



**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

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JUNE 30, 2012 AND 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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.

The Governmental Accounting Standards Board (GASB) requires that the Management's Discussion and Analysis on pages 2 through 10 be presented to supplement the basic general purpose financial statements. Such information, although not a part of the basic general purpose financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic general purpose financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic general purpose financial statements, and other knowledge we obtained during our audit of the basic general purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Alexander Armon Finning, S. C., P.C.

Wellesley, Massachusetts
September 20, 2012

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

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, 2012.

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. CEDAC is also a 501(c)(3) tax-exempt corporation. A nine member Board of Directors drawn from the public and private development sectors is appointed by the Governor to oversee CEDAC's corporate affairs and set policy for the corporation.

CEDAC supports the community development needs of community-based nonprofit organizations by offering flexible capital financing, technical support and assistance, and training in the areas of affordable housing development, workforce development, and early education and out-of-school time care. Affordable housing development is CEDAC's largest program. CEDAC is the primary provider of pre-development risk capital to nonprofit developers 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 supports workforce development-based programs through its program, the Commonwealth Workforce Coalition (CWC), a program that provides technical assistance, training, and strategic planning services to community-based and partner organizations engaged in workforce development.

Through its affiliate organization, the Children's Investment Fund (the Fund), CEDAC provides facilities development loans and capital grants to nonprofit providers of early education and out-of-school time care, as well as development support, technical assistance and training 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 complement CEDAC's community 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 2012 and a comparative year, 2011, are found on pages 11 and 12, respectively, and show the current and long-term assets held by CEDAC, and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Statement of Net Assets are reported as net assets, according to three different classifications: Net assets invested in capital assets; Restricted expendable net assets; and Unrestricted net assets. Net assets invested in capital assets, report the fixed assets used by CEDAC.

**COMMUNITY ECONOMIC DEVELOPMENT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(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 and a portion of CEDAC's housing preservation program activities. 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 2012 and 2011 found on pages 13 and 14, respectively, report CEDAC's earned and contributed income received during the year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2012 and 2011 found on pages 15 and 16, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2012 and 2011, can be found on pages 36 and 37, 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 17, and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 18 are notes provided to further explain the balances and information contained in the 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, the Housing Innovations Fund, Facilities Consolidation Fund, and Community-Based Housing programs. CEDAC's pre-development lending program utilizes a short-term loan product that allows nonprofit borrowers to access capital resources to help fund a project's pre-development cycle, usually a three to four year timeframe. In a weak economic environment, CEDAC's pre-development capital is most critical because the capital is able to be patient and remain in these projects until the longer term financing is committed to fund project costs. Without this resource, many nonprofit developers would be forced to abandon partially developed projects and lose their financial investment in those projects because they lacked the resources to carry projects for a longer than anticipated holding period, or would be forced to borrow on very unfavorable terms. In the recent period of recession and continued slow recovery, CEDAC's support has been a key factor in stabilizing the nonprofit affordable housing development system.

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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
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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 beginning in 2008 when developers faced diminished demand from investors, resulting in a significant price decline of the tax credits.

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 years 2010 and 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, and as those projects have reached, or are nearing construction completion, 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 in 2011 and 2012 has been more volatile than in pre-recessionary periods, there is an upward trend in pricing, and by the end of 2012, we have begun to see some projects offered pricing at pre-recession levels, although they generally tend to be undertaken by non-profits with a strong financial position and projects located in strong markets.

The volatile LIHTC market and tighter capital markets overall have put continued 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, for most of 2011 and 2012, has resulted in a slight reduction in the availability of subordinate permanent capital resources annually over the last four 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 of pre-development and acquisition loans to CEDAC. In late 2012, the Patrick administration provided an additional \$10 million of subordinate permanent capital, which helped alleviate some of the pressure, enabling a greater number of projects to advance into construction.

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 has allowed 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. Despite the additional capital allocation in late 2012, the Commonwealth faces continued challenges 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, which will likely be within the next two years.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

(Continued)

CEDAC Housing Programs (Continued)

These larger economic issues impacted CEDAC's lending programs and our financial results between 2010 and 2012. Beginning in late 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. In fiscal year 2011, 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. Fiscal year 2011 did begin a new cycle of developers seeking new projects cautiously, a trend that continued into fiscal year 2012. During fiscal year 2012, total commitments returned to pre-recession levels, although those levels were achieved by CEDAC making some large site acquisition investments as part of our housing preservation initiative explained below. Total commitments, adjusting for those large projects continues to lag, although the cumulative trends are improving. Capital deployment is also improving but continues to lag below historic trends, a very common phenomenon with pre-development lending.

Non-profit developers have continued to remain appropriately conservative in their development strategies as a result of the overall market conditions. While commitment balances increased in fiscal years 2011 and 2012, deployment levels have lagged as developers have been much slower to expend resources beyond those most critical due to the longer holding period as projects await financing through state subordinate permanent loan programs. We anticipate this trend to continue into fiscal year 2014, with some modest increases in capital deployment as projects advance.

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. CEDAC's bridge loan product supports those projects without easy access to commercial bridge financing. The chart below illustrates the level of activity in the bridge loan program relative to CEDAC's other housing programs.

