



Community Economic Development
Assistance Corporation

AND AFFILIATE

**COMBINED GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

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June 30, 2015 and 2014

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Independent Auditor's Report

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

Report on the Combined General Purpose Financial Statements

We have audited the accompanying combined general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC), a component unit of the Commonwealth of Massachusetts, and Children's Investment Fund, Inc. (a Massachusetts corporation, not for profit) (the Fund), which comprise the combined statements of net position as of June 30, 2015 and 2014, and the related combined statements of revenues, expenses and changes in net position, cash flows and fiduciary net position for the years then ended, and the related notes to the combined general purpose financial statements.

Management's Responsibility for the Combined General Purpose Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined general purpose financial statements referred to on page one present fairly, in all material respects, the combined net position of Community Economic Development Assistance Corporation and Affiliate as of June 30, 2015 and 2014, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

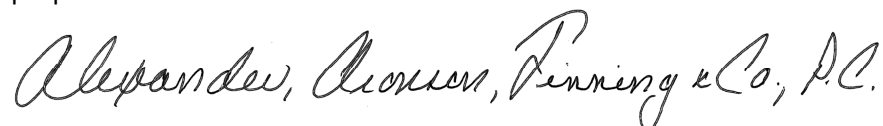
Other Matters

Required Supplementary Information

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

Report on Supplementary Information

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



Boston, Massachusetts
September 24, 2015

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
June 30, 2015 and 2014

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, 2015.

Background

CEDAC is a quasi-public agency of the Commonwealth of Massachusetts (the Commonwealth), established as a public corporation by state legislation in 1978, to provide technical assistance to nonprofit community-based development organizations to help them 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 community-based organizations in Massachusetts. While bankrolling critical early seed money needs in the form of acquisition and pre-development loans, CEDAC also provides nonprofit developers with its staff's expertise in real estate finance and development and strategic project management. In addition to its pre-development lending program, CEDAC also serves as underwriter of Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and Housing Preservation and Stabilization Trust Fund loans, four state-financed permanent loan programs of the Commonwealth's Department of Housing and Community Development (DHCD).

CEDAC supports workforce development-based efforts through its program, the Commonwealth Workforce Coalition (CWC), a statewide initiative that seeks to strengthen the capacity of Massachusetts' education, training, and workforce system to produce better employment and earnings outcomes for unemployed and underemployed residents.

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

Because of CEDAC's unique experience providing technical assistance and capital financing and its deep experience with the early education and out-of-school time program operations, the Commonwealth's Department of Early Education and Care (EEC) contracted with CEDAC to administer a new capital fund: the Early Education and Out of School Time (EEOST) Capital Fund, which was authorized as part of the community development bond bill passed by the Massachusetts Legislature in November 2013. The Legislature authorized up to \$45 million of public financing to support nonprofit center-based early education and out-of-school time programs. With the EEOST Capital Funds, EEC awards grants to providers to support acquisition, design, construction and/or renovation of the facilities funded. In fiscal year 2015, EEC and CEDAC conducted the first round of grant applications and awards, allocating a total of \$8 million.

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
June 30, 2015 and 2014

Using This Report

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

The Combined Statements of Net Position for fiscal year 2015 and a comparative year, 2014, 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 Combined Statements of Net Position is reported as the net position according to three different classifications: Unrestricted net position; Net position invested in capital assets, net of related debt; and Restricted expendable net position.

Unrestricted net position includes those net positions over which CEDAC's Board of Directors exercises control, without any restriction or capital designation. The Board has elected to allocate the majority of CEDAC's unrestricted net position to support CEDAC's lending programs. That net position is reported as CEDAC Loan Funds. Additional unrestricted net resources are allocated to an operating reserve to help support corporate operations.

Net position invested in capital assets reports the fixed assets used by CEDAC. CEDAC has not financed the purchase of any fixed assets, and there is no debt outstanding on these capital items. Accordingly, the net position invested in capital assets reflects the cost of furniture and fixtures and leasehold improvements, net of accumulated depreciation.

The restricted expendable net position includes the activities of CEDAC's CWC for fiscal years 2015 and 2014 and also includes activities related to the EEOST Capital Fund contract with EEC for fiscal year 2015. All expendable net positions are intended by the donor to be available for disbursement for program purposes until the net position equals zero.

The Combined Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2015 and 2014 found on pages 13 and 14, respectively, report CEDAC's earned and contributed income received during each year, as well as the years' expenses.

The Combined Statements of Cash Flows for fiscal years 2015 and 2014 found on pages 15 and 16, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Combined Statements of Functional Expenses for fiscal years 2015 and 2014, can be found on pages 39 and 40, respectively. The Combined Statement of Functional Expenses, presented as supplemental information, shows how CEDAC's expenses break down among the loan funds and program areas for the year.

The Combined Statements of Fiduciary Net Position are found on page 17 and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 18 are notes provided to further explain the balances and information contained in the combined general purpose financial statements.

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
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CEDAC Housing Programs

CEDAC continues to experience a steady volume of lending activity for its high risk pre-development lending program and a high volume of activity for subordinate permanent financing offered through the four state supportive housing finance programs administered by CEDAC: the Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and the Housing Preservation and Stabilization Trust Fund programs. CEDAC's pre-development lending program utilizes a short-term loan product that allows nonprofit borrowers to access capital resources to help fund a project's pre-development phase, usually a three- to five-year timeframe. This "patient" capital allows borrowers to develop their projects and is not repaid until the longer term financing is in place.

CEDAC's pre-development support has had a stabilizing effect on the nonprofit affordable housing development system in Massachusetts as the economy has transitioned from recession to recovery to modest growth. Without this pre-development resource and the critical liquidity that it provides to advance projects effectively, many nonprofit developers would simply not begin projects or be forced to abandon partially developed projects because they lacked the resources to carry projects for a longer than anticipated holding period.

During 2012, the Commonwealth was emerging from the recession and the availability of public subordinate debt capital used to finance affordable housing projects had been constrained since the recession. By late 2012 with the recovery underway, the Commonwealth was able to allocate an additional \$10 million of subordinate permanent capital to help advance more projects into construction, although demand continued to outstrip supply. In response, the Commonwealth modified its application process in 2013 to help developers prioritize their organizational investment in their project pipeline. The state instituted a pre-application process to allow for an early review of the potential projects statewide, and created four priority categories by which all projects are evaluated. All projects are required to meet at least one priority category in order to proceed to a full application. Through this process, developers are notified at earlier stages in a project's development cycle whether the proposed project meets the state's affordable housing priorities and whether the project is sufficiently advanced to submit a full and competitive funding application. This process saves developers from wasting time and money on preparing applications that are not competitive or feasible. The result of the modified application process is a better match of supply and demand for the subordinate debt resources.

By the end of fiscal year 2013, there was better alignment of supply and demand in the state's housing pipeline. The continued improvement in the Massachusetts economy and state budget enabled the Commonwealth to allocate additional capital resources to the housing development system during fiscal years 2014 and 2015, thereby encouraging more projects to compete for funding resources. As the resource environment has grown, and nonprofit developers have adjusted to the new application system, they continue to build project pipelines and pursue development opportunities.

The Commonwealth also initiated an Interagency Supportive Housing Initiative, in which CEDAC is playing a lead role. This initiative comprises eighteen state housing and human services agencies, along with the Executive Office of Administration and Finance. The primary goal of this initiative is to increase the production of supportive housing, and a new funding program, the Housing Preservation and Stabilization Trust Fund (HPSTF), was created by the Legislature in 2014 to provide additional capital financing for this effort. CEDAC serves as the Trustee of HPSTF. In both fiscal years 2014 and 2015, CEDAC managed increased levels of HPSTF and other capital funds, which has resulted in meeting the goal of increased supportive housing production.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
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CEDAC Housing Programs (Continued)

CEDAC's pre-development lending programs and financial results are sensitive to the larger economic climate and the availability of state housing resources. Fiscal year 2012 showed continued recovery from the recession, with a steady level of commitment activity across the loan portfolio. Pre-development commitments declined in fiscal year 2013, largely in response to the Commonwealth's effort to manage the state's housing pipeline to better match project demand with the supply of capital, as indicated above. Housing developers responded by targeting their pre-development efforts to those projects that were most likely to advance in the state funding round, and CEDAC's pre-development lending rebounded in fiscal years 2014 and 2015.

Total acquisition loan commitments decreased in fiscal year 2015 after having jumped 19% in fiscal year 2014, primarily a result of repayments of a few large projects. As the real estate market strengthens, developers are forced to act more quickly to secure site control and seek acquisition financing as they advance their projects. In each of the years reported, the portfolio includes some large site acquisition investments that are part of our housing preservation initiative explained below.

During the period of tight capital supply and high loan demand following the economic recession and recovery in fiscal years 2011 and 2012, CEDAC's Board committed a portion of CEDAC's equity, sought a modification of an existing credit agreement to allow bridge loans, and raised additional capital to create a new bridge loan product to allow CEDAC to help projects move forward into construction and maintain the momentum in the housing pipeline. Repayment occurs when the Commonwealth's capital resources are released.

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

<u>Portfolio Summary</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pre-development Loans:			
Capital Available	\$ 14,689,552	\$ 13,350,231	\$ 13,024,341
Loan Commitments	\$ 13,011,092	\$ 13,159,069	\$ 10,112,557
Commitment Ratio	89%	99%	78%
Deployment Ratio	69%	65%	68%
Acquisition Loans:			
Capital Available	\$ 32,049,173	\$ 33,268,494	\$ 33,636,778
Loan Commitments	\$ 19,619,394	\$ 24,616,547	\$ 20,609,329
Commitment Ratio	61%	74%	61%
Deployment Ratio	73%	82%	74%
Bridge Loans:			
Capital Available	\$ 5,970,000	\$ 4,000,000	\$ 4,000,000
Loan Commitments*	\$ 2,479,000	\$ -	\$ 775,000
Commitment Ratio	5%	- %	19%
Deployment Ratio	N/A	N/A	31%

* An additional commitment of bridge loan funding was extended to a borrower, which is expected to be participated to partner lenders if the loan is drawn.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
June 30, 2015 and 2014

CEDAC Housing Programs (Continued)

Annual commitments to projects rebounded in fiscal year 2014 and leveled off in fiscal year 2015. As indicated on page 5, the housing development system was constrained in fiscal years 2011 and 2012, and the Commonwealth worked to better match the availability of resources to the pipeline of projects in development state-wide. By 2014, the housing development system had recalibrated, resulting in annual commitments trending to new and modestly lower levels. CEDAC's Housing Preservation initiative (see below) continues to be a key driver of annual acquisition loan commitments, which is anticipated to continue for the next few years. In each of the years noted below, two to three large Housing Preservation projects account for a significant portion of acquisition commitments. In fiscal year 2013, two projects received commitments of \$7 million, in fiscal year 2014, three loans accounted for \$8.8 million of the total, and in fiscal year 2015, two preservation projects accounted for \$3.5 million of acquisition loans.

