



Community Economic Development  
Assistance Corporation

**GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

# COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Contents  
June 30, 2018 and 2017

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## Independent Auditor's Report

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

### **Report on the General Purpose Financial Statements**

We have audited the accompanying general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of June 30, 2018 and 2017, and the related 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 general purpose financial statements.

### ***Management's Responsibility for the General Purpose Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 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 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 general purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 general purpose financial statements referred to above present fairly, in all material respects, the net position of Community Economic Development Assistance Corporation as of June 30, 2018 and 2017, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

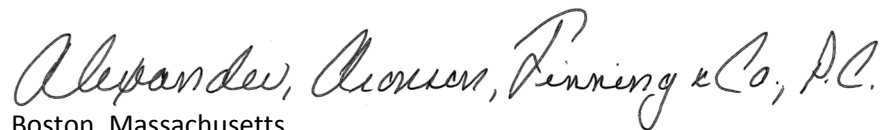
## **Other Matters**

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

### *Report on Supplementary Information*

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



Boston, Massachusetts  
September 27, 2018

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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Management's 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, 2018.

### 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 facilities. Affordable housing development is CEDAC's largest program. CEDAC is the primary provider of pre-development high risk capital to nonprofit community-based organizations in Massachusetts. While bankrolling critical early seed money needs in the form of acquisition and pre-development loans, CEDAC also provides nonprofit developers with its staff's expertise in real estate finance and development and strategic project management. In addition to its pre-development lending program, CEDAC also serves as underwriter of Housing Innovations Fund, Facilities Consolidation Fund, and the Community-Based Housing, three state-financed permanent loan programs of the Commonwealth's Department of Housing and Community Development (DHCD).

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. In June 2018, the Fund received certification as a Community Development Finance Institution (CDFI) by the U.S. Department of the Treasury's CDFI Fund.

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 capital grants to support nonprofit center-based early education and out-of-school time programs. In 2018, the Legislature re-authorized EEOST again for up to \$45 million. With the EEOST Capital Funds, EEC awards grants to providers to support acquisition, design, construction and/or renovation of the facilities funded. In the past four fiscal years, EEC and CEDAC have conducted four rounds of grant applications and awards, allocating \$19 million to projects.

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. During fiscal year 2018, CEDAC served in this capacity for the Massachusetts Rehabilitation Commission's Home Modification Loan Program and for the Boston Schoolyard Funders Collaborative's Boston Schoolyards Initiative. In June 2018, CEDAC ended its service as fiscal intermediary for the Boston Schoolyard Funders Collaborative's Boston Schoolyards Initiative. Over the nine-year period as a fiscal intermediary, CEDAC managed over \$3.4 million on behalf of the Boston Schoolyards Initiative.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Background (Continued)

CEDAC is the founding partner of the Commonwealth Workforce Coalition (CWC), a statewide workforce development 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. In fiscal year 2017, CEDAC completed the transition of the operations and management of CWC to the University of Massachusetts Boston Center for Social Policy. As workforce development is an important component of community development, CEDAC will continue to support the efforts of CWC.

### Using This Report

This financial report consists of the general purpose financial statements that report the activities of CEDAC only. In prior years, the financial report included a discreet column in each financial statement for CEDAC's former component unit, the Fund. During fiscal year 2018, the Fund's Board of Directors and CEDAC's Board of Directors voted to modify the bylaws of the Fund to reduce CEDAC's control over the Fund's governance and financial resources. This change was also approved by the United Way which had founded the organization in 1990. Therefore, as a result of these changes, the Fund's financial statements are no longer required to be reported as part of CEDAC's financial report. The Fund 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).

The Statement of Net Position for fiscal year 2018 and the prior year 2017 are found on pages 9 and 10, respectively, and show the current and long-term assets held by CEDAC and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Statement of Net Position is reported as the net position according to three different classifications: Unrestricted net position, Net position invested in capital assets, 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 (see Note 1, pages 17 and 18).

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 2018 and 2017 and also includes activities related to the EEOST Capital Fund contract with EEC for fiscal years 2018 and 2017.

The Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2018 and 2017 found on pages 11 and 12, respectively, report CEDAC's earned and contributed income received during each year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2018 and 2017 found on pages 13 and 14, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2018 and 2017, can be found on pages 35 and 36, respectively.

The Statement of Functional Expenses, presented as supplemental information, shows how CEDAC's expenses break down among the loan funds and program areas for the year.

The Statements of Fiduciary Net Position are found on page 15 and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### Using This Report (Continued)

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

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

As reported in CEDAC's general purpose financial statements, CEDAC's net position increased by \$18,228 in fiscal year 2017 and by \$378,372 in fiscal year 2018. These figures break down as follows:

	<u>Net Position</u> <u>June 30, 2016</u>	<u>Change in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2017</u>	<u>Change in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2018</u>
Operating and CEDAC Loan Funds	\$ 12,103,253	\$ (36,360)	\$ 12,066,893	\$ 303,230	\$ 12,370,123
Restricted Program Funds	<u>124,234</u>	<u>54,588</u>	<u>178,822</u>	<u>75,142</u>	<u>253,964</u>
Total	<u>\$ 12,227,487</u>	<u>\$ 18,228</u>	<u>\$ 12,245,715</u>	<u>\$ 378,372</u>	<u>\$ 12,624,087</u>

### Operating and CEDAC Loan Funds

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. CEDAC continues to manage its financial activities in light of the Commonwealth's larger economic conditions. During fiscal years 2017 and 2018, 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.

CEDAC monitors its operating performance carefully to ensure on-going agency stability and has posted surpluses in core operating activities in fiscal years 2017 and 2018. In fiscal year 2017, CEDAC's core operating activities posted a surplus of \$307,045, adjusted for a loan loss reserve adjustment. Operating results for fiscal year 2018 reflect a surplus of \$309,004 after adjusting for a loan loss reserve adjustment (see table below). The positive operating performance is a result of strong pre-development and acquisition lending activity coupled with continued strong deferred payment permanent loan underwriting. CEDAC's core operating activities can be calculated as follows:

	<u>2018</u>	<u>2017</u>
Change in net position - Operating and CEDAC Loan Funds	\$ 303,230	\$ (36,360)
Loan loss reserve adjustment	<u>5,774</u>	<u>343,405</u>
Net core operating results	<u>\$ 309,004</u>	<u>\$ 307,045</u>

The relatively large increase in loan loss reserve in fiscal year 2017 was a reflection of the normal life cycle of the portfolio as more mature, less risky loans repaid, and newer (and thus riskier) loans were deployed.

### CEDAC Housing Programs

CEDAC's lending activity was strong in fiscal year 2018, continuing a multi-year trend fueled by both an ever increasing need for affordable housing and the availability of state and local resources to help address that need.

CEDAC's early stage lending program (comprised of pre-development, acquisition, and bridge loans) utilizes short-term loan products that allow nonprofit borrowers to access capital resources to help fund a project's pre-construction 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.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### CEDAC Housing Programs (Continued)

CEDAC's early stage support has had a stabilizing effect on the nonprofit affordable housing development system in Massachusetts. Without this 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.

In fiscal year 2017, CEDAC partnered with the City of Boston, Department of Neighborhood Development (DND) to create a new loan fund to assist nonprofit developers to buy vacant or underutilized land in Boston and hold this land for up to five years before developing affordable housing. The goal of the fund is to support nonprofits to secure control of land that will be developable into affordable housing in the coming years and thereby remove this land from the speculative market. The Vacant Site Acquisition Fund includes \$2.5 million from DND, \$3 million in private bank capital, and an additional commitment from Local Initiatives Support Corporation (LISC) Boston to purchase up to \$3 million in participations. CEDAC closed on its first loan under this program in 2018.

Another new source of early stage capital that CEDAC is using effectively is a grant fund from the Kuehn Charitable Foundation. The grant enables CEDAC to provide up to \$15,000 in grants to small nonprofit organizations that are testing the feasibility of a project. To-date, CEDAC has awarded \$266,000 in grants to 18 projects. One of the early recipients of this grant was able to move forward with its project and recently closed on permanent financing.