Year-end total portfolio activity is as follows:

<u>Portfolio Summary</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Pre-development Loans:			
Capital Available	\$12,759,322	\$12,682,249	\$15,936,061
Loan Commitments	\$11,083,373	\$10,380,649	\$10,375,198
Commitment Ratio	87%	82%	65%
Deployment Ratio	60%	69%	74%
Acquisition Loans:			
Capital Available	\$31,619,926	\$27,375,924	\$28,622,112
Loan Commitments	\$18,350,872	\$16,960,426	\$13,215,049
Commitment Ratio	58%	62%	46%
Deployment Ratio	92%	67%	89%
Bridge Loans:			
Capital Available	\$ 4,750,000	\$ 8,000,000	\$ -
Loan Commitments	\$ 3,403,113	\$ 3,030,000	\$ -
Commitment Ratio	72%	38%	-
Deployment Ratio	58%	13%	-

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011
(Continued)**

Pre-development, Acquisition and Bridge Loan Demand

Annual commitments to projects have trended higher annually between 2010 and 2012, although 2010 represented the lowest level of commitment activity in more than five years. As developers have pursued new projects and sought pre-development resources in beginning in fiscal year 2011, CEDAC experienced higher loan demand, particularly for site acquisition loans, as nonprofits secured sites in competitive market areas in anticipation of new development activities, or to ensure on-going affordability of projects with expiring affordability terms. Increased commitment activity in fiscal years 2011 and 2012 was driven by significant commitments to a small number of projects in each year. During fiscal year 2011, increased commitments were driven by significant commitments to two projects totaling \$4 million. In fiscal year 2012, commitments totaling \$9.7 million were made to support three additional projects, although one of those three projects received a \$1.8 million commitment early in the year and repaid just prior to year end, resulting in lower year-end portfolio figures than would normally be anticipated given the annual commitment volume in fiscal year 2012. Through our Housing Preservation initiative, we anticipate that we will see one to two annual large loan commitments, particularly for acquisition financing.

Adjusting for the large commitments in fiscal years 2011 and 2012, our on-going demand for pre-development resources increased in fiscal year 2011, but decreased slightly in fiscal year 2012. We attribute this to the market factors discussed earlier and conservative approach by developers. We anticipate some on-going marginal volatility in demand until at least fiscal year 2014. We anticipate that annual commitments will continue to be further supported by the addition of our new bridge loan product, which is likely to remain active for the next two years.

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

Annual Loan Commitments	2012		2011		2010	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Pre-development loans	\$ 7,510,418	36%	\$ 8,202,548	40%	\$4,181,150	47%
Acquisition loans	10,051,037	48%	9,515,171	45%	4,663,000	53%
Bridge loans	3,278,113	16%	3,030,000	15%	-	- %
Total	\$20,839,568	100%	\$20,747,719	100%	\$8,844,150	100%

Housing Preservation

During 2009, CEDAC was awarded a grant of \$1 million from the John D. and Catherine T. MacArthur Foundation (MacFound) to support a Massachusetts Housing Preservation Initiative. Massachusetts was one of twelve states awarded funding from MacFound through a highly competitive process, in which eighty public entities originally applied. With this funding, CEDAC, collaborating with other state and quasi public agencies, monitors and identifies affordable housing properties at risk of loss of affordability at the expiration of a legally mandated affordability period and works with the owners to help maintain affordability either through the transfer of ownership to a nonprofit entity, or to renew affordability contracts with the Federal government. CEDAC also provides 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. The two large acquisition loans totaling \$7.9 million mentioned above were Housing Preservation projects, and one of those projects, Chapman Arms, was the first project preserved utilizing the right of first refusal provisions in the state's Chapter 40T law.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012 AND 2011

(Continued)

Housing Preservation (Continued)

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.

Permanent Deferred Payment Lending

CEDAC continued to serve as underwriter for the Department of Housing and Community Development (DHCD) for the Housing Innovations Fund (HIF), Facilities Consolidation Fund (FCF) loans, and Community-Based Housing (CBH) loans. HIF, FCF and CBH loans are deferred payment permanent loans that fund affordable housing development. Demand for permanent deferred payment loans has also increased substantially in the last several years, and particularly in the last year. FCF in particular has experienced enormous demand as Department of Developmental Services (DDS) service providers respond to recent Federal and state litigation and the closing of state institutions aimed at expediting the move of DDS clients into community-based residences. The Department of Mental Health (DMH) has increased its goal for the production of community residential programs as well. Currently, CEDAC has over \$28 million of funding requests in hand for FCF capital.

CEDAC is responsible for managing the funds between the time that they are received from DHCD and disbursed to borrowers. Therefore, they are reported on the general purpose financial statements as a net payable. Detailed information on gross loan receivable and note payable balances is reported on pages 23 through 27 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>2010</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 7,083,707	38%	\$ 5,097,802	31%	\$ 8,653,234	44%
Facilities Consolidation Fund	7,000,901	37%	5,631,541	34%	5,331,967	27%
Community-Based Housing	<u>4,703,574</u>	<u>25%</u>	<u>5,715,989</u>	<u>35%</u>	<u>5,600,888</u>	<u>29%</u>
Total	<u>\$18,788,182</u>	<u>100%</u>	<u>\$16,445,332</u>	<u>100%</u>	<u>\$19,586,089</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 2011 and 2012, CWC received annual funding from the United Way of Massachusetts Bay and Merrimack Valley and from SkillWorks, a program of The Boston Foundation. On a combined basis, these funders provide between \$120,000 and \$125,000 to support CWC's core activities. 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, completing those activities early in fiscal year 2012. 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)**

Summary of Financial Performance and Changes in Net Assets

As reported in CEDAC's general purpose financial statements, net assets decreased in fiscal year 2011 by \$494,683 to \$11,255,813, as CEDAC posted operating and program deficits, and then increased in fiscal year 2012 by \$340,643.

These figures break down as follows:

	<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>	<u>Change in</u> <u>Net Assets</u>	<u>Net Assets</u> <u>6/30/12</u>
Operating and CEDAC					
Loan Funds	\$10,958,100	\$(306,522)	\$10,651,578	\$ 529,787	\$11,181,365
Restricted Program Funds	<u>792,396</u>	<u>(188,161)</u>	<u>604,235</u>	<u>(189,144)</u>	<u>415,091</u>
Total	<u>\$11,750,496</u>	<u>\$(494,683)</u>	<u>\$11,255,813</u>	<u>\$ 340,643</u>	<u>\$11,596,456</u>

Operating and CEDAC Loan Funds

During fiscal year 2010, CEDAC's core operating and loan fund net assets decreased by \$353,017 due in part by the high volume of loan repayments and historically low rates on idle capital resulted in lower than anticipated earnings in fiscal year 2011. The deficit was helped by the reduction in loan loss reserves of \$46,495, which is a revenue item, and contributed to the slightly smaller deficit of \$305,522.