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

<u>Annual Loan Commitments</u>	<u>2015</u>		<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development loans	\$ 6,360,507	35%	\$ 7,080,746	35%	\$ 4,123,625	34%
Acquisition loans	9,230,000	51	13,027,746	65	8,064,004	66
Bridge loans	<u>2,479,000</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,069,507</u>	<u>100%</u>	<u>\$ 20,108,492</u>	<u>100%</u>	<u>\$ 12,187,629</u>	<u>100%</u>

Housing Preservation

During fiscal year 2009, CEDAC was awarded a grant of \$1 million from the John D. and Catherine T. MacArthur Foundation (MacFound) to support a Massachusetts Housing Preservation Initiative. Massachusetts was one of twelve states awarded funding from MacFound through a highly competitive process, in which eighty public entities originally applied. With this funding, CEDAC, collaborating with other state and quasi-public agencies, monitors and identifies affordable housing properties at risk of loss of affordability at the expiration of a legally mandated affordability period and works with the owners to help maintain affordability either through the transfer of ownership to a nonprofit entity, or to renew affordability contracts with the Federal or state government. CEDAC also provides technical assistance and training to developers, owners, tenants, and state and local officials regarding Federal housing preservation programs and the state's landmark law, Chapter 40T, which regulates publicly-assisted multifamily rental housing.

As part of the Massachusetts Housing Preservation Initiative, MacFound also committed a \$3 million Program-Related Investment (PRI) to provide capital to the preservation initiative to support pre-development and acquisition needs of the properties. With the large number of Housing Preservation projects in Massachusetts with expiring affordability periods, CEDAC anticipates that there will be a steady volume of Housing Preservation transactions each year undertaken by nonprofit developers seeking to maintain affordability in these projects.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
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Permanent Deferred Payment Funding Programs

Department of Housing and Community Development

CEDAC continues to serve as underwriter, closer, and asset manager for DHCD for Housing Innovations Fund (HIF) loans, Facilities Consolidation Fund (FCF) loans, and Community-Based Housing (CBH) loans. HIF, FCF, and CBH loans are deferred payment permanent loans that fund affordable housing development. Demand for permanent deferred payment loans has also increased substantially in the last several years. 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 \$21 million of funding requests in hand for FCF capital.

Even though the economy has gained strength, many low-income individuals and families continue to struggle. Despite recent strides made in the creation and preservation of affordable housing, the demand for affordable housing continues to increase, particularly as the rental market rebounds, vacancy rates decline, and market-rate rents rise. The Commonwealth's most vulnerable populations, in particular, struggle to find housing and obtain the supportive services they need in order to get back on their feet. These populations include homeless families and individuals, veterans, unaccompanied youth, elders, disabled persons, as well as other populations with similar needs. They are among those residents that the economic recovery has yet to reach.

Recognizing this challenge, the Commonwealth provided additional capital resources in 2014 and 2015 to supportive housing programs. Through an innovative new capital program, HPSTF, the Commonwealth provided subordinate debt financing, partnered with funding for services, in order to fully support the financing needs of projects that serve these target populations. With the funding provided, the Commonwealth was able to support thirteen additional projects in fiscal year 2014 and seven additional projects in fiscal year 2015 that it would not have been able to support otherwise. HPSTF loans are structured as deferred payment permanent loans with similar terms as the HIF, FCF and CBH programs.

For all deferred payment loan programs administered, CEDAC is responsible for managing the funds between the time that they are received from DHCD and disbursed to borrowers. Therefore, they are reported in the combined general purpose financial statements as a net payable. Detailed information on gross loan receivable and note payable balances is reported on pages 28 and 29 of these combined general purpose financial statements. As capital spending allows, DHCD transfers funds for projects to CEDAC prior to disbursement. At the end of each fiscal year, CEDAC held the following outstanding loan commitment balances for HIF, FCF, CBH, and HPSTF as follows:

Outstanding Commitments	2015		2014		2013	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Housing Innovations Fund	\$ 14,147,957	39%	\$ 17,013,186	51%	\$ 7,511,146	45%
Facilities Consolidation Fund	7,690,958	22	4,201,940	13	5,183,250	31
Community-Based Housing	5,882,916	16	4,824,928	15	4,040,789	24
Housing Preservation and Stabilization Trust Fund	<u>8,390,472</u>	<u>23</u>	<u>7,001,176</u>	<u>21</u>	-	-
Total	<u>\$ 36,112,303</u>	<u>100%</u>	<u>\$ 33,041,230</u>	<u>100%</u>	<u>\$ 16,735,185</u>	<u>100%</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
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EEOST Capital Program

In fiscal year 2014, the Massachusetts Legislature authorized a \$45 million general obligation bond as part of a community development bond bill to provide capital to support the facility needs of nonprofit center-based early education and out-of-school time programs. CEDAC provided technical assistance to the administering agency, EEC, to design the program and draft program regulations and other documents in the first year of operations. CEDAC was also selected to perform underwriting and fiscal agent services for the annual capital allocations, with the underwriting and technical assistance to EEOST projects provided by the Fund. In fiscal year 2015, EEC conducted its first round of grant applications and awards, allocating a total of \$8 million.

The fiscal year 2015 activity associated with the EEOST Capital Program is reported in the Restricted Program Funds column in CEDAC's combined general purpose financial statements. Funds released to the awarded projects are shown as Grants in the Operating Expenses of the Combined Statement of Revenues, Expenses and Changes in Net Position. Funds that have been committed but not yet released to awarded projects are shown as Deferred Revenue in the Combined Statement of Net Position.

Economic Development

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

During fiscal years 2013 through 2015, CWC received core annual funding from the United Way of Massachusetts Bay and Merrimack Valley. CWC activities are reported in the combined general purpose financial statements as Restricted Program Funds.

Summary of Financial Performance and Changes in Net Position

As reported in CEDAC's combined general purpose financial statements, the net position decreased in fiscal year 2014 by \$65,967 to \$11,240,809, but then increased in fiscal year 2015 by \$448,768, with operating gains in both years.

These figures break down as follows:

	<u>Net Position</u> <u>June 30, 2013</u>	<u>Change in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2014</u>	<u>Change in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2015</u>
Operating and CEDAC Loan Funds	\$ 11,089,265	\$ 114,958	\$ 11,204,223	\$ 382,341	\$ 11,586,564
Restricted Program Funds	<u>217,511</u>	<u>(180,925)</u>	<u>36,586</u>	<u>66,427</u>	<u>103,013</u>
Total	<u>\$ 11,306,776</u>	<u>\$ (65,967)</u>	<u>\$ 11,240,809</u>	<u>\$ 448,768</u>	<u>\$ 11,689,577</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

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Operating and CEDAC Loan Funds

CEDAC monitors its operating performance carefully to ensure on-going agency stability and has posted surpluses in core operating activities in fiscal years 2014 and 2015. In fiscal year 2014, CEDAC's core operating activities posted a surplus of \$102,880, adjusted for non-cash items. Operating results for fiscal year 2015 reflect a surplus of \$433,964, after adjusting for non-cash items (see table below). The positive operating performance is a result of steady pre-development and acquisition lending activity coupled with an increase in the deferred payment permanent loan portfolio, bolstered by the new HPSTF capital available for supportive housing projects.

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

	<u>2015</u>	<u>2014</u>
Change in net position	\$ 382,341	\$ 114,958
Unrealized market gain on investments	(38,279)	(5,431)
Loan loss reserve adjustment	<u>89,902</u>	<u>(6,647)</u>
Net core operating results	<u>\$ 433,964</u>	<u>\$ 102,880</u>

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As the 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. CEDAC continues to manage its financial activities in light of the Commonwealth's larger economic conditions. During fiscal years 2014 and 2015, CEDAC maintained lending levels commensurate with the increased allocation of state subordinate permanent capital availability, improving economic conditions, and continued potential to make larger acquisition loans, primarily through the Housing Preservation program. In recent years, CEDAC renegotiated the terms of some key loan funds to reduce the cost of capital, to deploy capital more effectively into projects, and to improve CEDAC's net margin.

During fiscal year 2011 and again in fiscal year 2015, CEDAC's Board of Directors authorized an external rating agency, the CARS/AERIS rating system, to conduct a rigorous review and evaluate CEDAC's financial strength and stability, the impact of CEDAC's programs, and its impact on public policy. The CARS/AERIS rating system is the industry standard metric used nationally by investors, foundations and industry experts to evaluate independent community development finance institutions (CDFI's). CEDAC received its initial rating in May 2011, an AA3+, indicating that CEDAC is financially sound, with a strong track record of impact and contributions to public policy. CEDAC received its second full rating in February 2015, obtaining a rating of AA for Impact Performance and a 2 for Financial Sustainability (each the second-highest ranking) along with A "+" for policy work. More information on the CARS/AERIS rating process can be found at www.carsratingsystem.com.

Component Unit Activity: Children's Investment Fund

As reported in CEDAC's combined general purpose financial statements, the net position of the Fund decreased in fiscal year 2014 by \$802,227, comprised of a small operating surplus of \$71,247 and a larger scheduled spend-down of restricted grants for programs and lending of \$873,474. Similarly, in fiscal year 2015, net assets decreased by \$407,369 to \$3,293,606, comprised of a small operating surplus of \$52,763 and a scheduled spend-down of restricted grants of \$460,132 for programs and lending.