The chart below illustrates the composition of our early stage lending portfolio, and the capital available to support it, at the end of each fiscal year, sorted by loan product. The increase in available capital in fiscal year 2017 was a result of CEDAC's success in raising capital. In addition to the Vacant Site Acquisition Fund mentioned above, CEDAC also secured a \$5 million Program Related Investment (PRI) for acquisition lending from Bank of America. In fiscal year 2018, CEDAC applied for and was awarded \$1.2 million in additional capital from the Home Funders Collaborative and increased a private bank line of credit by \$1.5 million.

<b>Portfolio Summary</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Pre-development Loans:</b>			
Capital Available	\$ 16,576,469	\$ 16,495,934	\$ 13,711,477
Current Loan Commitments	\$ 14,995,982	\$ 14,443,091	\$ 11,169,364
Commitment Ratio	90%	88%	81%
Loans Receivable	\$ 10,211,047	\$ 8,758,424	\$ 8,198,212
Deployment Ratio	68%	61%	73%
<b>Acquisition Loans:</b>			
Capital Available	\$ 42,077,767	\$ 40,024,781	\$ 30,077,479
Current Loan Commitments	\$ 21,945,125	\$ 22,690,707	\$ 24,425,750
Commitment Ratio	52%	57%	81%
Loans Receivable	\$ 15,291,382	\$ 20,503,086	\$ 19,957,581
Deployment Ratio	70%	90%	82%
<b>Bridge Loans:</b>			
Capital Available	\$ 2,000,000	\$ 2,090,952	\$ 5,926,170
Current Loan Commitments	\$ 1,200,000	\$ 1,090,952	\$ 3,362,015
Commitment Ratio	60%	52%	57%
Loans Receivable	\$ -	\$ 90,952	\$ 1,362,015
Deployment Ratio	0%	8%	41%



## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis  
June 30, 2018 and 2017

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### CEDAC Housing Programs (Continued)

New annual loan commitments are one way of gauging demand for CEDAC's early-stage financing; however, the total dollar amount of commitments will vary year-to-year based on the size of planned projects and the stage of pre-development of the project. CEDAC commits pre-development funds to projects incrementally as the project moves through the planning phases, with larger amounts of funds needed and committed the closer the project is to the construction phase.

The number of new acquisition loan commitments will also fluctuate from year-to-year with total dollar amounts affected by the number of large preservation projects requiring financing. CEDAC's Housing Preservation Initiative (described 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 past three years, one to three large Housing Preservation projects account for a significant portion of acquisition commitments. In fiscal year 2016, one \$9 million preservation project accounted for \$4 million of CEDAC's acquisition loans and \$5 million of participations to other financial institutions. In fiscal year 2017, two preservation projects accounted for \$5 million of acquisition loan commitments and \$5 million of participations to other financial institutions. In fiscal year 2018, one preservation project accounted for \$6 million of acquisition loan commitments and \$26 million of participations to other financial institutions.

Bridge loan volume is primarily affected by the timing of the flow of previously committed state bond funds. While this loan product was very important in years when state bond funds were not flowing as steadily, we expect low demand for this product in the next few years. The following chart summarizes the annual loan commitments made plus acquisition loan participations during each of the last three years:

<u>Annual Loan Commitments</u>	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development loans	\$ 7,348,162	35%	\$ 9,168,643	55%	\$ 5,032,761	35%
Acquisition loans	12,605,375	59	7,564,250	45	8,391,000	58
Bridge loans	1,200,000	6	-	-	1,000,000	7
Total	<u>\$ 21,153,537</u>	<u>100%</u>	<u>\$ 16,732,893</u>	<u>100%</u>	<u>\$ 14,423,761</u>	<u>100%</u>
Acquisition loan participations	<u>\$ 26,222,555</u>		<u>\$ 5,291,275</u>		<u>\$ 5,453,000</u>	

### Housing Preservation

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.

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

Management's Discussion and Analysis  
June 30, 2018 and 2017

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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. In May 2018, the Massachusetts Legislature passed and the Governor signed into law a \$1.8 billion capital bond bill authorizing the production and preservation of housing for low and moderate-income residents. All three of the deferred payment loan funds were re-authorized in this bill.

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 rental 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.