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

- 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.

The actions taken helped us significantly improve our operating results in fiscal year 2012. Our core operating activities posted a surplus of \$119,325, after adjusting for a reduction in loan loss reserves of \$10,462 and a one-time \$400,000 grant dedicated to CEDAC's lending program. The actions taken early in the year were key components of the year's positive results, along with some unanticipated revenues associated with our deferred lending program, which worked together to generate the surplus.

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

	<u>2012</u>	<u>2011</u>
Adjusted change in net assets	\$ 529,787	\$(306,522)
One-time unrestricted grant	(400,000)	-
Loan loss reserve adjustment	<u>(10,462)</u>	<u>(46,495)</u>
Net core operating results	<u>\$ 119,325</u>	<u>\$(353,017)</u>

**COMMUNITY ECONOMIC DEVELOPMENT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

Operating and CEDAC Loan Funds (Continued)

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As our level of capitalization has increased, CEDAC has also relied on earnings from lending activity, which is generated from the gross interest earned on loans, less the interest paid to lenders for the capital. When capital is deployed to borrowers, interest returns are higher than if the capital is idle and held in cash or investments by CEDAC. This equation was illustrated quite clearly in fiscal year 2011, with interest rates at historic lows, and not anticipated to increase substantially until 2014. It was due to that challenge that we took such aggressive action early in 2012. We continue to anticipate that our core lending activity will remain level with fiscal years 2011 and 2012 levels, with some added potential to make larger loans as the opportunities present themselves. Most likely, these loans will be associated with large Housing Preservation activities noted earlier.

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. CEDAC received an updated review as part of the CARS annual update. The updated rating issued during fiscal year 2012 indicated that CEDAC remained financially sound, with declining trends. As part of the CARS three year review cycle, CARS will issue one additional update as part of their review of CEDAC's 2012 financial and programmatic results. More information on the CARS rating process can be found at www.carsratingsystem.com.

Restricted Program Funds report housing preservation activities and CEDAC's workforce development program, CWC. CEDAC plays a key role in public policy development and implementation in the Housing Preservation area. During fiscal year 2009, CEDAC received a \$1 million grant from MacFound, to support the start-up of a ten-year Preservation initiative. During fiscal year 2011, in accordance with the grant terms, preservation related program costs were funded in the amount of \$145,468. In fiscal year 2012, costs of \$158,531 were expended from these funds.

The operating results of CEDAC's workforce development initiative, CWC, as reported in the Restricted Program Funds, posted a deficit of \$42,693 in fiscal year 2011 to support an increase in staffing support for the program, which was endorsed by CEDAC's Board. CWC posted a surplus of \$23,420 in fiscal year 2012 as part of additional fundraising to support regional activities throughout the Commonwealth, and additional support for the annual conference. 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Continued)

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, 2012**

<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>			<u>TOTAL</u>
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,316,718	\$ -	\$ -	\$ 1,316,718
Restricted cash and cash equivalents for approximately \$25,245,000 committed to borrowers for loans (see Note 10)	4,672,280	489,884	26,356,212	31,518,376
Short-term investments	250,000	-	-	250,000
Accounts receivable	232,482	5,289	19,564	257,335
Grants receivable	35,130	26,095	-	61,225
Current portion of loans receivable, net of allowance for uncollectible loans of approximately \$355,000	5,358,962	-	903,689	6,262,651
Net interfund receivables (payables)	544,105	(102,418)	(441,687)	-
Other current assets	64,267	2,500	-	66,767
Total current assets	<u>12,473,944</u>	<u>421,350</u>	<u>26,837,778</u>	<u>39,733,072</u>
OTHER ASSETS:				
Long-term investments	1,468,830	-	-	1,468,830
Interest receivable, net of allowance for uncollectible accounts of approximately \$224,000	418,847	-	120,196	539,043
Loans receivable, net of allowance for uncollectible loans of approximately \$1,434,000	10,519,231	-	6,954,102	17,473,333
Fixed assets, net of accumulated depreciation	117,364	4,506	-	121,870
Total other assets	<u>12,524,272</u>	<u>4,506</u>	<u>7,074,298</u>	<u>19,603,076</u>
Total assets	<u>\$ 24,998,216</u>	<u>\$ 425,856</u>	<u>\$ 33,912,076</u>	<u>\$ 59,336,148</u>
 <u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 85,208	\$ 10,765	\$ 1,237	\$ 97,210
Deferred revenue	301,414	-	380,413	681,827
Current portion of recourse notes payable	4,446,897	-	-	4,446,897
Current portion of non-recourse notes payable	-	-	1,384,999	1,384,999
Accrued and deferred compensation	234,441	-	-	234,441
Total current liabilities	<u>5,067,960</u>	<u>10,765</u>	<u>1,766,649</u>	<u>6,845,374</u>
LONG-TERM NOTES PAYABLE, net of current portion:				
Recourse notes payable	8,748,891	-	-	8,748,891
Non-recourse notes payable	-	-	32,145,427	32,145,427
Total liabilities	<u>13,816,851</u>	<u>10,765</u>	<u>33,912,076</u>	<u>47,739,692</u>
NET ASSETS:				
Unrestricted net assets	7,653,530	-	-	7,653,530
Invested in capital assets, net of related debt	117,364	4,506	-	121,870
Restricted net assets - expendable	3,410,471	410,585	-	3,821,056
Total net assets	<u>11,181,365</u>	<u>415,091</u>	<u>-</u>	<u>11,596,456</u>
Total liabilities and net assets	<u>\$ 24,998,216</u>	<u>\$ 425,856</u>	<u>\$ 33,912,076</u>	<u>\$ 59,336,148</u>

