</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,964,898</b>	<b>22,578</b>	<b>1,680,269</b>	<b>10,667,745</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u><b>2,058,710</b></u>	<u><b>517,532</b></u>	<u><b>28,947,352</b></u>	<u><b>31,523,594</b></u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u><b>\$ 11,023,608</b></u></u>	<u><u><b>\$ 540,110</b></u></u>	<u><u><b>\$ 30,627,621</b></u></u>	<u><u><b>\$ 42,191,339</b></u></u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
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><b>\$ 462,813</b></u></u>	<u><u><b>\$ 39,078</b></u></u>	<u><u><b>\$ 328,154</b></u></u>	<u><u><b>\$ 830,045</b></u></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, 2011 AND 2010**

<u><b>ASSETS</b></u>	<u><b>CEDAC AGENCY FUND</b></u>	
	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 6,859,045	\$ 9,786,193
Terminated contract receivable - HMDL	<u>-</u>	<u>482,958</u>
Total assets	<u><u>\$ 6,859,045</u></u>	<u><u>\$ 10,269,151</u></u>
<u><b>LIABILITIES AND NET ASSETS</b></u>		
<b>LIABILITIES:</b>		
Agency funds held for others	\$ 6,859,045	\$ 9,786,193
Terminated contracts payable - HMDL	<u>-</u>	<u>482,958</u>
Total liabilities	6,859,045	10,269,151
<b>NET ASSETS</b>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$ 6,859,045</u></u>	<u><u>\$ 10,269,151</u></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, 2011 AND 2010**

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

**OPERATIONS AND NONPROFIT STATUS**

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

CEDAC maintains corporate control of the Children's Investment Fund, Inc. (the Fund), a Massachusetts charitable corporation, originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way) (see Note 11). As part of the terms of corporate transfer of the Fund from United Way to CEDAC, United Way transferred its sole membership in the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. United Way also maintains certain rights with regard to the composition of the Fund's Board of Directors.

The Fund's mission is to improve the quality and expand the availability of early child development programs for low and moderate income families in Massachusetts through investment in 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. CEDAC and the Fund are also exempt from state income taxes. Donors may deduct contributions made to CEDAC and the Fund within the Internal Revenue Code regulations.

**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, 2011 AND 2010  
(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, 2011 and 2010, CEDAC had set aside \$1,397,616 and \$1,447,559, respectively, for the operating reserve. As of June 30, 2010, CEDAC had set aside \$296,400 to fund loan losses. No amounts were set aside for fund loan losses as of June 30, 2011. 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 \$5,699,488 and \$5,418,744 of unrestricted net assets designated by the Board of Directors as of June 30, 2011 and 2010, respectively, and of additional recourse debt capital (see Note 2) which is used as a loan fund to assist eligible nonprofit organizations in covering pre-development costs for the acquisition, construction or rehabilitation of residential, commercial and industrial real estate. Most loans receivable are classified as long-term assets on the accompanying 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 accompanying statements of net assets as notes payable to funding sources (see Note 2).

Unrestricted net assets as of June 30, 2011 and 2010, are summarized as follows:

	<u><b>2011</b></u>	<u><b>2010</b></u>
CEDAC Loan Funds	\$5,699,488	\$5,418,744
Operating Reserve	1,397,616	1,447,559
Loan Loss Reserve	<u>-</u>	<u>296,400</u>
	<u><b>\$7,097,104</b></u>	<u><b>\$7,162,703</b></u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(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** - This classification is used to account for all fixed assets purchased by CEDAC and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Fixed assets of \$159,153 and \$183,820 as of June 30, 2011 and 2010, respectively, are presented on the accompanying statements of net assets as net assets invested in capital assets.

**Restricted Net Assets - Expendable** - Included in this classification as of June 30, 2011 and 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 coordinates and collaborates 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.