The Fund issues a separate audit report that provides additional detail regarding the Fund's operational and financial results.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Management's Discussion and Analysis
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Conclusion

CEDAC continues to play an essential role in the Commonwealth's affordable housing and community development programs, providing early-stage project financing and technical assistance to community-based nonprofit developers and managing several deferred payment loan programs for the Commonwealth. CEDAC saw increased activity as a result of the Commonwealth's focus on supportive housing development and the launch of a new capital grant program for the nonprofit early education and out-of-school time sector. CEDAC has managed its fiscal resources prudently to ensure its continued stability and viability and is poised to address the loan demand brought about by increased affordable housing and child care facilities development in Massachusetts.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Net Position
June 30, 2015

Assets	Enterprise Funds - CEDAC				Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	CEDAC Total	The Fund	
Current Assets:						
Cash and cash equivalents	\$ 2,244,148	\$ -	\$ -	\$ 2,244,148	\$ 1,551,345	\$ 3,795,493
Restricted cash and cash equivalents for approximately \$51,109,000 CEDAC has committed for loans and grants (see Note 10)	5,222,831	7,009,906	44,870,102	57,102,839	183,286	57,286,125
Accounts and interest receivable	160,011	-	-	160,011	45,620	205,631
Grants receivable	57,219	18,594	-	75,813	152,000	227,813
Current portion of loans receivable, net of allowance for uncollectible loans	5,796,990	-	-	5,796,990	222,357	6,019,347
Net interfund receivables (payables)	5,146	(18,502)	13,356	-	-	-
Other current assets	55,272	-	-	55,272	-	55,272
Total current assets	13,541,617	7,009,998	44,883,458	65,435,073	2,154,608	67,589,681
Other Assets:						
Long-term investments	1,728,297	-	-	1,728,297	-	1,728,297
Interest receivable, net of allowance for uncollectible accounts	488,060	-	214,120	702,180	-	702,180
Loans receivable, net of current portion and allowance for uncollectible loans	9,399,145	-	6,201,065	15,600,210	1,613,394	17,213,604
Fixed assets, net of accumulated depreciation	65,619	-	-	65,619	-	65,619
Total other assets	11,681,121	-	6,415,185	18,096,306	1,613,394	19,709,700
Total assets	\$ 25,222,738	\$ 7,009,998	\$ 51,298,643	\$ 83,531,379	\$ 3,768,002	\$ 87,299,381
Liabilities and Net Position						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 250,289	\$ 28,112	\$ 537	\$ 278,938	\$ 71,182	\$ 350,120
Current portion of deferred revenue	475,106	6,878,873	789,193	8,143,172	-	8,143,172
Current portion of recourse notes payable	3,852,542	-	-	3,852,542	10,226	3,862,768
Accrued and deferred compensation	221,279	-	-	221,279	-	221,279
Total current liabilities	4,799,216	6,906,985	789,730	12,495,931	81,408	12,577,339
Long-Term Liabilities:						
Recourse notes payable, net of current portion	8,724,458	-	-	8,724,458	392,988	9,117,446
Non-recourse notes payable	-	-	50,508,913	50,508,913	-	50,508,913
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
Total liabilities	13,636,174	6,906,985	51,298,643	71,841,802	474,396	72,316,198
Net Position:						
Unrestricted net position	7,985,902	-	-	7,985,902	944,500	8,930,402
Invested in capital assets	65,619	-	-	65,619	-	65,619
Restricted net position - expendable	3,535,043	103,013	-	3,638,056	2,349,106	5,987,162
Total net position	11,586,564	103,013	-	11,689,577	3,293,606	14,983,183
Total liabilities and net position	\$ 25,222,738	\$ 7,009,998	\$ 51,298,643	\$ 83,531,379	\$ 3,768,002	\$ 87,299,381

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Net Position
June 30, 2014

Assets	Enterprise Funds - CEDAC				Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	CEDAC Total	The Fund	
Current Assets:						
Cash and cash equivalents	\$ 1,954,049	\$ -	\$ -	\$ 1,954,049	\$ 1,068,174	\$ 3,022,223
Restricted cash and cash equivalents for approximately \$40,387,000 CEDAC has committed for loans and grants (see Note 10)	8,376,878	152,641	39,043,633	47,573,152	432,074	48,005,226
Accounts and interest receivable	231,915	-	2,449	234,364	49,372	283,736
Current portion of grants receivable	64,543	17,141	-	81,684	727,000	808,684
Current portion of loans receivable, net of allowance for uncollectible loans	3,592,476	-	3,334,526	6,927,002	293,656	7,220,658
Net interfund receivables (payables)	(188,441)	(108,252)	296,693	-	-	-
Other current assets	80,670	-	-	80,670	-	80,670
Total current assets	14,112,090	61,530	42,677,301	56,850,921	2,570,276	59,421,197
Other Assets:						
Long-term investments	1,690,019	-	-	1,690,019	-	1,690,019
Grants receivable, net of current portion and discount of approximately \$5,000	-	-	-	-	121,923	121,923
Interest receivable, net of allowance for uncollectible accounts	468,164	-	132,530	600,694	-	600,694
Loans receivable, net of current portion and allowance for uncollectible loans	14,394,631	-	5,591,704	19,986,335	1,389,868	21,376,203
Fixed assets, net of accumulated depreciation	107,127	-	-	107,127	-	107,127
Total other assets	16,659,941	-	5,724,234	22,384,175	1,511,791	23,895,966
Total assets	\$ 30,772,031	\$ 61,530	\$ 48,401,535	\$ 79,235,096	\$ 4,082,067	\$ 83,317,163
Liabilities and Net Position						
Current Liabilities:						
Accounts payable and accrued expenses	\$ 159,062	\$ 24,944	\$ 1,129	\$ 185,135	\$ 81,822	\$ 266,957
Current portion of deferred revenue	561,294	-	747,869	1,309,163	-	1,309,163
Current portion of recourse notes payable	4,076,000	-	-	4,076,000	19,726	4,095,726
Due to participating lender	1,550,000	-	-	1,550,000	-	1,550,000
Current portion of non-recourse notes payable	-	-	250,000	250,000	-	250,000
Accrued and deferred compensation	261,184	-	-	261,184	-	261,184
Total current liabilities	6,607,540	24,944	998,998	7,631,482	101,548	7,733,030
Long-Term Liabilities:						
Recourse notes payable, net of current portion	12,847,768	-	-	12,847,768	279,544	13,127,312
Non-recourse notes payable, net of current portion	-	-	47,402,537	47,402,537	-	47,402,537
Deferred revenue, net of current portion	112,500	-	-	112,500	-	112,500
Total liabilities	19,567,808	24,944	48,401,535	67,994,287	381,092	68,375,379
Net Position:						
Unrestricted net position	7,570,306	-	-	7,570,306	891,737	8,462,043
Invested in capital assets	107,127	-	-	107,127	-	107,127
Restricted net position - expendable	3,526,790	36,586	-	3,563,376	2,809,238	6,372,614
Total net position	11,204,223	36,586	-	11,240,809	3,700,975	14,941,784
Total liabilities and net position	\$ 30,772,031	\$ 61,530	\$ 48,401,535	\$ 79,235,096	\$ 4,082,067	\$ 83,317,163

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Enterprise Funds - CEDAC				Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	CEDAC Total	The Fund	
Operating Revenues:						
Financial and related revenue:						
Interest	\$ 1,151,163	\$ 7,782	\$ 381,524	\$ 1,540,469	\$ 180,790	\$ 1,721,259
Less - loan and interest reserve adjustment	(89,902)	-	46,898	(43,004)	(13,615)	(56,619)
Loan fund management fees and other fees	294,814	-	18,215	313,029	-	313,029
Less - interest expense	(445,990)	-	(88,174)	(534,164)	(38,057)	(572,221)
Net financial and related revenue	910,085	7,782	358,463	1,276,330	129,118	1,405,448
Government contracts	2,316,210	1,189,421	-	3,505,631	-	3,505,631
Earned revenue and other	499,453	26,094	-	525,547	192,746	718,293
Scheduled release of accumulated interest	160,000	-	(160,000)	-	-	-
Restricted grants and contributions	-	312,574	-	312,574	205,077	517,651
Legal fee revenue	-	-	306,969	306,969	-	306,969
Legal fee expense	-	-	(306,969)	(306,969)	-	(306,969)
In-kind income	-	-	-	-	59,103	59,103
Unrealized gain on investments	38,278	-	-	38,278	-	38,278
Management fees expense	-	(182,444)	(121,344)	(303,788)	-	(303,788)
Total operating revenues	3,924,026	1,353,427	77,119	5,354,572	586,044	5,940,616
Operating Expenses:						
Employee compensation	2,404,979	66,043	-	2,471,022	-	2,471,022
Grants and related expenses	-	1,115,043	-	1,115,043	313,515	1,428,558
Management fees	182,444	-	-	182,444	515,484	697,928
Rent	424,514	-	-	424,514	-	424,514
Contracted services	187,690	104,512	-	292,202	113,710	405,912
Legal	64,373	-	-	64,373	35,976	100,349
Accounting and audit	36,515	-	-	36,515	18,301	54,816
Depreciation	46,448	-	-	46,448	-	46,448
Supplies and document storage	44,747	-	-	44,747	662	45,409
Insurance	17,450	-	-	17,450	8,425	25,875
Other expenses	21,272	1,402	-	22,674	1,957	24,631
Travel	17,649	-	-	17,649	4,996	22,645
Printing	18,559	-	-	18,559	-	18,559
Equipment	14,146	-	-	14,146	-	14,146
Memberships	13,625	-	-	13,625	486	14,111
Maintenance and repair	13,718	-	-	13,718	-	13,718
Utilities	9,989	-	-	9,989	-	9,989
Postage and messengers	9,438	-	-	9,438	-	9,438
Telephone	6,373	-	-	6,373	214	6,587
Staff development	5,686	-	-	5,686	380	6,066
Publications and subscriptions	2,070	-	-	2,070	507	2,577
Total operating expenses	3,541,685	1,287,000	-	4,828,685	1,014,613	5,843,298
Changes in net position from operations	382,341	66,427	77,119	525,887	(428,569)	97,318
Unrestricted Grants and Contributions	-	-	-	-	21,200	21,200
Net Operations of Loan Funds Not Recourse to CEDAC	-	-	(77,119)	(77,119)	-	(77,119)
Changes in net position	382,341	66,427	-	448,768	(407,369)	41,399
Net Position:						
Beginning of year	11,204,223	36,586	-	11,240,809	3,700,975	14,941,784
End of year	\$ 11,586,564	\$ 103,013	\$ -	\$ 11,689,577	\$ 3,293,606	\$ 14,983,183