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

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>	
CURRENT ASSETS:				
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
Current portion of 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	<u>10,933,710</u>	<u>594,630</u>	<u>30,072,647</u>	<u>41,600,987</u>
OTHER ASSETS:				
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	<u>11,685,722</u>	<u>13,623</u>	<u>2,645,433</u>	<u>14,344,778</u>
Total assets	<u>\$ 22,619,432</u>	<u>\$ 608,253</u>	<u>\$ 32,718,080</u>	<u>\$ 55,945,765</u>
 <u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 8,683	\$ 4,018	\$ 5,533	\$ 18,234
Deferred revenue	227,962	-	685,292	913,254
Current portion of recourse notes payable	2,416,500	-	-	2,416,500
Current portion of non-recourse notes payable	-	-	540,000	540,000
Accrued and deferred compensation	229,706	-	-	229,706
Total current liabilities	<u>2,882,851</u>	<u>4,018</u>	<u>1,230,825</u>	<u>4,117,694</u>
LONG-TERM NOTES PAYABLE, net of current portion:				
Recourse notes payable	6,585,003	-	-	6,585,003
Non-recourse notes payable	2,500,000	-	31,487,255	33,987,255
Total liabilities	<u>11,967,854</u>	<u>4,018</u>	<u>32,718,080</u>	<u>44,689,952</u>
NET ASSETS:				
Unrestricted net assets	7,097,104	-	-	7,097,104
Invested in capital assets, net of related debt	159,153	13,623	-	172,776
Restricted net assets - expendable	3,395,321	590,612	-	3,985,933
Total net assets	<u>10,651,578</u>	<u>604,235</u>	<u>-</u>	<u>11,255,813</u>
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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	ENTERPRISE FUNDS			
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL
OPERATING REVENUES:				
Interest	\$ 1,065,994	\$ 1,527	\$ 277,025	\$ 1,344,546
Plus - loan and interest reserve adjustment	10,604	-	33,215	43,819
Loan fund management fees and other fees	358,219	-	47,000	405,219
Less - interest expense	<u>(447,723)</u>	<u>-</u>	<u>(91,011)</u>	<u>(538,734)</u>
Net financial and related revenue	987,094	1,527	266,229	1,254,850
Government contracts	1,313,712	53,527	-	1,367,239
Restricted grants and contributions	-	618,629	-	618,629
Earned revenue and other	486,165	123,553	-	609,718
Legal fee revenue	-	-	210,548	210,548
Legal fee expense	-	-	(210,548)	(210,548)
Grants applied to operations	245,574	(245,574)	-	-
Unrealized loss on investments	(367)	-	-	(367)
Net increase in notes payable	-	-	(83,993)	(83,993)
Management fees expense	-	-	(140,482)	(140,482)
Total operating revenues	<u>3,032,178</u>	<u>551,662</u>	<u>41,754</u>	<u>3,625,594</u>
OPERATING EXPENSES:				
Employee compensation	2,180,865	322,211	-	2,503,076
Rent	376,542	-	-	376,542
Grants and related expenses	-	246,668	-	246,668
Contracted services	57,594	141,140	3,561	202,295
Legal	45,882	10,613	38,177	94,672
Depreciation	59,577	9,117	-	68,694
Supplies	37,082	527	-	37,609
Accounting and audit	30,250	-	-	30,250
Travel	11,310	5,767	-	17,077
Other expenses	15,502	1,005	-	16,507
Maintenance and repairs	16,254	-	-	16,254
Insurance	13,001	-	-	13,001
Memberships	7,065	3,650	-	10,715
Equipment	10,619	-	-	10,619
Utilities	9,671	-	-	9,671
Printing	8,471	-	-	8,471
Postage and messengers	8,108	-	-	8,108
Telephone	7,475	108	16	7,599
Publications and subscriptions	4,009	-	-	4,009
Staff development	1,775	-	-	1,775
Temporary help	984	-	-	984
Recruitment	355	-	-	355
Total operating expenses	<u>2,902,391</u>	<u>740,806</u>	<u>41,754</u>	<u>3,684,951</u>
Changes in net assets from operations	129,787	(189,144)	-	(59,357)
UNRESTRICTED GRANT	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Changes in net assets	529,787	(189,144)	-	340,643
NET ASSETS, beginning of year	<u>10,651,578</u>	<u>604,235</u>	<u>-</u>	<u>11,255,813</u>
NET ASSETS, end of year	<u>\$ 11,181,365</u>	<u>\$ 415,091</u>	<u>\$ -</u>	<u>\$ 11,596,456</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>ENTERPRISE FUNDS</u>			
	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	<u>TOTAL</u>
OPERATING REVENUES:				
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	<u>(456,687)</u>	<u>-</u>	<u>(96,828)</u>	<u>(553,515)</u>
Net financial and related revenue	667,621	1,680	499,498	1,168,799
Government contracts	1,377,139	62,504	-	1,439,643
Restricted grants and contributions	-	608,116	-	608,116
Earned revenue and other	524,011	170,852	-	694,863
Legal fee revenue	-	-	249,422	249,422
Legal fee expense	-	-	<u>(249,422)</u>	<u>(249,422)</u>
Grants applied to operations	236,934	<u>(236,934)</u>	-	-
Unrealized loss on investments	<u>(5,553)</u>	-	-	<u>(5,553)</u>
Net increase in notes payable	-	-	<u>(333,082)</u>	<u>(333,082)</u>
Management fees expense	-	-	<u>(124,239)</u>	<u>(124,239)</u>
Total operating revenues	<u>2,800,152</u>	<u>606,218</u>	<u>42,177</u>	<u>3,448,547</u>
OPERATING EXPENSES:				
Employee compensation	2,280,739	404,738	-	2,685,477
Rent	353,051	-	-	353,051
Grants and related expenses	-	159,967	-	159,967
Contracted services	139,153	209,608	7,665	356,426
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
Travel	13,788	1,844	-	15,632
Other expenses	15,387	549	-	15,936
Maintenance and repairs	21,495	-	-	21,495
Insurance	12,375	-	-	12,375
Memberships	7,495	2,500	-	9,995
Equipment	9,666	-	-	9,666
Utilities	9,340	-	-	9,340
Printing	11,955	-	-	11,955
Postage and messengers	10,591	-	-	10,591
Telephone	7,542	295	37	7,874
Publications and subscriptions	4,920	-	-	4,920
Staff development	4,587	-	-	4,587
Temporary help	7,977	-	-	7,977
Recruitment	10,350	-	-	10,350
Total operating expenses	<u>3,106,674</u>	<u>794,379</u>	<u>42,177</u>	<u>3,943,230</u>
Changes in net assets	(306,522)	(188,161)	-	(494,683)
NET ASSETS, beginning of year	<u>10,958,100</u>	<u>792,396</u>	<u>-</u>	<u>11,750,496</u>
NET ASSETS, end of year	<u>\$ 10,651,578</u>	<u>\$ 604,235</u>	<u>\$ -</u>	<u>\$ 11,255,813</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, 2012**