**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, 2011 and 2010, 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><b>2011</b></u>	<u><b>2010</b></u>
Housing Preservation Initiative	\$599,666	\$745,133
Commonwealth Workforce Coalition	<u>4,569</u>	<u>47,263</u>
Total	<u><b>\$604,235</b></u>	<u><b>\$792,396</b></u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(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 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 \$35.6 million as of June 30, 2011, 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, 2011 AND 2010  
(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 \$468,255 and \$457,168 at June 30, 2011 and 2010, respectively. Accumulated depreciation at June 30, 2011 and 2010, totaled \$295,479 and \$253,978, 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 general purpose financial statements.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(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). CEDAC was in compliance with for all restrictions and covenants as of June 30, 2011 and 2010, except for noncompliance with the debt service coverage covenant relating to Eastern Bank's notes (see pages 23 and 24). CEDAC has partnered with Eastern Bank (formerly 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 statements of net assets and total \$2,500,000. Other notes payable include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide pre-development and acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. Acquisition loans are secured by first mortgages. Interest is paid currently on a quarterly basis and the principal balance is due at maturity. The current term expires on June 30, 2015. The interest rate is 6%. The loan is reviewed and renewed every five years.
- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition, pre-development, and bridge loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. Bridge loans are secured by an assignment and pledge by the state source being financed. The principal balance and repayment terms are adjusted periodically as Home Funders raises additional capital to fund loans. The loan requires periodic payments of principal based on additional capitalizations provided by the funders of Home Funders, LLC. The maturity date is continually extended as additional capitalizations are received. As of June 30, 2011, 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 fiscal year 2010. Interest is payable semi-annually at a rate of 1%.
- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$3 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The line of credit matures on the earlier of November, 2013, or upon the occurrence of an event of default, with a call period through November 11, 2011. The line of credit carries an interest rate of prime (3.25% as of June 30, 2011 and 2010), 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.

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, 2011 and 2010, is \$341,398 and \$365,661, respectively, net of allowances of \$58,602 and \$34,339, respectively, is included in deferred revenue in the accompanying statements of net assets (see Note 9). This agreement allows for annual reviewed renewal options. The current term expires in November, 2011.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

- **The City of Boston Department of Neighborhood Development (DND) Loan Fund** authorized the capitalization of a revolving loan fund held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. Under the terms of the contract, all principal accrues to the DND Loan Fund and interest earned is paid annually.
- **The Housing Stabilization Fund (HSF) Acquisition Loan Fund** - The Department of Housing and Community Development (DHCD) capitalized the HSF Acquisition Loan Fund in the amount of \$1,350,000 to provide additional capital to allow CEDAC greater flexibility in underwriting acquisition loans to nonprofit borrowers. The term of the current HSF agreement is three years after the date of the last HSF loan made by CEDAC and all principal and interest accrues to the loan fund. The last loan from this fund was made by CEDAC in May, 2011.
- **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 Eastern Bank (formerly Wainwright Bank and Trust Company) 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, 2011. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit which is reviewed and renewed bi-annually, currently with maturity at November, 2012. For amounts borrowed through November 15, 2009, interest is payable quarterly at the 90-day London Interbank Offered Rate (LIBOR) (0.25% and 0.54% at June 30, 2011 and 2010, 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 LIBOR, plus 3% or a fixed rate of 4%. The agreement contains various covenants. As of June 30, 2011, CEDAC was not in compliance with a covenant relating to debt service coverage. Subsequent to fiscal year 2011, the bank approved CEDAC's request to waive the debt service coverage covenant for fiscal year 2011.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2011 to provide capital to finance bridge loans to nonprofit organizations to move into construction where the nonprofit organization has a commitment from state funding sources for disbursement in future years. The total commitment under this line of credit is \$4 million as of June 30, 2011. Bridge loans to nonprofit organizations are secured by an assignment and pledge by the state source being financed (see Note 4). The line of credit is an unsecured revolving line of credit with a term of three years, maturing in March, 2013. Interest is payable quarterly at a fixed rate of 6.5%. The agreement contains various covenants. As of June 30, 2011, CEDAC was not in compliance with a covenant relating to debt service coverage. Subsequent to fiscal year 2011, the bank approved CEDAC's request to waive the debt service coverage covenant for fiscal year 2011.
- **The Eastern Bank 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 loan 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 and are therefore reported in the accompanying general purpose financial statements. The balance was \$2,500,000 at June 30, 2011, with future borrowing available under the terms of the Master Participation agreement in place. There was no outstanding balance at June 30, 2010. 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 first disbursement was received in fiscal year 2010. The remaining funds will be disbursed to CEDAC in fiscal year 2012.