Recognizing this challenge, the Commonwealth provided additional capital resources to supportive housing programs beginning in 2014. Through an innovative new program created by the Legislature in 2014, the Housing Preservation and Stabilization Trust Fund (HPSTF), the Commonwealth provided subordinate debt financing, combined with operating subsidy and a modest amount of funding for services, in order to fully support the financing needs of projects that serve these target populations. CEDAC serves as the Trustee of HPSTF. In the three fiscal years 2014 through 2016, CEDAC managed increased levels of HPSTF and other capital funds, which has resulted in meeting the goal of increased supportive housing production. HPSTF loans are structured as deferred payment permanent loans with similar terms as the HIF, FCF, and CBH programs. In fiscal years 2017 and 2018, DHCD continued to hold supportive housing rounds using federal National Housing Trust funds, additional HIF funds, and funding for operating subsidy and services.

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 general purpose financial statements as a net note payable. Detailed information on gross loan receivable and note payable balances is reported on page 26 of these general purpose financial statements. As capital spending allows, DHCD transfers funds for projects to CEDAC prior to disbursement. At the end of each fiscal year, CEDAC held the following outstanding loan commitment balances (net note payable) for HIF, FCF, CBH, and HPSTF:

<u>Outstanding Commitments</u>	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 14,306,340	36%	\$ 13,629,782	33%	\$ 13,129,752	27%
Facilities Consolidation Fund	15,810,142	40	14,060,323	35	13,791,392	28
Community-Based Housing	7,550,373	19	7,677,755	19	6,085,625	12
Housing Preservation and Stabilization Trust Fund	<u>1,843,684</u>	<u>5</u>	<u>5,411,239</u>	<u>13</u>	<u>16,445,583</u>	<u>33</u>
Total	<u>\$ 39,510,539</u>	<u>100%</u>	<u>\$ 40,779,099</u>	<u>100%</u>	<u>\$ 49,452,352</u>	<u>100%</u>

## **COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Management's Discussion and Analysis  
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### **EOST Capital Fund**

In fiscal year 2014, the Massachusetts Legislature authorized \$45 million from general obligation bonds for the EOST Capital Fund 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 EOST projects provided by its affiliate, the Children's Investment Fund. In fiscal years 2015 through 2018, EEC conducted and awarded four highly competitive grant rounds, allocating a total of \$19 million. In May 2018, the Massachusetts Legislature re-authorized an additional \$45 million for the EOST Capital Fund.

The fiscal years 2018 and 2017 activity associated with the EOST Capital Fund is reported in the Restricted Program Funds column in CEDAC's general purpose financial statements. Funds released to the awarded projects are shown as Grants in the Operating Expenses of the Statements 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 Statements of Net Position.

### **Home Modification Loan Program**

In its capacity as fiscal intermediary for the Home Modification Loan Program (HMLP), CEDAC assists the Massachusetts Rehabilitation Commission (MRC) with the management of this program. HMLP provides loans up to \$50,000 to help homeowners fund modifications to keep disabled or elderly family members in their own homes and communities. CEDAC contracts with six provider agencies throughout the Commonwealth to commit, close, and disburse the loans to eligible constituents in their areas. These agencies are also responsible for managing the region's loan portfolio. The source of the funds is state capital bond funds authorized under the same legislation as the housing deferred payment loan funds and the EOST Capital Fund.

### **Economic Development**

CEDAC is the founding partner of the Commonwealth Workforce Coalition (CWC), 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.

In fiscal year 2017, CEDAC made a grant to the University of Massachusetts Boston Center for Social Policy in the amount of \$25,000. In fiscal year 2017, CEDAC completed the transition of the operations and management of CWC to the University of Massachusetts Boston Center for Social Policy. In fiscal year 2018, CEDAC provided financial support for CWC's website and staff support at the annual conference. As workforce development is an important component of community development, CEDAC will continue to support the efforts of CWC.