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Enterprise Funds - CEDAC				Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	CEDAC Total	The Fund	
Operating Revenues:						
Financial and related revenue:						
Interest	\$ 1,027,076	\$ 294	\$ 219,808	\$ 1,247,178	\$ 144,040	\$ 1,391,218
Less - loan and interest reserve adjustment	6,647	-	(245,023)	(238,376)	(38,427)	(276,803)
Loan fund management fees and other fees	375,723	-	17,750	393,473	-	393,473
Less - interest expense	(494,051)	-	(89,500)	(583,551)	(13,407)	(596,958)
Net financial and related revenue	915,395	294	(96,965)	818,724	92,206	910,930
Government contracts	1,490,658	65,060	-	1,555,718	50,000	1,605,718
Earned revenue and other	513,551	86,662	-	600,213	230,859	831,072
Restricted grants and contributions	-	564,395	-	564,395	-	564,395
Legal fee revenue	-	-	159,312	159,312	-	159,312
Legal fee expense	-	-	(159,312)	(159,312)	-	(159,312)
In-kind income	-	-	-	-	73,319	73,319
Grants applied to operations	239,205	(239,205)	-	-	-	-
Unrealized gain on investments	5,431	-	-	5,431	7,781	13,212
Management fees expense	-	-	(183,047)	(183,047)	-	(183,047)
Total operating revenues	3,164,240	477,206	(280,012)	3,361,434	454,165	3,815,599
Operating Expenses:						
Employee compensation	2,259,538	281,347	-	2,540,885	-	2,540,885
Grants and related expenses	-	194,903	-	194,903	543,955	738,858
Management fees	-	-	-	-	544,719	544,719
Rent	395,626	-	-	395,626	-	395,626
Contracted services	115,806	176,624	-	292,430	141,347	433,777
Legal	25,630	721	-	26,351	15,916	42,267
Accounting and audit	37,174	-	-	37,174	18,248	55,422
Depreciation	38,730	834	-	39,564	-	39,564
Supplies and document storage	47,304	953	-	48,257	834	49,091
Insurance	16,825	-	-	16,825	7,066	23,891
Other expenses	18,192	1,030	-	19,222	1,393	20,615
Travel	19,715	1,356	-	21,071	4,073	25,144
Printing	6,589	-	-	6,589	-	6,589
Equipment	11,223	-	-	11,223	-	11,223
Memberships	10,185	250	-	10,435	641	11,076
Maintenance and repair	16,099	-	-	16,099	-	16,099
Utilities	8,770	-	-	8,770	-	8,770
Postage and messengers	6,582	-	-	6,582	-	6,582
Telephone	6,614	113	-	6,727	-	6,727
Staff development	4,238	-	-	4,238	1,100	5,338
Publications and subscriptions	4,442	-	-	4,442	-	4,442
Total operating expenses	3,049,282	658,131	-	3,707,413	1,279,292	4,986,705
Changes in net position from operations	114,958	(180,925)	(280,012)	(345,979)	(825,127)	(1,171,106)
Unrestricted Grants and Contributions	-	-	-	-	22,900	22,900
Net Operations of Loan Funds						
Not Recourse to CEDAC	-	-	280,012	280,012	-	280,012
Changes in net position	114,958	(180,925)	-	(65,967)	(802,227)	(868,194)
Net Position:						
Beginning of year	11,089,265	217,511	-	11,306,776	4,503,202	15,809,978
End of year	\$ 11,204,223	\$ 36,586	\$ -	\$ 11,240,809	\$ 3,700,975	\$ 14,941,784

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Cash Flows
For the Year Ended June 30, 2015

	Enterprise Funds - CEDAC			CEDAC Total	Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management		The Fund	
Cash Flows from Operating Activities:						
Receipts from funders, net of management fees expense	\$ 2,985,258	\$ 8,281,451	\$ 226,949	\$ 11,493,658	\$ 1,094,746	\$ 12,588,404
Interest received on loans	1,240,009	-	257,596	1,497,605	181,649	1,679,254
Scheduled release of accumulated interest	160,000	-	(160,000)	-	-	-
Interest received on bank deposits	31,805	7,782	69,548	109,135	2,893	112,028
Employee compensation	(2,398,089)	(66,043)	-	(2,464,132)	-	(2,464,132)
Payments for supplies and services	(1,038,882)	(1,276,175)	(306,969)	(2,622,026)	(944,950)	(3,566,976)
Interest payments to lenders	(437,923)	-	(88,764)	(526,687)	(38,057)	(564,744)
Internal activity - payments between funds	(193,587)	(89,750)	283,337	-	-	-
Net cash provided by operating activities	<u>348,591</u>	<u>6,857,265</u>	<u>281,697</u>	<u>7,487,553</u>	<u>296,281</u>	<u>7,783,834</u>
Cash Flows from Investing Activities:						
Loans disbursed	(9,462,008)	-	(34,570,478)	(44,032,486)	(1,717,364)	(45,749,850)
Proceeds from loan repayments	12,151,177	-	8,170,624	20,321,801	1,551,522	21,873,323
Acquisition of fixed assets	(4,940)	-	-	(4,940)	-	(4,940)
Net cash provided by (used in) investing activities	<u>2,684,229</u>	<u>-</u>	<u>(26,399,854)</u>	<u>(23,715,625)</u>	<u>(165,842)</u>	<u>(23,881,467)</u>
Cash Flows from Financing Activities:						
Proceeds from notes payable	5,664,458	-	32,194,626	37,859,084	1,179,975	39,039,059
Decrease in due to participating lender	(1,550,000)	-	-	(1,550,000)	-	(1,550,000)
Repayments of principal of notes payable	(10,011,226)	-	(250,000)	(10,261,226)	(1,076,031)	(11,337,257)
Net cash provided by (used in) financing activities	<u>(5,896,768)</u>	<u>-</u>	<u>31,944,626</u>	<u>26,047,858</u>	<u>103,944</u>	<u>26,151,802</u>
Net Change in Cash and Cash Equivalents	(2,863,948)	6,857,265	5,826,469	9,819,786	234,383	10,054,169
Cash and Cash Equivalents:						
Beginning of year	<u>10,330,927</u>	<u>152,641</u>	<u>39,043,633</u>	<u>49,527,201</u>	<u>1,500,248</u>	<u>51,027,449</u>
End of year	<u>\$ 7,466,979</u>	<u>\$ 7,009,906</u>	<u>\$ 44,870,102</u>	<u>\$ 59,346,987</u>	<u>\$ 1,734,631</u>	<u>\$ 61,081,618</u>
Reconciliation of Changes in Net Position to Net Cash Provided By Operating Activities:						
Changes in net position	\$ 382,341	\$ 66,427	\$ -	\$ 448,768	\$ (407,369)	\$ 41,399
Adjustments to reconcile changes in net position to net cash provided by operating activities:						
Depreciation	46,448	-	-	46,448	-	46,448
Loan and interest reserve adjustment	89,902	-	(46,898)	43,004	13,615	56,619
Unrealized gain on investments	(38,278)	-	-	(38,278)	-	(38,278)
Net Operations of Loan Funds						
Not Recourse to CEDAC	-	-	77,119	77,119	-	77,119
Changes in operating assets and liabilities:						
Accounts and interest receivable	71,904	-	2,449	74,353	-	74,353
Grants receivable	7,324	(1,453)	-	5,871	696,923	702,794
Interfund receivables	(193,587)	(89,750)	283,337	-	-	-
Other current assets	25,398	-	-	25,398	-	25,398
Interest receivable	(7,995)	-	(75,042)	(83,037)	3,752	(79,285)
Accounts payable and accrued expenses	91,227	3,168	(592)	93,803	(10,640)	83,163
Deferred revenue	(86,188)	6,878,873	41,324	6,834,009	-	6,834,009
Accrued and deferred compensation	(39,905)	-	-	(39,905)	-	(39,905)
Net cash provided by operating activities	<u>\$ 348,591</u>	<u>\$ 6,857,265</u>	<u>\$ 281,697</u>	<u>\$ 7,487,553</u>	<u>\$ 296,281</u>	<u>\$ 7,783,834</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statement of Cash Flows
For the Year Ended June 30, 2014

	Enterprise Funds - CEDAC			CEDAC Total	Component Unit	(Memorandum Only) Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management		The Fund	
Cash Flows from Operating Activities:						
Receipts from funders, net of management fees expense	\$ 2,789,573	\$ 802,241	\$ 186,952	\$ 3,778,766	\$ 1,504,297	\$ 5,283,063
Interest received on loans	1,034,361	-	164,489	1,198,850	188,078	1,386,928
Interest received on bank deposits	26,769	294	42,125	69,188	11,901	81,089
Employee compensation	(2,262,580)	(281,347)	-	(2,543,927)	-	(2,543,927)
Payments for supplies and services	(662,787)	(607,699)	(159,312)	(1,429,798)	(1,164,067)	(2,593,865)
Interest payments to lenders	(541,355)	-	(88,996)	(630,351)	(13,407)	(643,758)
Internal activity - payments between funds	259,207	(45,227)	(213,980)	-	-	-
Net cash provided by (used in) operating activities	<u>643,188</u>	<u>(131,738)</u>	<u>(68,722)</u>	<u>442,728</u>	<u>526,802</u>	<u>969,530</u>
Cash Flows from Investing Activities:						
Loans disbursed	(13,515,340)	-	(25,403,362)	(38,918,702)	(603,166)	(39,521,868)
Proceeds from loan repayments	9,297,890	-	4,061,410	13,359,300	437,553	13,796,853
Purchase of investments	(538,415)	-	-	(538,415)	-	(538,415)
Maturity of investments	-	-	-	-	540,000	540,000
Acquisition of fixed assets	(54,089)	-	-	(54,089)	-	(54,089)
Net cash provided by (used in) investing activities	<u>(4,809,954)</u>	<u>-</u>	<u>(21,341,952)</u>	<u>(26,151,906)</u>	<u>374,387</u>	<u>(25,777,519)</u>
Cash Flows from Financing Activities:						
Proceeds from notes payable	7,848,880	-	35,546,062	43,394,942	-	43,394,942
Increase in due to participating lender	1,550,000	-	-	1,550,000	-	1,550,000
Repayments of principal of notes payable	(2,801,735)	-	-	(2,801,735)	(20,244)	(2,821,979)
Net cash provided by (used in) financing activities	<u>6,597,145</u>	<u>-</u>	<u>35,546,062</u>	<u>42,143,207</u>	<u>(20,244)</u>	<u>42,122,963</u>
Net Change in Cash and Cash Equivalents	2,430,379	(131,738)	14,135,388	16,434,029	880,945	17,314,974
Cash and Cash Equivalents:						
Beginning of year	<u>7,900,548</u>	<u>284,379</u>	<u>24,908,245</u>	<u>33,093,172</u>	<u>619,303</u>	<u>33,712,475</u>
End of year	<u>\$ 10,330,927</u>	<u>\$ 152,641</u>	<u>\$ 39,043,633</u>	<u>\$ 49,527,201</u>	<u>\$ 1,500,248</u>	<u>\$ 51,027,449</u>
Reconciliation of Changes in Net Position to Net Cash Provided By (Used In) Operating Activities:						
Changes in net position	\$ 114,958	\$ (180,925)	\$ -	\$ (65,967)	\$ (802,227)	\$ (868,194)
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:						
Depreciation	38,730	834	-	39,564	-	39,564
Loan and interest reserve adjustment	(6,647)	-	245,023	238,376	38,427	276,803
Unrealized gain on investments	(5,431)	-	-	(5,431)	(7,781)	(13,212)
Net Operations of Loan Funds						
Not Recourse to CEDAC	-	-	(280,012)	(280,012)	-	(280,012)
Changes in operating assets and liabilities:						
Accounts and interest receivable	(94,506)	-	6,359	(88,147)	-	(88,147)
Grants receivable	(15,342)	86,124	-	70,782	1,204,800	1,275,582
Interfund receivables	259,207	(45,227)	(213,980)	-	-	-
Other current assets	(9,569)	2,500	-	(7,069)	-	(7,069)
Interest receivable	(84,976)	-	(37,305)	(122,281)	51,677	(70,604)
Accounts payable and accrued expenses	24,617	4,956	505	30,078	41,906	71,984
Deferred revenue	416,671	-	210,688	627,359	-	627,359
Security deposits	8,518	-	-	8,518	-	8,518
Accrued and deferred compensation	(3,042)	-	-	(3,042)	-	(3,042)
Net cash provided by (used in) operating activities	<u>\$ 643,188</u>	<u>\$ (131,738)</u>	<u>\$ (68,722)</u>	<u>\$ 442,728</u>	<u>\$ 526,802</u>	<u>\$ 969,530</u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Combined Statements of Fiduciary Net Position
June 30, 2015 and 2014