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

	<u><b>2011</b></u>	<u><b>2010</b></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	1,500,000
Eastern Bank Acquisition Loan Fund	<u>3,001,503</u>	<u>6,486,854</u>
Subtotal - Recourse Notes	9,001,503	12,486,854
Eastern Bank Collateralized Non-recourse obligations	<u>2,500,000</u>	<u>-</u>
Total Operating and CEDAC Loan Funds	<u>11,501,503</u>	<u>12,486,854</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

	<u>2011</u>	<u>2010</u>
Loan funds under management:		
Home Funders Collaborative Loan Fund	\$ 8,177,754	\$ 8,190,165
DND Loan Fund	649,271	564,681
MHP Acquisition Loan Fund	540,000	1,212,140
HSF Acquisition Loan Fund	1,595,078	1,563,479
AHT Pre-development Loan Fund	2,832,585	2,564,926
Net DMH Trust (see Note 3)	1,787,235	3,679,164
Net HIF/FCF/CBH (see Note 3)	<u>16,445,332</u>	<u>19,586,089</u>
Total Loan Funds Under Management	<u>32,027,255</u>	<u>37,360,644</u>
	<u>\$43,528,758</u>	<u>\$49,847,498</u>

**(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 \$249,422 and \$322,898 of legal fees during fiscal year 2011 and 2010, respectively.

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

- **The Housing Innovations Fund (HIF)** was funded by \$316 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations.
- **The Facilities Consolidation Fund Pooling Program (FCF)** was funded by \$230 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Developmental Services (DDS) and the Massachusetts Department of Mental Health (DMH).
- **The Community Based Housing Program (CBH)** was funded by \$85 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. CBH program loans are targeted to support disabled individuals not served by DDS or DMH.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

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

• **The Community Based Housing Program (CBH) (Continued)**

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the general purpose financial statements net of loans receivable at June 30, 2011 and 2010.

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

<u>2011</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>Total</u>
Note payable, June 30, 2011	\$159,971,395	\$88,492,807	\$22,338,292	\$270,802,494
Less - loans receivable	<u>154,873,593</u>	<u>82,861,266</u>	<u>16,622,303</u>	<u>254,357,162</u>
Net note payable, June 30, 2011	<u>\$ 5,097,802</u>	<u>\$ 5,631,541</u>	<u>\$ 5,715,989</u>	<u>\$ 16,445,332</u>
<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>

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 Department of Mental Health (DMH) to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in fiscal year 2010. The MetState Fund was established in 2006 with the purpose of financing the acquisition of ten units of off-site housing in the DMH metro Suburban Area for occupancy by DMH clients. Under the terms of the agreement executed between CEDAC and DMH, CEDAC selected a nonprofit service provider, and is entering into long-term loan and use agreements for each of the ten units as they are procured. As of June 30, 2011, the nonprofit service provider selected has acquired six of the ten units. CEDAC will oversee the development of the ten units jointly with DMH and will be responsible for loan monitoring over the loan term. Under the terms of the agreement, CEDAC received fees for program start-up, site selection, and on-going administration, which are funded from the loan fund. As of June 30, 2011, CEDAC held \$122,500 for administration and compliance and \$47,964 for third party costs associated with unit procurement, which are included in 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.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

(Continued)

**(4) LOANS RECEIVABLE**

CEDAC loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2011 and 2010. 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 8.5%, 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. Bridge loans are secured by a pledge of state sources being financed. Interest on bridge loans accrues at rates between 2% and 8% and is due when the state funds being bridged are received.

Loan receivable balances of CEDAC include:

<u>2011</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	71	\$ 7,198,062	\$ (965,822)	\$ 6,232,240
Acquisition loans	15	13,940,518	(973,615)	12,966,903
Bridge loan	<u>1</u>	<u>394,061</u>	<u>-</u>	<u>394,061</u>
Total	<u>87</u>	21,532,641	(1,939,437)	19,593,204
Less - current portion		<u>7,333,542</u>	<u>(561,955)</u>	<u>6,771,587</u>
Long-term portion		<u>\$14,199,099</u>	<u>\$(1,377,482)</u>	<u>\$12,821,617</u>
<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>

See Note 10 for disclosure of loan commitments.