### **Conclusion**

As it marks its 40<sup>th</sup> year anniversary, 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 continues to experience strong activity as a result of the Commonwealth's focus on affordable and supportive housing development, the preservation of affordable housing, and the continuation of the capital grant program for the nonprofit early education and out-of-school time sector. CEDAC manages its fiscal resources prudently to ensure its continued stability and viability and is poised to address the demands for early stage loans and technical assistance brought about by increased affordable housing and child care facilities development in Massachusetts.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Net Position  
June 30, 2018

Assets	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 2,225,599	\$ -	\$ -	\$ 2,225,599
Restricted cash and cash equivalents for approximately \$53,590,000 CEDAC has committed for loans and grants (see Note 10)	6,355,266	5,636,730	49,041,731	61,033,727
Short-term investments	2,081,866	-	-	2,081,866
Accounts and interest receivable	173,919	-	1,517	175,436
Grants receivable	71,885	64,970	-	136,855
Current portion of loans receivable, net of allowance for uncollectible loans	4,973,637	-	700,000	5,673,637
Net interfund receivables (payables)	88,162	(64,968)	(23,194)	-
Other current assets	76,877	-	-	76,877
<b>Total current assets</b>	<b>16,047,211</b>	<b>5,636,732</b>	<b>49,720,054</b>	<b>71,403,997</b>
<b>Other Assets:</b>				
Interest receivable, net of allowance for uncollectible accounts	431,433	-	210,550	641,983
Loans receivable, net of current portion and allowance for uncollectible loans	9,585,243	-	8,128,865	17,714,108
Fixed assets, net of accumulated depreciation	249,440	-	-	249,440
<b>Total other assets</b>	<b>10,266,116</b>	<b>-</b>	<b>8,339,415</b>	<b>18,605,531</b>
<b>Total assets</b>	<b>\$ 26,313,327</b>	<b>\$ 5,636,732</b>	<b>\$ 58,059,469</b>	<b>\$ 90,009,528</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 176,088	\$ -	\$ -	\$ 176,088
Deferred revenue	675,688	5,382,768	1,319,628	7,378,084
Current portion of recourse notes payable	1,862,500	-	-	1,862,500
Accrued and deferred compensation	232,765	-	-	232,765
<b>Total current liabilities</b>	<b>2,947,041</b>	<b>5,382,768</b>	<b>1,319,628</b>	<b>9,649,437</b>
<b>Long-Term Liabilities:</b>				
Recourse notes payable, net of current portion	10,996,163	-	-	10,996,163
Non-recourse notes payable	-	-	56,739,841	56,739,841
<b>Total liabilities</b>	<b>13,943,204</b>	<b>5,382,768</b>	<b>58,059,469</b>	<b>77,385,441</b>
<b>Net Position:</b>				
Unrestricted net position	8,359,667	-	-	8,359,667
Invested in capital assets	249,440	-	-	249,440
Restricted net position - expendable	3,761,016	253,964	-	4,014,980
<b>Total net position</b>	<b>12,370,123</b>	<b>253,964</b>	<b>-</b>	<b>12,624,087</b>
<b>Total liabilities and net position</b>	<b>\$ 26,313,327</b>	<b>\$ 5,636,732</b>	<b>\$ 58,059,469</b>	<b>\$ 90,009,528</b>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Net Position  
June 30, 2017