Assets	CEDAC Agency Fund	
	2015	2014
Assets:		
Cash and cash equivalents	<u>\$ 3,585,831</u>	<u>\$ 2,370,134</u>
Total assets	<u><u>\$ 3,585,831</u></u>	<u><u>\$ 2,370,134</u></u>
Liabilities and Net Position		
Liabilities:		
Agency funds held for others	\$ 3,585,831	\$ 2,370,134
Net Position	<u> -</u>	<u> -</u>
Total liabilities and net position	<u><u>\$ 3,585,831</u></u>	<u><u>\$ 2,370,134</u></u>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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' (the Commonwealth) Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to nonprofit development corporations throughout the Commonwealth 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) (see Note 11), a Massachusetts charitable corporation, originally established as a controlled affiliate of the United Way of Massachusetts Bay (United Way). As part of the terms of corporate transfer of the Fund from United Way to CEDAC, United Way transferred its sole membership in the corporation to CEDAC and imposed certain restrictions on the use of the assets and their earnings. United Way also maintains certain rights with regard to the composition of the Fund's Board of Directors.

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

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying combined general purpose financial statements were prepared on the accrual basis of accounting. Because CEDAC is a quasi-public corporation, its accounting policies and general purpose financial statement presentation are governed by standards issued by the Governmental Accounting Standards Board (GASB). CEDAC follows GASB standards for *Comprehensive Annual Financial Reporting*. These standards outline financial reporting requirements for state and local governments. CEDAC is considered a special purpose government organization that conducts only business-type activities within the meaning of GASB standards and, therefore, only has enterprise funds within its proprietary fund. CEDAC has no governmental funds. As such, CEDAC is not required to present government-wide financial statements, but rather only the accompanying fund financial statements. In applying the GASB provisions, organizations like CEDAC can use standards applicable to proprietary fund accounting, and need not follow the provisions of governmental fund accounting.

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - GASB Standards (Continued)

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

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets	\$ 52,763	\$ 71,247
Changes in temporarily restricted net assets	<u>(460,132)</u>	<u>(873,474)</u>
Total changes in net assets	<u>\$ (407,369)</u>	<u>\$ (802,227)</u>

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

Classification of Net Position

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

Operating and CEDAC Loan Funds:

Unrestricted Net Position:

Operating net position - Operating net position represents the portion of unrestricted expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met imposed restrictions in accordance with funding agreements or management contracts. The policy outlined by the Board is to fund an operating reserve and then to reserve for potential extraordinary loan losses. As of June 30, 2015 and 2014, CEDAC had set aside \$1,704,216 and \$1,518,645, respectively, for the operating reserve. No amounts were set aside for loan loss reserves as of June 30, 2015 or 2014. To the extent possible and as loans are forgiven, the Board may authorize the transfer of these loan loss reserve funds to the CEDAC Loan Funds to help maintain lending capacity.

CEDAC Loan Funds - The CEDAC Loan Funds consist of \$6,281,686 and \$6,051,661 of unrestricted net position designated by the Board of Directors as of June 30, 2015 and 2014, 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 in the accompanying combined statements of net position because the collection of these loans is generally based on the progress of the development project and is not readily determinable. Those loans that fund the acquisition of properties and have a specific loan term are allocated between current and long-term loans receivable based on stated maturities. Debt capital is reported in the accompanying combined statements of net position as notes payable to funding sources (see Note 2).

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

Unrestricted net position as of June 30, 2015 and 2014, are summarized as follows:

	<u>2015</u>	<u>2014</u>
CEDAC Loan Funds	\$ 6,281,686	\$ 6,051,661
Operating net position	<u>1,704,216</u>	<u>1,518,645</u>
	<u>\$ 7,985,902</u>	<u>\$ 7,570,306</u>

Invested in Capital Assets - This classification is used to account for all fixed assets purchased by CEDAC and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Net fixed assets of \$65,619 and \$107,127 as of June 30, 2015 and 2014, respectively, are presented in the accompanying combined statements of net position as net position invested in capital assets.

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

Restricted Program Funds - Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Net Position - Expendable. Contributions are recorded as program revenue in the restricted program funds as they are received. As funds are expended under the program in accordance with the donor-imposed restrictions, they are reported as expenses in the accompanying combined statements of revenues, expenses and changes in net position. Also included in these funds are advances on government contract awards for grants to be awarded in the subsequent fiscal year (see Note 9).

Restricted Program Funds totaling \$103,013 and \$36,586 at June 30, 2015 and 2014, respectively, 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.

Loan Funds Under Management - Loan Funds Under Management consists of 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 in the accompanying combined general purpose financial statements as non-recourse notes payable (see Note 2). Under these management contracts, CEDAC is allowed to charge certain administrative expenses and loan loss provisions directly to the loan fund and are shown as direct loan fund expenses in the accompanying combined statements of revenues, expenses and changes in net position.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

The annual net earnings or loss of Loan Funds Under Management are closed out to the respective note payable of each funding source (see Note 2), which is reported as net operations of loan funds not recourse to CEDAC in the accompanying combined statements of revenues, expenses and changes in net position.

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

The Fund:

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

Invested in Capital Assets - This classification is used to account for all fixed assets purchased by the Fund and used in operations. Depreciation is provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets, using the straight-line method. Fixed assets were fully depreciated as of June 30, 2015 and 2014, and are presented in the accompanying combined statements of net position as net position invested in capital assets.

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

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

	<u>2015</u>	<u>2014</u>
Restricted for Fund Loans	\$ 2,010,908	\$ 2,009,877
Restricted for Facilities Grant Program	161,198	425,438
Restricted for Core Operating Support in Future Periods	<u>177,000</u>	<u>373,923</u>
	<u>\$ 2,349,106</u>	<u>\$ 2,809,238</u>

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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

CEDAC's balances held in the MMDT amounted to approximately \$56.9 million and \$46.1 million as of June 30, 2015 and 2014, respectively, which includes money held as a fiduciary (see Note 6). The MMDT portfolio is managed such that it maintains a dollar-weighted average portfolio maturity of ninety days or less, and consists of certificates of deposit, money market funds, U.S. Government securities, and high-grade commercial paper (see Note 7).

The Fund's balances held in the MMDT amounted to approximately \$1,704,000 and \$1,234,000 as of June 30, 2015 and 2014, respectively.

Revenue Recognition

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

Investments

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

Fixed Assets

Fixed assets consist of office equipment and leasehold improvements, which are depreciated on the straight-line method over the lesser of their estimated useful lives of three to five years or the life of the lease. CEDAC fixed assets are recorded at cost and totaled \$563,741 and \$558,801 at June 30, 2015 and 2014, respectively. Accumulated depreciation at June 30, 2015 and 2014, totaled \$498,122 and \$451,674, respectively.

The Fund's equipment is depreciated on the straight-line method over its estimated useful life of three years. The Fund has equipment totaling \$10,149, which was fully depreciated as of June 30, 2015 and 2014.

Estimates

The preparation of combined general purpose financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined general purpose financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocations

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

Concentration of Credit Risk

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

Federal and State Grants and Contracts

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

Subsequent Events

Subsequent events have been evaluated through September 24, 2015, which is the date the combined general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined general purpose financial statements.

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, 2015 and 2014. Notes payable include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. Interest is paid currently on a quarterly basis and the principal balance is due at maturity. The loan terms were amended during fiscal year 2014 to reduce the interest rate from 6% to 4% and extend the loan maturity to June 30, 2017. The loan is generally reviewed and renewed every five years.
- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition, pre-development, and bridge loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. Bridge loans are secured by an assignment and pledge by the state source being financed. The principal balance and repayment terms are adjusted periodically as Home Funders raises additional capital to fund loans.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **Home Funders Collaborative Loan Fund - (Continued)**

The loan requires periodic payments of principal based on additional capitalizations provided by the funders of Home Funders. The maturity date is continually extended as additional capitalizations are received. As of June 30, 2015, the loan matures in June 2023, with borrowing authority of up to \$8.7 million. Interest is payable semi-annually at a rate of 1%.

- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** includes a \$5 million (\$3 million through October 2014) line of credit with the MHP Fund to provide funding for real estate acquisition loans secured by first mortgages. The line of credit was amended and restated in October 2014, to mature on April 30, 2017, or upon the occurrence of an event of default, with a call period through November 30, 2015. The line of credit carries an interest rate of prime (3.25% as of June 30, 2015 and 2014), minus 1.25%, but not lower than 1.5%, due quarterly. Advances under the line of credit have a maximum term of twenty-four months.
- **The City of Boston Department of Neighborhood Development (DND) Loan Fund** authorized the capitalization of a revolving loan fund held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. Under the terms of the contract, all principal accrues to the DND Loan Fund and interest earned is paid annually.
- **The Housing Stabilization Fund (HSF) Acquisition Loan Fund** - The Department of Housing and Community Development (DHCD) capitalized the HSF Acquisition Loan Fund in the amount of \$1,350,000 to provide additional capital to allow CEDAC greater flexibility in underwriting acquisition loans to nonprofit borrowers. The term of the current HSF agreement is three years after the date of the last HSF loan made by CEDAC and all principal and interest accrues to the loan fund. The last loan from this fund was made by CEDAC in December 2014.
- **The Affordable Housing Trust (AHT) Pre-development Loan Fund** - The Massachusetts Housing Finance Agency (MassHousing) capitalized a \$2.5 million AHT Pre-development Loan Fund from the Commonwealth's Affordable Housing Trust Fund to fund pre-development loans to nonprofit borrowers undertaking projects that meet the preferences outlined in the AHT guidelines. The agreement allows for additional annual capitalizations by MassHousing through the expiration date of June 2020, subject to the annual capitalization of the AHT by the Commonwealth. The agreement was amended in 2014 to allow up to \$320,000 of accumulated fund earnings to be paid to CEDAC in two installments of \$160,000 over two years beginning in fiscal year 2015, which is shown as a scheduled release of accumulated interest in the accompanying combined statement of revenues, expenses and changes in net position for the year ended June 30, 2015. Principal and all remaining interest accrue to the loan fund under the terms of the agreement.
- **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. The term of the loan was ten years and matured on January 26, 2015. The loan was repaid in full at that time. Prior to maturity, interest was due semi-annually at a rate of 2.5%.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Boston Private Bank Acquisition/Bridge and Pre-development Line of Credit** was executed in 2013 to provide capital to finance acquisition and pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$1.5 million, with \$750,000 available for Acquisition/Bridge loans and \$750,000 available for Pre-development loans. Acquisition loans are secured by first mortgages. For Acquisition/Bridge loans, interest is payable quarterly at the Federal Home Loan Bank two-year classic rate, plus 2.75%, with a floor of 3.75%. For Pre-development loans, interest is payable quarterly at the Investor's Base Lending Rate (3.25% at June 30, 2015 and 2014), plus 0.5%. The line of credit is an unsecured revolving line of credit, with maturity in January 2018.

The agreement contains various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. As of June 30, 2014, CEDAC's risk rating system yielded a rate that was slightly below the covenant. The bank approved CEDAC's request to waive the covenant for fiscal year 2014. As of June 30, 2015, CEDAC was in compliance with all covenants of the agreement.

- **The Eastern Bank Pre-development Loan Line of Credit** was executed during fiscal year 2015 to provide capital to finance pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$2 million as of June 30, 2015. The line of credit is an unsecured revolving line of credit maturing in November 2016. Interest is payable quarterly at the bank's base rate (3.5% at June 30, 2015) plus 0.5%, but not lower than 4% or higher than 5%. As of June 30, 2015, CEDAC was in compliance with all covenants of the agreement. CEDAC did not have any outstanding borrowings related to the line of credit at June 30, 2015.
- **The Eastern Bank Acquisition Line of Credit** was executed during 2005 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$12.5 million as of June 30, 2015. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit which is reviewed and renewed bi-annually, currently maturing in November 2016.

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

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

The ninety-day LIBOR was 0.28% and 0.23% at June 30, 2015 and 2014, respectively. The agreement contains various covenants. As of June 30, 2015 and 2014, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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, 2015. Bridge loans to nonprofit organizations are secured by an assignment and pledge by the state source being financed (see Note 4). The line of credit is an unsecured revolving line of credit maturing in November 2016. The interest rate for loans is 4.75%. Interest is payable quarterly. As of June 30, 2015 and 2014, CEDAC was in compliance with all covenants of the agreement. CEDAC did not have any outstanding borrowings related to the line of credit at June 30, 2015.
- **The Rockland Trust Acquisition Line of Credit** was executed during fiscal year 2014 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The commitment under this line of credit is \$1 million. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit, currently maturing on June 25, 2016. The interest rate for amounts borrowed is either a floating rate equal to the ninety-day LIBOR plus 3.0% or a fixed rate of 3.5%. Interest is payable quarterly.
- **The Housing Preservation Loan Fund** - In 2009, MacFound committed a \$3 million loan as a Program-Related Investment (PRI) to CEDAC, as the lead agency of the Massachusetts Housing Preservation Initiative of DHCD, which awarded a \$3.5 million grant to match MacFound's PRI. The Housing Preservation Loan Fund allows CEDAC to provide additional acquisition and pre-development loans to nonprofit borrowers seeking to preserve housing in Massachusetts. The loan is payable with three payments of \$1,000,000 each year beginning on October 1, 2017, with the final payment on October 1, 2019, and is unsecured. The interest rate on the loan is 2%.

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

	<u>2015</u>	<u>2014</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 2,000,000	\$ 2,000,000
The Boston Foundation Loan Fund	-	1,500,000
The Housing Preservation Loan Fund	3,000,000	3,000,000
Eastern Bank Acquisition Loan Fund	3,767,000	7,617,226
Boston Private Bank Acquisition Line	630,000	630,000
Rockland Trust Acquisition Line	1,000,000	-
MHP Acquisition Loan Fund	<u>2,180,000</u>	<u>2,176,542</u>
Total CEDAC Loan Funds	<u>12,577,000</u>	<u>16,923,768</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	8,755,471	9,003,666
DND Loan Fund	759,860	775,306
HSF Acquisition Loan Fund	1,660,339	1,711,256
AHT Pre-development Loan Fund	2,638,065	2,554,930
Net DMH Trust (see Note 3)	582,875	566,149
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>36,112,303</u>	<u>33,041,230</u>
Total Loan Funds Under Management	<u>50,508,913</u>	<u>47,652,537</u>
	<u>\$ 63,085,913</u>	<u>\$ 64,576,305</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

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

<u>Fiscal Year</u>	<u>CEDAC Loan Funds Principal</u>	<u>Loan Funds Under Management Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 3,852,542	\$ -	\$ 227,000	\$ 4,079,542
2017	6,724,458	1,759,860	208,667	8,692,985
2018	1,000,000	1,660,339	102,000	2,762,339
2019	1,000,000	-	82,000	1,082,000
2020	-	2,838,065	76,000	2,914,065
2021 - 2024	-	7,555,471	212,854	7,768,325
	<u>12,577,000</u>	<u>13,813,735</u>	<u>908,521</u>	<u>27,299,256</u>
DMH MetState Fund	-	582,875	-	582,875
Deferred payment loans	-	<u>36,112,303</u>	-	<u>36,112,303</u>
	<u>\$ 12,577,000</u>	<u>\$ 50,508,913</u>	<u>\$ 908,521</u>	<u>\$ 63,994,434</u>

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

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

Fund:

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

The loan contains certain restrictions and covenants, with which the Fund was in compliance as of June 30, 2015 and 2014. At June 30, 2015 and 2014, the outstanding balance was \$403,214 and \$299,270, respectively.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

3. UNDERWRITING AND FISCAL AGENT SERVICES AND LOANS PAYABLE

Department of Housing and Community Development (DHCD)

CEDAC serves as underwriter and fiscal agent for Housing Innovations Fund, Facilities Consolidation Fund, Community-Based Housing, and Housing Preservation and Stabilization Trust Fund loans that are committed by DHCD. Upon closing of each loan, DHCD generally disburses loan proceeds and related fees to CEDAC for disbursement to the designated borrowers. CEDAC also serves as disbursing agent for legal fees associated with these loans and disbursed \$306,969 and \$159,312 of legal fees during fiscal years 2015 and 2014, respectively.

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

- **The Housing Innovations Fund (HIF)** was funded by \$396 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations.
- **The Facilities Consolidation Fund (FCF)** was funded by \$272 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Developmental Services (DDS) and the Massachusetts Department of Mental Health (DMH).
- **The Community-Based Housing Program (CBH)** was funded by \$118 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. CBH program loans are targeted to support disabled individuals not served by DDS or DMH.
- **The Housing Preservation and Stabilization Trust Fund (HPSTF)** was funded by a \$13 million capitalization in accordance with Section 60 of MGL c 121B. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. HPSTF program loans provide affordable housing for low-income families and individuals, particularly those most at risk of becoming homeless.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF, CBH and HPSTF notes payable are presented in the accompanying combined general purpose financial statements net of loans receivable at June 30, 2015 and 2014.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

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

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

Gross loans receivable and notes payable by loan program are as follows as of June 30:

<u>2015</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
Note payable	\$ 204,009,065	\$ 119,797,576	\$ 41,470,018	\$ 12,775,870	\$ 378,052,529
Less - loans receivable	<u>189,861,108</u>	<u>112,106,618</u>	<u>35,587,102</u>	<u>4,385,398</u>	<u>341,940,226</u>
Net note payable	<u>\$ 14,147,957</u>	<u>\$ 7,690,958</u>	<u>\$ 5,882,916</u>	<u>\$ 8,390,472</u>	<u>\$ 36,112,303</u>
<u>2014</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
Note payable	\$ 192,979,119	\$ 108,760,628	\$ 37,059,580	\$ 7,001,176	\$ 345,800,503
Less - loans receivable	<u>175,965,933</u>	<u>104,558,688</u>	<u>32,234,652</u>	<u>-</u>	<u>312,759,273</u>
Net note payable	<u>\$ 17,013,186</u>	<u>\$ 4,201,940</u>	<u>\$ 4,824,928</u>	<u>\$ 7,001,176</u>	<u>\$ 33,041,230</u>

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

Department of Mental Health (DMH)

CEDAC was selected by the Department of Mental Health (DMH) to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in fiscal year 2010. The MetState Fund was established in 2006 with the purpose of financing the acquisition of ten units of off-site housing in the DMH metro Suburban Area for occupancy by DMH clients. Under the terms of the agreement executed between CEDAC and DMH, CEDAC selected a nonprofit service provider, and has entered into long-term loan and use agreements for each of the ten units procured. CEDAC oversaw the development of the ten units jointly with DMH and is responsible for loan monitoring over the loan term. Under the terms of the agreement, CEDAC received fees for program start-up, site selection, and on-going administration, which are funded from the loan fund. As of June 30, 2015 and 2014, CEDAC held \$112,500 for long-term administration and compliance. These funds are included in deferred revenue in the accompanying combined general purpose financial statements (see Note 9). Interest accrues to the loan fund, which can be used to fund additional program costs as may be mutually agreed between DMH and CEDAC.