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(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, 2009	\$2,495,409	\$ 387,136	\$2,882,545
Changes to allowance	32,656	(93,017)	(60,361)
Offset to deferred revenue (see page 22)	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	2,393,152	294,119	2,687,271
Changes to allowance	(287,986)	(111,119)	(399,105)
Offset to deferred revenue (see page 22)	24,263	-	24,263
Loans forgiven	<u>(189,992)</u>	<u>-</u>	<u>(189,992)</u>
Balance, June 30, 2011	<u>\$1,939,437</u>	<u>\$ 183,000</u>	<u>\$2,122,437</u>

**(6) FUNDS HELD FOR OTHERS**

As part of its regular activities, CEDAC may serve as fiscal intermediary for a variety of governmental and nonprofit partners. The terms of each relationship are outlined in agreements between the parties involved. These funds are listed as Agency Funds in the 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 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. Repayment was completed in fiscal year 2011. The balance owed by the nonprofit corporation was \$482,958 as of June 30, 2010 (see Note 13).

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(6) FUNDS HELD FOR OTHERS**

CEDAC serves as fiscal sponsor for a collaborative funding program of a group of Boston-based foundations, the Boston Schoolyards Funding Collaborative. Through this program, the funders award grants to create outdoor classrooms and playgrounds in Boston Public School properties. CEDAC serves as employer for four employees of the collaborative.

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

	<u>2011</u>	<u>2010</u>
MRC HMDL program	\$6,148,334	\$ 6,914,826
HAP loan fund	427,942	731,326
Boston Schoolyards Funders Collaborative	282,769	461,766
AHT loan disbursements	-	1,678,275
Terminated contract receivable - HMDL	<u>-</u>	<u>482,958</u>
Total	<u>\$6,859,045</u>	<u>\$10,269,151</u>

**(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, 2011.

	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1-5</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$28,956,447	\$28,956,447	\$28,956,447	\$ -
Other cash	3,995,785	3,995,785	3,995,785	-
Government sponsored enterprise notes	<u>1,915,863</u>	<u>1,915,863</u>	<u>1,100,000</u>	<u>815,863</u>
Total	<u>\$34,868,095</u>	<u>\$34,868,095</u>	<u>\$34,052,232</u>	<u>\$815,863</u>

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>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

(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>2011</u>	<b>Cash Portfolio</b>			
	<b><u>Investment Maturities (in Days)</u></b>			
	<b><u>0-30</u></b>	<b><u>31-90</u></b>	<b><u>91-180</u></b>	<b><u>181-397</u></b>
Repurchase agreements	20.9%	1.4%	0.3%	- %
Certificates of deposit	10.7%	19.5%	8.8%	10.0%
Commercial paper	5.8%	5.2%	3.9%	0.7%
Medium term notes	0.2%	- %	- %	4.9%
Federal agencies	- %	- %	- %	- %
US Government and Government Agency Obligations	- %	0.3%	- %	- %
US Treasury Obligations	- %	0.7%	4.2%	1.2%
Other assets and liabilities, net	0.7%	- %	- %	0.6%

<u>2010</u>	<b>Cash Portfolio</b>			
	<b><u>Investment Maturities (in Days)</u></b>			
	<b><u>0-30</u></b>	<b><u>31-90</u></b>	<b><u>91-180</u></b>	<b><u>181-397</u></b>
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%	- %
U.S. Government and Government Agency Obligations	0.9%	1.4%	- %	0.1%
U.S. Treasury Obligations	0.3%	1.4%	1.8%	- %
Other assets and liabilities, net	0.3%	- %	- %	- %

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

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

	<u><b>2011</b></u>	<u><b>Fair Value</b></u>	<u><b>Credit Quality Ratings</b></u>	
			<u><b>AAA</b></u>	<u><b>Unrated</b></u>
Massachusetts Municipal Depository Trust		\$28,956,447	See below	
Other cash		3,995,785	\$ -	\$3,995,785
Government sponsored enterprise notes		<u>1,915,863</u>	<u>1,915,863</u>	<u>-</u>
Total		<u>\$34,868,095</u>	<u>\$1,915,863</u>	<u>\$3,995,785</u>

  