	ENTERPRISE FUNDS			
	OPERATING AND CEDAC LOAN FUNDS	RESTRICTED PROGRAM FUNDS	LOAN FUNDS UNDER MANAGEMENT	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from funders, net of management fees expense	\$ 2,529,773	\$ 761,639	\$ 213,152	\$ 3,504,564
Interest received on loans	1,232,695	-	319,612	1,552,307
Interest received on bank deposits	21,155	1,527	50,030	72,712
Employee compensation	(2,176,130)	(322,211)	-	(2,498,341)
Payments for supplies and services	(656,251)	(485,418)	(302,439)	(1,444,108)
Interest payments to lenders	(445,836)	-	(93,137)	(538,973)
Internal activity - payments between funds	430,629	(116,737)	(313,892)	-
Net cash provided by (used in) operating activities	<u>936,035</u>	<u>(161,200)</u>	<u>(126,674)</u>	<u>648,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans disbursed	(11,657,861)	-	(25,740,424)	(37,398,285)
Proceeds from loan repayments	11,187,658	-	4,072,295	15,259,953
Purchase of investments	(4,552,965)	-	-	(4,552,965)
Maturity of investments	4,749,631	-	-	4,749,631
Acquisition of fixed assets	(17,788)	-	-	(17,788)
Net cash used in investing activities	<u>(291,325)</u>	<u>-</u>	<u>(21,668,129)</u>	<u>(21,959,454)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from notes payable	4,473,709	-	20,039,870	24,513,579
Repayments of principal of notes payable	(2,779,424)	-	(540,000)	(3,319,424)
Net cash provided by financing activities	<u>1,694,285</u>	<u>-</u>	<u>19,499,870</u>	<u>21,194,155</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,338,995	(161,200)	(2,294,933)	(117,138)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,650,003</u>	<u>651,084</u>	<u>28,651,145</u>	<u>32,952,232</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,988,998</u>	<u>\$ 489,884</u>	<u>\$ 26,356,212</u>	<u>\$ 32,835,094</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Changes in net assets	\$ 529,787	\$ (189,144)	\$ -	\$ 340,643
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation	59,577	9,117	-	68,694
Allowance for loan losses	(10,604)	-	(33,215)	(43,819)
Unrealized loss on investments	367	-	-	367
Changes in operating assets and liabilities:				
Accounts receivable	226,752	(5,087)	4,423	226,088
Grants receivable	28,937	136,404	-	165,341
Interfund receivables (payables)	30,629	(116,737)	86,108	-
Other current assets	2,912	(2,500)	-	412
Interest receivable	(87,034)	-	41,192	(45,842)
Accounts payable and accrued expenses	76,525	6,747	(4,296)	78,976
Deferred revenue	73,452	-	(304,879)	(231,427)
Net increase in notes payable	-	-	83,993	83,993
Accrued and deferred compensation	4,735	-	-	4,735
Net cash provided by (used in) operating activities	<u>\$ 936,035</u>	<u>\$ (161,200)</u>	<u>\$ (126,674)</u>	<u>\$ 648,161</u>

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

	<u>OPERATING AND CEDAC LOAN FUNDS</u>	<u>RESTRICTED PROGRAM FUNDS</u>	<u>LOAN FUNDS UNDER MANAGEMENT</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
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>
CASH FLOWS FROM INVESTING ACTIVITIES:				
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>
CASH FLOWS FROM FINANCING ACTIVITIES:				
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>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,373,605)	110,974	(1,976,476)	(9,239,107)
CASH AND CASH EQUIVALENTS, beginning of year	11,023,608	540,110	30,627,621	42,191,339
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,650,003</u>	<u>\$ 651,084</u>	<u>\$ 28,651,145</u>	<u>\$ 32,952,232</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
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 (payables)	(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>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
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**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

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

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

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

Both CEDAC and the Fund are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. 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, 2012 AND 2011
(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, 2012 and 2011, CEDAC had set aside \$1,450,461 and \$1,397,616, respectively, for the operating reserve. As of June 30, 2012, CEDAC had also set aside \$28,125 for loan loss reserves. To the extent possible and as loans are forgiven, the Board may authorize the transfer of these loan loss reserve funds to the CEDAC Loan Funds to help maintain lending capacity.

CEDAC Loan Funds - The CEDAC Loan Funds consist of \$6,174,944 and \$5,699,488 of unrestricted net assets designated by the Board of Directors as of June 30, 2012 and 2011, 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, 2012 and 2011, are summarized as follows:

	<u>2012</u>	<u>2011</u>
CEDAC Loan Funds	\$6,174,944	\$5,699,488
Operating Reserve	1,450,461	1,397,616
Loan Loss Reserve	<u>28,125</u>	<u>-</u>
	<u>\$7,653,530</u>	<u>\$7,097,104</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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 \$117,364 and \$159,143 as of June 30, 2012 and 2011, 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, 2012 and June 30, 2011, are those funds awarded by The John D. and Catherine T. MacArthur Foundation (MacFound) in 2009 and \$3.5 million awarded by the Commonwealth of Massachusetts in 2010 to support lending activities within CEDAC's Housing Preservation Initiative. Through this initiative, CEDAC coordinates and collaborates with other public agencies and nonprofit organizations to preserve affordable housing whose affordability term is expiring.