Gross loan receivable and note payable are as follows:

	<u>2015</u>	<u>2014</u>
Note payable	\$ 3,513,641	\$ 3,491,661
Less - loans receivable	<u>2,930,766</u>	<u>2,925,512</u>
Net note payable	<u>\$ 582,875</u>	<u>\$ 566,149</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

4. LOANS RECEIVABLE

CEDAC loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2015 and 2014. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC pre-development loans are generally unsecured, bear interest at rates between 0% and 7%, and principal and interest are due at the first project closing. Acquisition loans are prime-based variable rate loans or loans of fixed rates up to 8.0%, and are secured by a first mortgage on the property acquired. Interest on acquisition loans is due quarterly and principal is due on the earlier of the loan's maturity or the closing of the first project financing. Bridge loans are secured by a pledge of state sources being financed. Interest on bridge loans accrues at rates between 2% and 8% and is due when the state funds being bridged are received.

Loan receivable balances of CEDAC include:

<u>2015</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	58	\$ 9,016,171	\$ (1,182,461)	\$ 7,833,710
Acquisition loans	<u>13</u>	<u>14,300,545</u>	<u>(737,055)</u>	<u>13,563,490</u>
Total	<u>71</u>	23,316,716	(1,919,516)	21,397,200
Less - current portion		<u>6,150,545</u>	<u>(353,555)</u>	<u>5,796,990</u>
Long-term portion		<u>\$ 17,166,171</u>	<u>\$ (1,565,961)</u>	<u>\$ 15,600,210</u>
<u>2014</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	66	\$ 8,533,787	\$ (1,264,271)	\$ 7,269,516
Acquisition loans	<u>16</u>	<u>20,250,961</u>	<u>(607,140)</u>	<u>19,643,821</u>
Total	<u>82</u>	28,784,748	(1,871,411)	26,913,337
Less - current portion		<u>7,160,664</u>	<u>(233,662)</u>	<u>6,927,002</u>
Long-term portion		<u>\$ 21,624,084</u>	<u>\$ (1,637,749)</u>	<u>\$ 19,986,335</u>

See Note 10 for disclosure of loan commitments.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

4. LOANS RECEIVABLE (Continued)

The Fund loans are stated at the amount of unpaid principal, net of third-party loan participations of \$379,807 and \$415,655 at June 30, 2015 and 2014, respectively, which qualify as asset transfers and are reduced by an allowance for loan losses (see Note 5). Loans receivable bear interest at rates ranging from 5.25% to 7.5%.

Major classifications of loans are as follows at June 30:

<u>2015</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Childcare Term	8	\$ 859,089	\$ (104,267)	\$ 754,822
Childcare Acquisition	2	600,000	-	600,000
Childcare Pre-development	<u>7</u>	<u>563,300</u>	<u>(82,371)</u>	<u>480,929</u>
Total	<u>17</u>	2,022,389	(186,638)	1,835,751
Less - current portion		<u>278,331</u>	<u>(55,974)</u>	<u>222,357</u>
Long-term portion		<u>\$ 1,744,058</u>	<u>\$ (130,664)</u>	<u>\$ 1,613,394</u>
<u>2014</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Childcare Term	10	\$ 1,254,609	\$ (116,949)	\$ 1,137,660
Childcare Acquisition	1	250,000	(7,500)	242,500
Childcare Pre-development	<u>4</u>	<u>353,738</u>	<u>(50,374)</u>	<u>303,364</u>
Total	<u>15</u>	1,858,347	(174,823)	1,683,524
Less - current portion		<u>325,333</u>	<u>(31,677)</u>	<u>293,656</u>
Long-term portion		<u>\$ 1,533,014</u>	<u>\$ (143,146)</u>	<u>\$ 1,389,868</u>

5. ALLOWANCE FOR UNCOLLECTIBLE LOANS

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

CEDAC activity in the allowance is summarized as following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2013	\$ 1,720,460	\$ 299,861	\$ 2,020,321
Changes to allowance	232,329	6,046	238,375
Uncollectable loans written off	(60,000)	-	(60,000)
Loans forgiven	<u>(21,378)</u>	<u>-</u>	<u>(21,378)</u>
Balance, June 30, 2014	1,871,411	305,907	2,177,318
Changes to allowance	61,454	(18,450)	43,004
Loans forgiven	<u>(13,349)</u>	<u>-</u>	<u>(13,349)</u>
Balance, June 30, 2015	<u>\$ 1,919,516</u>	<u>\$ 287,457</u>	<u>\$ 2,206,973</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

5. ALLOWANCE FOR UNCOLLECTIBLE LOANS (Continued)

The Fund activity in the allowance is summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2013	\$ 132,876	\$ 4,174	\$ 137,050
Changes to allowance	<u>41,947</u>	<u>(3,520)</u>	<u>38,427</u>
Balance, June 30, 2014	174,823	654	175,477
Changes to allowance	<u>11,815</u>	<u>1,800</u>	<u>13,615</u>
Balance, June 30, 2015	<u>\$ 186,638</u>	<u>\$ 2,454</u>	<u>\$ 189,092</u>

6. AGENCY FUNDS HELD FOR OTHERS

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

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

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

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

	<u>2015</u>	<u>2014</u>
MRC HMDL program	\$ 3,554,553	\$ 2,290,259
Boston Schoolyards Funders Collaborative	<u>31,278</u>	<u>79,875</u>
Total	<u>\$ 3,585,831</u>	<u>\$ 2,370,134</u>

7. INVESTMENTS AND CASH EQUIVALENTS

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

7. INVESTMENTS AND CASH EQUIVALENTS (Continued)

The table below represents CEDAC's total cash and investment of funds, excluding Agency Funds, as of June 30, 2015:

2015	Cost	Fair Value	Investment Maturities (in years)	
			Less than 1	1 or more
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 53,264,416	\$ 53,264,416	\$ 53,264,416	\$ -
Other cash	6,082,571	6,082,571	6,082,571	-
Government sponsored enterprise notes	<u>1,740,000</u>	<u>1,728,297</u>	-	<u>1,728,297</u>
Total	<u>\$ 61,086,987</u>	<u>\$ 61,075,284</u>	<u>\$ 59,346,987</u>	<u>\$ 1,728,297</u>

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

2014	Cost	Fair Value	Investment Maturities (in years)	
			Less than 1	1 or more
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 43,743,707	\$ 43,743,707	\$ 43,743,707	\$ -
Other cash	5,783,494	5,783,494	5,783,494	-
Government sponsored enterprise notes	<u>1,740,000</u>	<u>1,690,019</u>	-	<u>1,690,019</u>
Total	<u>\$ 51,266,201</u>	<u>\$ 51,217,220</u>	<u>\$ 49,527,201</u>	<u>\$ 1,690,019</u>

The table below represents the Fund's total cash and investment of funds as of June 30, 2015.

2015	Cost	Fair Value	Investment Maturities (in years)	
			Less than 1	1 or more
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 1,703,593	\$ 1,703,593	\$ 1,703,593	\$ -
Other cash	<u>31,038</u>	<u>31,038</u>	<u>31,038</u>	-
Total	<u>\$ 1,734,631</u>	<u>\$ 1,734,631</u>	<u>\$ 1,734,631</u>	<u>\$ -</u>

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

2014	Cost	Fair Value	Investment Maturities (in years)	
			Less than 1	1 or more
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 1,233,771	\$ 1,233,771	\$ 1,233,771	\$ -
Other cash	<u>266,477</u>	<u>266,477</u>	<u>266,477</u>	-
Total	<u>\$ 1,500,248</u>	<u>\$ 1,500,248</u>	<u>\$ 1,500,248</u>	<u>\$ -</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

7. INVESTMENTS AND CASH EQUIVALENTS (Continued)

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

<u>Securities With an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2015</u>	<u>2014</u>
1 - 30 Days	54.1%	53.5%
31 - 90 Days	31.0%	27.7%
91 - 180 Days	11.5%	11.7%
181 - 397 Days	<u>3.4%</u>	<u>7.1%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

<u>2015</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 53,264,416	See below	
Other cash	6,082,571	\$ -	\$ 6,082,571
Government sponsored enterprise notes	<u>1,728,297</u>	<u>1,728,297</u>	-
Total	<u>\$ 61,075,284</u>	<u>\$ 1,728,297</u>	<u>\$ 6,082,571</u>

<u>2014</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 43,743,707	See below	
Other cash	5,783,494	\$ -	\$ 5,783,494
Government sponsored enterprise notes	<u>1,690,019</u>	<u>1,690,019</u>	-
Total	<u>\$ 51,217,220</u>	<u>\$ 1,690,019</u>	<u>\$ 5,783,494</u>

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

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
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7. INVESTMENTS AND CASH EQUIVALENTS (Continued)

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

	Cash Portfolio Quality Diversification	
	<u>First Tier</u>	<u>Second Tier</u>
2015	97.0%	3.0%
2014	96.7%	3.3%

8. DEFERRED COMPENSATION PLAN

CEDAC has a deferred compensation plan which is qualified under Section 403(b) of the IRC. The plan calls for required employee contributions of 3% of the employee's gross salary, and CEDAC matches the employee's required contribution with a contribution of 4.5% of gross salary each pay period. CEDAC's contributions for the years ended June 30, 2015 and 2014, were \$91,983 and \$91,866, respectively, and are included in employee compensation in the accompanying combined 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 \$96,380 and \$100,187 for the years ended June 30, 2015 and 2014, respectively, and are included in employee compensation in the accompanying combined general purpose financial statements.

9. DEFERRED REVENUE

Deferred revenue in consists of unearned underwriting fees and grants which have been received but not yet earned or disbursed as of June 30, 2015 and 2014.

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.

CEDAC was selected by the Commonwealth's Department of Early Education and Care (EEC) to administer an Early Education and Out of School Time (EEOST) Capital Fund, which was authorized as part of the community development bond bill passed by the Massachusetts Legislature in November 2013. The Legislature authorized up to \$45 million to support nonprofit center-based early education and out-of-school time programs. With the EEOST Capital Funds, EEC may award grants to childcare providers to support acquisition, design, construction and/or renovation of the centers funded.

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

9. DEFERRED REVENUE (Continued)

In addition to underwriting and fiscal agent services, EEC also contracted with CEDAC to assist with the design of the program and development of program documents in the first year of program operations. CEDAC, in turn, utilizes the services of its controlled affiliate, the Fund, to perform underwriting and grant administration of EEOST capital projects.