	<u><b>2010</b></u>	<u><b>Fair Value</b></u>	<u><b>Credit Quality Ratings</b></u>	
			<u><b>AAA</b></u>	<u><b>Unrated</b></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>

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, 2011:

<u><b>Rated Investments</b></u>	<u><b>Cash Portfolio Quality Diversification</b></u>	
	<u><b>P1</b></u>	<u><b>P2</b></u>
Certificates of deposit	49.0%	- %
Commercial paper	14.0%	1.6%
U.S. Government and Government Agency Obligations	0.3%	- %
U.S. Treasury Obligations	6.1%	- %
Medium term notes	5.1%	- %
Asset-backed securities	0.6%	- %
Municipal securities	0.7%	- %
Repurchase agreements	22.6%	- %

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

(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, 2011 and 2010, were \$98,038 and \$92,880, respectively, and are 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 \$105,377 and \$100,116 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010.

Included in the Loan Funds Under Management is deferred revenue for the MHP Acquisition Loan Program as described in Note 2. Also included in the loan funds is deferred revenue for administrative and legal fees associated with the MetState Fund, as described in Note 3 and to pay legal fees associated with permanent loans as directed by DHCD.

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

	<u><b>2011</b></u>	<u><b>2010</b></u>
Operating and CEDAC Loan Funds:		
Unearned Underwriting Fees and Grants	\$105,462	\$189,138
Unearned Underwriting Fees and Monitoring		
DMH MetState Trust Loan Program	<u>122,500</u>	<u>-</u>
Total Operating and CEDAC Loan Fund	<u>227,962</u>	<u>189,138</u>
Loan Funds Under Management:		
MHP Acquisition Loan Program	341,398	365,661
DMH MetState Trust closing costs	47,963	52,320
Deferred legal fees	<u>295,931</u>	<u>294,352</u>
Total Loan Funds Under Management	<u>685,292</u>	<u>712,333</u>
Total Deferred Revenue	<u>\$913,254</u>	<u>\$901,471</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(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 Eastern Bank in the amount of \$84,615. Rental expenses were \$353,051 and \$338,099 for the years ended June 30, 2011 and 2010, respectively. Rental payments may be adjusted for increases in taxes and operating costs above specific amounts.

Future minimum payments under this lease obligation are as follows:

2012	\$347,268
2013	\$362,582
2014	\$365,589
2015	\$368,596
2016	\$371,603
2017	\$167,614

Loan Commitments

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

	<u><b>2011</b></u>	<u><b>2010</b></u>
Pre-development, acquisition and bridge loans	\$ 30,371,075	\$ 23,590,247
Eastern Bank collateralized non-recourse		
Obligations	2,500,000	-
Subordinated deferred payment loans	<u>18,232,564</u>	<u>19,586,089</u>
Total outstanding commitments	51,103,639	43,176,336
Less - loans receivable	<u>(21,532,641)</u>	<u>(19,323,951)</u>
Total outstanding commitments	29,570,998	23,852,385
Less - commitments to be drawn under credit lines	<u>(3,288,750)</u>	<u>(1,150,000)</u>
Total outstanding commitments held in cash and short-term investments	<u><u>\$ 26,282,248</u></u>	<u><u>\$ 22,702,385</u></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><b>2011</b></u>	<u><b>2010</b></u>
Services provided to the Fund during the fiscal year	<u>\$456,010</u>	<u>\$470,816</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$210,098</u>	<u>\$ 89,904</u>

**COMMUNITY ECONOMIC DEVELOPMENT  
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**(11) RELATED PARTY TRANSACTIONS (Continued)**

CEDAC has a contract with the Fund to provide these services during fiscal year 2012 for an amount not to exceed \$848,924.

In fiscal year 2011, CEDAC received and passed-through to the Fund a \$100,000 grant from a foundation that was restricted for Fund activities.