Restricted Program Funds - Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Net 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, 2012 and 2011, 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>2012</u>	<u>2011</u>
Housing Preservation Initiative	\$387,103	\$599,666
Commonwealth Workforce Coalition	<u>27,988</u>	<u>4,569</u>
Total	<u>\$415,091</u>	<u>\$604,235</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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 certain times during the year, the balances exceeded the insured limits. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions.

The balances held in the MMDT amounted to approximately \$32.7 million as of June 30, 2012, which includes money held as a fiduciary (see Note 6). The MMDT portfolio is managed such that it maintains a dollar-weighted average portfolio maturity of ninety days or less, and consists of certificates of deposit, money market funds, U.S. Government securities, and high-grade commercial paper (see Note 7).

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, 2012 AND 2011
(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 \$486,043 and \$468,255 at June 30, 2012 and 2011, respectively. Accumulated depreciation at June 30, 2012 and 2011, totaled \$364,173 and \$295,479, 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, 2012 AND 2011**

(Continued)

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

Loan programs managed by CEDAC are governed by contracts which outline the uses of funds, restrictions and covenants imposed by the funders. Loan programs included in the CEDAC Loan Fund are comprised of recourse loans and loan programs included in Loan Funds Under Management are comprised of non-recourse loans (see Note 1). CEDAC was in compliance with all restrictions and covenants as of June 30, 2012. As of June 30, 2011, CEDAC was in compliance with all restrictions and covenants except for noncompliance with the debt service coverage covenant relating to Eastern Bank's (formerly Wainwright Bank) notes (see pages 24 and 25). CEDAC has partnered with Eastern 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 in fiscal year 2011. 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, 2012, the loan matures in June, 2019, with borrowing authority of up to \$8.15 million. Interest is payable semi-annually at a rate of 1%.
- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$3 million line of credit with the MHP Fund to provide additional funding for real estate acquisition loans secured by first mortgages. The line of credit allows for annual reviewed renewal options. The line of credit was amended and restated on June 29, 2012, to mature on the earlier of November, 2014, or upon the occurrence of an event of default, with a call period through November 30, 2012. The line of credit carries an interest rate of prime (3.25% as of June 30, 2012 and 2011), minus 1.25%, but not lower than 1.5%, due quarterly. Advances under the line of credit have a maximum term of twenty-four months. Prior to June 26, 2012, recourse to CEDAC was limited to the greater of \$250,000 or 10% of the outstanding loan amount. As of June 29, 2012, the agreement with MHP was restated, allowing for full recourse of the outstanding amount on the line of credit.

MHP had provided an additional \$400,000 to allow CEDAC greater flexibility in underwriting the acquisition loans to nonprofit developers. As of June 30, 2011, this amount, net of allowances of \$58,602, was included in deferred revenue in the accompanying statements of net assets (see Note 9). In accordance with the amended and restated loan agreement, MHP allowed that the \$400,000 be released as an unrestricted grant to CEDAC during fiscal year 2012.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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, 2012. 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 ninety-day London Interbank Offered Rate (LIBOR) (0.46% and 0.25% at June 30, 2012 and 2011, 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 ninety-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. As of June 30, 2012, CEDAC was in compliance with all covenants of the agreement.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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, 2012. 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. The interest rate for loans made prior to June 26, 2012, is 6.5%. The interest rate for loans made after June 26, 2012, is 4.75%. Interest is payable quarterly. 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. As of June 30, 2012, CEDAC was in compliance with all covenants of the agreement.
- **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 \$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, 2012. 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 DHCD, which awarded a \$3.5 million grant to match MacFound's PRI. The Housing Preservation Loan Fund allows CEDAC to provide additional acquisition and pre-development loans to nonprofit borrowers seeking to preserve housing in Massachusetts. The first disbursement was received in fiscal year 2010 and the remaining funds were disbursed to CEDAC in fiscal year 2012.

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

	<u>2012</u>	<u>2011</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 3,000,000	\$ 3,000,000
The Boston Foundation Loan Fund	1,500,000	1,500,000
The Housing Preservation Loan Fund	3,000,000	1,500,000
Eastern Bank Acquisition Loan Fund	4,463,191	3,001,503
Eastern Bank Bridge Loan Fund	1,232,597	-
Subtotal - Recourse Notes	13,195,788	9,001,503
Eastern Bank Collateralized Non-recourse Obligations	-	2,500,000
Total Operating and CEDAC Loan Funds	13,195,788	11,501,503

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(Continued)

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

	<u>2012</u>	<u>2011</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	8,998,589	8,177,754
DND Loan Fund	665,202	649,271
MHP Acquisition Loan Fund	-	540,000
HSF Acquisition Loan Fund	1,679,117	1,595,078
AHT Pre-development Loan Fund	2,834,055	2,832,585
Net DMH Trust (see Note 3)	565,112	1,787,235
Net HIF/FCF/CBH (see Note 3)	<u>18,788,351</u>	<u>16,445,332</u>
Total Loan Funds Under Management	<u>33,530,426</u>	<u>32,027,255</u>
	<u>\$46,726,214</u>	<u>\$43,528,758</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 \$210,548 and \$249,422 of legal fees during fiscal years 2012 and 2011, 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, 2012 AND 2011
(Continued)**

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

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

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF and CBH notes payable are presented in the general purpose financial statements net of loans receivable at June 30, 2012 and 2011.