The amount captured in deferred revenue represents the EEOST Capital Fund allotted to date, net of grant awards disbursed, fees paid for administration services, start-up services and other third-party expenses incurred in start-up and administration of the program. As of June 30, 2015, the net amount on-hand at CEDAC for future disbursements for grantees and related fees was \$6,876,623.

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

	<u>2015</u>	<u>2014</u>
Operating and CEDAC Loan Funds:		
Unearned Underwriting Fees and Grants	\$ 475,106	\$ 561,294
Unearned Underwriting Fees and Monitoring DMH MetState Trust Loan Program	<u>112,500</u>	<u>112,500</u>
Total Operating and CEDAC Loan Funds	<u>587,606</u>	<u>673,794</u>
Restricted Program Funds:		
EEOST contract	6,876,623	-
Prepaid registration fees - CWC event	<u>2,250</u>	<u>-</u>
Total Restricted Program Funds	<u>6,878,873</u>	<u>-</u>
Loan Funds Under Management:		
Deferred legal fees	<u>789,193</u>	<u>747,869</u>
Total deferred revenue	<u>\$ 8,255,672</u>	<u>\$ 1,421,663</u>

10. COMMITMENTS**Facility Lease**

CEDAC leases space under a ten-year operating lease through December 2016. The lease is secured by an irrevocable standby letter of credit issued by a bank in the amount of \$84,615. Rental expenses were \$424,514 and \$395,626 for the years ended June 30, 2015 and 2014, 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:

2016	\$ 371,603
2017	\$ 167,614

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
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10. COMMITMENTS (Continued)**Loan and Grant Commitments**

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

	<u>2015</u>	<u>2014</u>
Pre-development, acquisition and bridge loans	\$ 35,109,486	\$ 37,775,616
Subordinated deferred payment loans	36,695,177	33,607,379
EOST grant program	<u>6,876,623</u>	<u>-</u>
Total outstanding commitments	78,681,286	71,382,995
Less - loans receivable	<u>(23,316,717)</u>	<u>(28,784,748)</u>
Total outstanding commitments	55,364,569	42,598,247
Less - commitments to be drawn under credit lines	<u>(4,255,500)</u>	<u>(2,211,500)</u>
Total outstanding commitments held in cash and short-term investments	<u>\$ 51,109,069</u>	<u>\$ 40,386,747</u>

The Fund had unfunded loan commitments outstanding of \$130,500 and \$1,461,750 as of June 30, 2015 and 2014, respectively.

11. RELATED PARTY TRANSACTIONS

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

	<u>2015</u>	<u>2014</u>
Services provided to the Fund during the fiscal year	<u>\$ 456,381</u>	<u>\$ 471,400</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 38,166</u>	<u>\$ 42,723</u>
Services purchased from the Fund during the fiscal year	<u>\$ 182,445</u>	<u>\$ -</u>
Accounts payable to the Fund at end of fiscal year	<u>\$ 24,000</u>	<u>\$ -</u>

CEDAC received and passed-through to the Fund \$150,000 in both fiscal years 2015 and 2014 from a foundation grant that was restricted for the Fund's activities.

CEDAC also provided in-kind services to the Fund totaling \$59,103 and \$73,319 for management and other support in connection with the Fund's activities, which are included in management fees for the years ended June 30, 2015 and 2014, respectively.

CEDAC has a contract with the Fund to provide these services during fiscal year 2016.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Notes to Combined General Purpose Financial Statements
June 30, 2015 and 2014

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2015 and 2014, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 2,244,148	\$ 2,244,148	\$ 1,954,049	\$ 1,954,049
Restricted cash and cash equivalents	\$ 57,102,839	\$ 57,102,839	\$ 47,573,152	\$ 47,573,152
Investments	\$ 1,728,297	\$ 1,728,297	\$ 1,690,019	\$ 1,690,019
Loans receivable, net	\$ 21,397,200	\$ -	\$ 26,913,337	\$ -
Notes payable to funding sources	\$ 63,085,913	\$ -	\$ 64,576,305	\$ -

As of June 30, 2015 and 2014, the carrying amounts and approximate fair value of the Fund's financial instruments are as follows:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,551,345	\$ 1,551,345	\$ 1,068,174	\$ 1,068,174
Restricted cash and cash equivalents	\$ 183,286	\$ 183,286	\$ 432,074	\$ 432,074
Loans receivable, net	\$ 1,835,751	\$ -	\$ 1,683,524	\$ -
Notes payable to funding sources	\$ 403,214	\$ -	\$ 299,270	\$ -

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

Loans receivable, net and notes payable to funding sources - It was not practicable to estimate the fair value of these instruments given the unique nature of these instruments and the inability to estimate fair value without incurring excessive costs. However, the notes payable to funding sources' fair value is known to be less than the carrying value at June 30, 2015 and 2014.

13. RECLASSIFICATION

Certain amounts in the fiscal year 2015 combined general purpose financial statements have been reclassified to conform with the fiscal year 2014 presentation.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Supplementary Combined Statement of Functional Expenses
For the Year Ended June 30, 2015

	Enterprise Funds - CEDAC					Component	(Memorandum Only) Total
	Program Expenses					Unit	
	Housing and Intermediary Program	Child Care Program	Economic Develop- ment	Management and General	CEDAC Total	The Fund	
Employee Compensation:							
Salaries	\$ 930,898	\$ 312,330	\$ 7,232	\$ 689,883	\$ 1,940,343	\$ -	\$ 1,940,343
Fringe benefits and payroll taxes	254,726	84,909	-	191,044	530,679	-	530,679
Total employee compensation	<u>1,185,624</u>	<u>397,239</u>	<u>7,232</u>	<u>880,927</u>	<u>2,471,022</u>	<u>-</u>	<u>2,471,022</u>
Professional Fees:							
Management fees	-	182,444	-	-	182,444	515,484	697,928
Contracted services	58,320	36,603	40,189	157,090	292,202	113,710	405,912
Legal	58,077	-	-	6,296	64,373	35,976	100,349
Accounting and audit	12,415	14,241	1,095	8,764	36,515	18,301	54,816
Total professional fees	<u>128,812</u>	<u>233,288</u>	<u>41,284</u>	<u>172,150</u>	<u>575,534</u>	<u>683,471</u>	<u>1,259,005</u>
Other:							
Grants and related expenses	-	1,062,036	53,007	-	1,115,043	313,515	1,428,558
Rent	206,454	65,829	20,572	131,659	424,514	-	424,514
Depreciation	15,793	18,115	1,393	11,147	46,448	-	46,448
Supplies and document storage	15,214	17,451	1,342	10,740	44,747	662	45,409
Insurance	5,933	6,806	524	4,187	17,450	8,425	25,875
Other expenses	7,709	8,843	679	5,443	22,674	1,957	24,631
Travel	14,719	-	-	2,930	17,649	4,996	22,645
Printing	6,310	7,238	557	4,454	18,559	-	18,559
Equipment	4,810	5,517	424	3,395	14,146	-	14,146
Memberships	4,633	5,314	409	3,269	13,625	486	14,111
Maintenance and repair	4,664	5,350	411	3,293	13,718	-	13,718
Utilities	4,858	1,549	484	3,098	9,989	-	9,989
Postage and messengers	3,209	3,681	283	2,265	9,438	-	9,438
Telephone	949	-	-	5,424	6,373	214	6,587
Staff development	1,933	2,218	171	1,364	5,686	380	6,066
Publications and subscriptions	704	807	62	497	2,070	507	2,577
Total other	<u>297,892</u>	<u>1,210,754</u>	<u>80,318</u>	<u>193,165</u>	<u>1,782,129</u>	<u>331,142</u>	<u>2,113,271</u>
Total expenses	<u>\$ 1,612,328</u>	<u>\$ 1,841,281</u>	<u>\$ 128,834</u>	<u>\$ 1,246,242</u>	<u>\$ 4,828,685</u>	<u>\$ 1,014,613</u>	<u>\$ 5,843,298</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION AND AFFILIATE

Supplementary Combined Statement of Functional Expenses
For the Year Ended June 30, 2014

	Enterprise Funds - CEDAC					Component Unit	(Memorandum Only) Total
	Program Expenses					The Fund	
	Housing and Intermediary Program	Child Care Program	Economic Development	Management and General	CEDAC Total		
Employee Compensation:							
Salaries	\$ 973,567	\$ 298,803	\$ 65,977	\$ 594,893	\$ 1,933,240	\$ -	\$ 1,933,240
Fringe benefits and payroll taxes	303,822	91,147	24,306	188,370	607,645	-	607,645
Total employee compensation	1,277,389	389,950	90,283	783,263	2,540,885	-	2,540,885
Professional Fees:							
Management fees	-	-	-	-	-	544,719	544,719
Contracted services	146,865	-	31,222	114,343	292,430	141,347	433,777
Legal	11,451	358	-	14,542	26,351	15,916	42,267
Accounting and audit	17,844	6,320	1,859	11,151	37,174	18,248	55,422
Total professional fees	176,160	6,678	33,081	140,036	355,955	720,230	1,076,185
Other:							
Grants and related expenses	-	150,000	44,903	-	194,903	543,955	738,858
Rent	223,481	53,556	15,302	103,287	395,626	-	395,626
Depreciation	18,991	6,726	1,978	11,869	39,564	-	39,564
Supplies and document storage	23,164	8,204	2,413	14,476	48,257	834	49,091
Insurance	8,076	2,860	841	5,048	16,825	7,066	23,891
Other expenses	9,228	3,267	961	5,766	19,222	1,393	20,615
Travel	19,480	-	-	1,591	21,071	4,073	25,144
Printing	3,163	1,120	329	1,977	6,589	-	6,589
Equipment	5,387	1,908	561	3,367	11,223	-	11,223
Memberships	5,009	1,774	522	3,130	10,435	641	11,076
Maintenance and repair	7,728	2,737	805	4,829	16,099	-	16,099
Utilities	4,954	1,187	339	2,290	8,770	-	8,770
Postage and messengers	3,160	1,119	329	1,974	6,582	-	6,582
Telephone	373	-	97	6,257	6,727	-	6,727
Staff development	2,034	720	212	1,272	4,238	1,100	5,338
Publications and subscriptions	2,132	755	222	1,333	4,442	-	4,442
Total other	336,360	235,933	69,814	168,466	810,573	559,062	1,369,635
Total expenses	\$ 1,789,909	\$ 632,561	\$ 193,178	\$ 1,091,765	\$ 3,707,413	\$ 1,279,292	\$ 4,986,705