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

As of June 30, 2011 and 2010, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 586,768	\$ 586,768	\$ 1,425,539	\$ 1,425,539
Restricted cash and cash equivalents	\$32,365,464	\$32,365,464	\$40,765,800	\$40,765,800
Investments	\$ 1,915,863	\$ 1,915,863	\$ 2,204,750	\$ 2,204,750
Loans receivable, net	\$19,593,204	\$ -	\$16,930,799	\$ -
Notes payable to funding sources	\$43,528,758	\$ -	\$49,847,498	\$ -

**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, 2011 and 2010.

**(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, 2010, the balance due was \$482,958. Repayment of the balance was made in full during fiscal year 2011.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<b>PROGRAM EXPENSES</b>			<b>MANAGE- MENT AND GENERAL</b>	<b>TOTAL</b>
	<b>HOUSING AND INTERMEDIARY PROGRAM</b>	<b>CHILD CARE PROGRAM</b>	<b>ECONOMIC DEVELOP- MENT</b>		
<b>EMPLOYEE COMPENSATION:</b>					
Salaries	\$ 1,123,421	\$ 253,717	\$ 103,561	\$ 612,072	\$ 2,092,771
Fringe benefits and payroll taxes	<u>325,988</u>	<u>71,125</u>	<u>29,635</u>	<u>165,958</u>	<u>592,706</u>
Total employee compensation	<u>1,449,409</u>	<u>324,842</u>	<u>133,196</u>	<u>778,030</u>	<u>2,685,477</u>
<b>PROFESSIONAL FEES:</b>					
Contracted services	112,538	-	114,616	129,272	356,426
Legal	91,967	-	-	9,234	101,201
Accounting and audit	<u>15,818</u>	<u>3,892</u>	<u>2,678</u>	<u>8,396</u>	<u>30,784</u>
Total professional fees	<u>220,323</u>	<u>3,892</u>	<u>117,294</u>	<u>146,902</u>	<u>488,411</u>
<b>OTHER:</b>					
Rent	219,962	40,513	12,616	79,960	353,051
Grants and related expenses	-	100,000	59,967	-	159,967
Depreciation	32,646	8,033	5,528	17,326	63,533
Supplies	20,604	5,070	3,489	10,935	40,098
Maintenance and repair	11,045	2,718	1,870	5,862	21,495
Other expenses	8,189	2,015	1,386	4,346	15,936
Travel	14,509	-	-	1,123	15,632
Insurance	6,359	1,565	1,077	3,374	12,375
Printing	6,143	1,512	1,040	3,260	11,955
Postage and messengers	5,442	1,339	921	2,889	10,591
Recruitment	5,318	1,309	900	2,823	10,350
Memberships	5,136	1,264	870	2,725	9,995
Equipment	4,967	1,222	841	2,636	9,666
Utilities	5,819	1,072	334	2,115	9,340
Temporary help	4,099	1,009	694	2,175	7,977
Telephone	1,323	-	231	6,320	7,874
Publications and subscriptions	2,528	622	428	1,342	4,920
Staff development	<u>2,357</u>	<u>580</u>	<u>399</u>	<u>1,251</u>	<u>4,587</u>
Total other	<u>356,446</u>	<u>169,843</u>	<u>92,591</u>	<u>150,462</u>	<u>769,342</u>
Total expenses	<u><u>\$ 2,026,178</u></u>	<u><u>\$ 498,577</u></u>	<u><u>\$ 343,081</u></u>	<u><u>\$ 1,075,394</u></u>	<u><u>\$ 3,943,230</u></u>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

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

	<b>PROGRAM EXPENSES</b>			<b>MANAGE- MENT AND GENERAL</b>	<b>TOTAL</b>
	<b>HOUSING AND INTERMEDIARY PROGRAM</b>	<b>CHILD CARE PROGRAM</b>	<b>ECONOMIC DEVELOP- MENT</b>		
<b>EMPLOYEE COMPENSATION:</b>					
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>
<b>PROFESSIONAL FEES:</b>					
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>
<b>OTHER:</b>					
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
Insurance	6,847	1,308	917	3,116	12,188
Printing	5,870	1,122	786	2,670	10,448
Postage and messengers	7,128	1,363	955	3,242	12,688
Memberships	3,642	696	488	1,657	6,483
Equipment	3,471	663	465	1,579	6,178
Utilities	6,418	1,180	368	2,328	10,294
Temporary help	55	10	8	25	98
Telephone	6,450	-	1,086	6,690	14,226
Publications and subscriptions	2,734	522	366	1,245	4,867
Staff development	<u>2,238</u>	<u>428</u>	<u>300</u>	<u>1,018</u>	<u>3,984</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>