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

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

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

Department of Mental Health (DMH)

CEDAC was selected by the Department of Mental Health (DMH) to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in fiscal year 2010. The MetState Fund was established in 2006 with the purpose of financing the acquisition of ten units of off-site housing in the DMH metro Suburban Area for occupancy by DMH clients. Under the terms of the agreement executed between CEDAC and DMH, CEDAC selected a nonprofit service provider, and has entered into long-term loan and use agreements for each of the ten units procured. CEDAC is overseeing 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, 2012 and 2011, CEDAC held \$112,500 and \$122,500, respectively, for long-term administration and compliance. These funds are included in deferred revenue in the accompanying general purpose financial statements (see Note 9). CEDAC also maintained a deferred reserve balance of \$47,964 at June 30, 2011, for third-party costs associated with procuring the ten units. All ten units were procured during fiscal year 2012 and, therefore, there is no balance as of June 30, 2012. Interest accrues to the loan fund which can be used to fund additional program costs as may be mutually agreed between DMH and CEDAC.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(Continued)

(4) LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2012 and 2011. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC pre-development loans are generally unsecured, bear interest at rates between 0% and 7%, and principal and interest are due at the first project closing. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 8.0%, and are secured by a first mortgage on the property acquired. Interest on acquisition loans is due quarterly and principal is due on the earlier of the loan 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>2012</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	85	\$ 6,684,848	\$(1,085,816)	\$ 5,599,032
Acquisition loans	17	16,857,843	(693,644)	16,164,199
Bridge loan	<u>4</u>	<u>1,982,597</u>	<u>(9,844)</u>	<u>1,972,753</u>
Total	<u>106</u>	25,525,288	(1,789,304)	23,735,984
Less - current portion		<u>6,617,778</u>	<u>(355,127)</u>	<u>6,262,651</u>
Long-term portion		<u>\$18,907,510</u>	<u>\$(1,434,177)</u>	<u>\$17,473,333</u>
<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>

See Note 10 for disclosure of loan commitments.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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, 2010	\$2,393,152	\$ 294,119	\$2,687,271
Changes to allowance	(287,986)	(111,119)	(399,105)
Offset to deferred revenue (see page 23)	24,263	-	24,263
Loans forgiven	<u>(189,992)</u>	<u>-</u>	<u>(189,992)</u>
Balance, June 30, 2011	1,939,437	183,000	2,122,437
Changes to allowance	(85,137)	41,318	(43,819)
Offset to deferred revenue (see page 23)	(58,602)	-	(58,602)
Loans forgiven	<u>(6,394)</u>	<u>-</u>	<u>(6,394)</u>
Balance, June 30, 2012	<u>\$1,789,304</u>	<u>\$ 224,318</u>	<u>\$2,013,622</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. The agreement with HAP terminated during the year ended June 30, 2012, and all funds were returned to HAP.

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.

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(6) FUNDS HELD FOR OTHERS (Continued)

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>2012</u>	<u>2011</u>
MRC HMDL program	\$4,045,304	\$6,148,334
Boston Schoolyards Funders Collaborative	353,710	282,769
HAP loan fund	<u>-</u>	<u>427,942</u>
Total	<u>\$4,399,014</u>	<u>\$6,859,045</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, 2012.

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

The table below represents 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>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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:

	Cash Portfolio			
	Investment Maturities (in Days)			
	<u>0-30</u>	<u>31-90</u>	<u>91-180</u>	<u>181-397</u>
<u>2012</u>				
Repurchase agreements	18.7%	0.7%	0.2%	- %
Certificates of deposit	5.0%	16.4%	9.5%	4.0%
Commercial paper	7.8%	10.9%	6.5%	- %
Medium term and other notes	- %	- %	- %	3.2%
US Government and Government Agency Obligations	4.2%	0.2%	0.3%	0.7%
US Treasury Obligations	1.3%	1.6%	4.9%	3.9%
Other assets and liabilities, net	- %	- %	- %	- %

	Cash Portfolio			
	Investment Maturities (in Days)			
	<u>0-30</u>	<u>31-90</u>	<u>91-180</u>	<u>181-397</u>
<u>2011</u>				
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%
U.S. Government and Government Agency Obligations	- %	0.3%	- %	- %
U.S. Treasury Obligations	- %	0.7%	4.2%	1.2%
Other assets and liabilities, net	0.7%	- %	- %	0.6%

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

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

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

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

	<u>2011</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
			<u>AAA</u>	<u>Unrated</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>

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, 2012:

<u>Rated Investments</u>	<u>Cash Portfolio Quality Diversification</u>	
	<u>P1</u>	<u>P2</u>
Certificates of deposit	34.9%	- %
Commercial paper	17.3%	7.9%
U.S. Government and Government Agency Obligations	5.4%	- %
U.S. Treasury Obligations	11.7%	- %
Medium term and other notes	3.2%	- %
Repurchase agreements	18.5%	1.1%

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(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, 2012 and 2011, were \$93,437 and \$98,038, 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 \$98,419 and \$105,377 for the years ended June 30, 2012 and 2011, 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 consist of unearned underwriting fees and grants which have been received but not yet earned as of June 30, 2012 and 2011.

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>2012</u>	<u>2011</u>
Operating and CEDAC Loan Funds:		
Unearned Underwriting Fees and Grants	\$188,914	\$105,462
Unearned Underwriting Fees and Monitoring DMH MetState Trust Loan Program	<u>112,500</u>	<u>122,500</u>
Total Operating and CEDAC Loan Fund	<u>301,414</u>	<u>227,962</u>
Loan Funds Under Management:		
MHP Acquisition Loan Program	-	341,398
DMH MetState Trust closing costs	-	47,963
Deferred legal fees	<u>380,413</u>	<u>295,931</u>
Total Loan Funds Under Management	<u>380,413</u>	<u>685,292</u>
Total deferred revenue	<u>\$681,827</u>	<u>\$913,254</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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 \$376,542 and \$353,051 for the years ended June 30, 2012 and 2011, 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:

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>2012</u>	<u>2011</u>
Pre-development, acquisition and bridge loans	\$ 32,837,358	\$ 30,371,075
Eastern Bank collateralized non-recourse obligations	-	2,500,000
Subordinated deferred payment loans	<u>19,353,515</u>	<u>18,232,564</u>
Total outstanding commitments	52,190,873	51,103,639
Less - loans receivable	<u>(25,525,287)</u>	<u>(21,532,641)</u>
Total outstanding commitments	26,665,586	29,570,998
Less - commitments to be drawn under credit lines	<u>(1,420,516)</u>	<u>(3,288,750)</u>
Total outstanding commitments held in cash and short-term investments	<u>\$ 25,245,070</u>	<u>\$ 26,282,248</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>2012</u>	<u>2011</u>
Services provided to the Fund during the fiscal year	<u>\$437,000</u>	<u>\$456,010</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$119,035</u>	<u>\$210,098</u>

**COMMUNITY ECONOMIC DEVELOPMENT
ASSISTANCE CORPORATION**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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 \$794,871.

In fiscal years 2012 and 2011, CEDAC received and passed-through to the Fund \$185,000 and \$100,000, respectively, from a foundation grant that was restricted for the Fund's activities.

(12) FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2012 and 2011, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,316,718	\$ 1,316,718	\$ 586,768	\$ 586,768
Restricted cash and cash equivalents	\$31,518,376	\$31,518,376	\$32,365,464	\$32,365,464
Investments	\$ 1,718,830	\$ 1,718,830	\$ 1,915,863	\$ 1,915,863
Loans receivable, net	\$23,735,984	\$ -	\$19,593,204	\$ -
Notes payable to funding sources	\$46,726,214	\$ -	\$43,528,758	\$ -

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, 2012 and 2011.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

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

	<u>PROGRAM EXPENSES</u>			<u>MANAGE-</u>	
	<u>HOUSING AND</u>	<u>CHILD</u>	<u>ECONOMIC</u>	<u>MENT</u>	
	<u>INTERMEDIARY</u>	<u>CARE</u>	<u>DEVELOP-</u>	<u>AND</u>	
	<u>PROGRAM</u>	<u>PROGRAM</u>	<u>MENT</u>	<u>GENERAL</u>	<u>TOTAL</u>
EMPLOYEE COMPENSATION:					
Salaries	\$ 1,020,527	\$ 266,273	\$ 85,074	\$ 605,094	\$ 1,976,968
Fringe benefits and payroll taxes	<u>268,315</u>	<u>73,655</u>	<u>21,044</u>	<u>163,094</u>	<u>526,108</u>
Total employee compensation	<u>1,288,842</u>	<u>339,928</u>	<u>106,118</u>	<u>768,188</u>	<u>2,503,076</u>
PROFESSIONAL FEES:					
Contracted services	84,260	-	63,966	54,069	202,295
Legal	70,901	-	-	23,771	94,672
Accounting and audit	<u>14,885</u>	<u>4,981</u>	<u>2,149</u>	<u>8,235</u>	<u>30,250</u>
Total professional fees	<u>170,046</u>	<u>4,981</u>	<u>66,115</u>	<u>86,075</u>	<u>327,217</u>
OTHER:					
Rent	234,310	43,296	13,483	85,453	376,542
Grants and related expenses	-	185,000	61,668	-	246,668
Depreciation	33,802	11,311	4,880	18,701	68,694
Supplies	18,506	6,193	2,672	10,238	37,609
Travel	15,448	-	-	1,629	17,077
Other expenses	8,122	2,718	1,173	4,494	16,507
Maintenance and repair	7,998	2,676	1,155	4,425	16,254
Insurance	6,398	2,141	924	3,538	13,001
Memberships	5,273	1,764	761	2,917	10,715
Equipment	5,225	1,749	754	2,891	10,619
Utilities	6,018	1,112	346	2,195	9,671
Printing	4,168	1,395	602	2,306	8,471
Postage and messengers	3,990	1,335	576	2,207	8,108
Telephone	1,598	-	64	5,937	7,599
Publications and subscriptions	1,973	660	285	1,091	4,009
Staff development	874	292	126	483	1,775
Temporary help	484	162	70	268	984
Recruitment	<u>175</u>	<u>58</u>	<u>25</u>	<u>97</u>	<u>355</u>
Total other	<u>354,362</u>	<u>261,862</u>	<u>89,564</u>	<u>148,870</u>	<u>854,658</u>
Total expenses	<u>\$ 1,813,250</u>	<u>\$ 606,771</u>	<u>\$ 261,797</u>	<u>\$ 1,003,133</u>	<u>\$ 3,684,951</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

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

	<u>PROGRAM EXPENSES</u>			<u>MANAGE-</u>	
	<u>HOUSING AND</u>	<u>CHILD</u>	<u>ECONOMIC</u>	<u>MENT</u>	
	<u>INTERMEDIARY</u>	<u>CARE</u>	<u>DEVELOP-</u>	<u>AND</u>	
	<u>PROGRAM</u>	<u>PROGRAM</u>	<u>MENT</u>	<u>GENERAL</u>	<u>TOTAL</u>
EMPLOYEE COMPENSATION:					
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>
PROFESSIONAL FEES:					
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>
OTHER:					
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
Travel	14,509	-	-	1,123	15,632
Other expenses	8,189	2,015	1,386	4,346	15,936
Maintenance and repair	11,045	2,718	1,870	5,862	21,495
Insurance	6,359	1,565	1,077	3,374	12,375
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
Printing	6,143	1,512	1,040	3,260	11,955
Postage and messengers	5,442	1,339	921	2,889	10,591
Telephone	1,323	-	231	6,320	7,874
Publications and subscriptions	2,528	622	428	1,342	4,920
Staff development	2,357	580	399	1,251	4,587
Temporary help	4,099	1,009	694	2,175	7,977
Recruitment	<u>5,318</u>	<u>1,309</u>	<u>900</u>	<u>2,823</u>	<u>10,350</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>\$ 2,026,178</u>	<u>\$ 498,577</u>	<u>\$ 343,081</u>	<u>\$ 1,075,394</u>	<u>\$ 3,943,230</u>