<b>Assets</b>	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Operating and CEDAC Loan Funds</b>	<b>Restricted Program Funds</b>	<b>Loan Funds Under Management</b>	
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 2,190,398	\$ -	\$ -	\$ 2,190,398
Restricted cash and cash equivalents for approximately \$49,445,000 CEDAC has committed for loans and grants (see Note 10)	7,981,692	2,320,516	47,064,299	57,366,507
Short-term investments	2,086,710	-	-	2,086,710
Accounts and interest receivable	76,004	-	84	76,088
Grants receivable	57,357	94,081	-	151,438
Current portion of loans receivable, net of allowance for uncollectible loans	7,188,582	-	3,316,700	10,505,282
Net interfund receivables (payables)	(104,853)	3,737	101,116	-
Other current assets	71,124	-	-	71,124
<b>Total current assets</b>	<b>19,547,014</b>	<b>2,418,334</b>	<b>50,482,199</b>	<b>72,447,547</b>
<b>Other Assets:</b>				
Interest receivable, net of allowance for uncollectible accounts	306,197	-	265,649	571,846
Loans receivable, net of current portion and allowance for uncollectible loans	11,046,773	-	5,639,257	16,686,030
Fixed assets, net of accumulated depreciation	273,864	-	-	273,864
<b>Total other assets</b>	<b>11,626,834</b>	<b>-</b>	<b>5,904,906</b>	<b>17,531,740</b>
<b>Total assets</b>	<b>\$ 31,173,848</b>	<b>\$ 2,418,334</b>	<b>\$ 56,387,105</b>	<b>\$ 89,979,287</b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 117,918	\$ -	\$ -	\$ 117,918
Current portion of deferred revenue	688,142	2,239,512	1,202,730	4,130,384
Current portion of recourse notes payable	4,871,500	-	-	4,871,500
Due to participating lender	42,188	-	-	42,188
Current portion of non-recourse notes payable	-	-	1,000,000	1,000,000
Accrued and deferred compensation	221,370	-	-	221,370
<b>Total current liabilities</b>	<b>5,941,118</b>	<b>2,239,512</b>	<b>2,202,730</b>	<b>10,383,360</b>
<b>Long-Term Liabilities:</b>				
Recourse notes payable, net of current portion	13,053,337	-	-	13,053,337
Non-recourse notes payable, net of current portion	-	-	54,184,375	54,184,375
Deferred revenue, net of current portion	112,500	-	-	112,500
<b>Total liabilities</b>	<b>19,106,955</b>	<b>2,239,512</b>	<b>56,387,105</b>	<b>77,733,572</b>
<b>Net Position:</b>				
Unrestricted net position	8,243,583	-	-	8,243,583
Invested in capital assets	273,864	-	-	273,864
Restricted net position - expendable	3,549,446	178,822	-	3,728,268
<b>Total net position</b>	<b>12,066,893</b>	<b>178,822</b>	<b>-</b>	<b>12,245,715</b>
<b>Total liabilities and net position</b>	<b>\$ 31,173,848</b>	<b>\$ 2,418,334</b>	<b>\$ 56,387,105</b>	<b>\$ 89,979,287</b>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2018

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Operating and CEDAC Loan Funds</b>	<b>Restricted Program Funds</b>	<b>Loan Funds Under Management</b>	
<b>Operating Revenues:</b>				
Financial and related revenue:				
Interest	\$ 1,221,859	\$ 101,383	\$ 977,328	\$ 2,300,570
Loan fund management fees and other fees	296,861	-	38,335	335,196
Less - loan and interest reserve adjustment	(5,774)	-	(41,319)	(47,093)
Less - interest expense	(463,799)	-	(88,333)	(552,132)
Net financial and related revenue	1,049,147	101,383	886,011	2,036,541
Government contracts	2,293,084	1,736,794	-	4,029,878
Earned revenue and other	648,726	-	-	648,726
Restricted grants and contributions	-	437,221	-	437,221
Legal fee revenue	-	-	199,103	199,103
Legal fee expense	-	-	(199,103)	(199,103)
Management fees expense	-	(203,624)	(211,334)	(414,958)
Total operating revenues	3,990,957	2,071,774	674,677	6,737,408
<b>Operating Expenses:</b>				
Employee compensation	2,673,312	80,049	-	2,753,361
Grants and related expenses	28,544	1,712,945	-	1,741,489
Contracted services	152,283	203,638	132,627	488,548
Rent	369,240	-	-	369,240
Management fees	173,624	-	-	173,624
Supplies and document storage	39,549	-	-	39,549
Depreciation	38,104	-	-	38,104
Accounting and audit	36,800	-	-	36,800
Equipment	26,076	-	-	26,076
Other expenses	25,681	-	-	25,681
Legal	24,850	-	-	24,850
Insurance	18,871	-	-	18,871
Travel	18,184	-	-	18,184
Maintenance and repair	17,887	-	-	17,887
Memberships	10,811	-	-	10,811
Staff development	7,059	-	-	7,059
Printing	6,664	-	-	6,664
Telephone	6,497	-	-	6,497
Utilities	6,479	-	-	6,479
Postage and messengers	5,954	-	-	5,954
Publications and subscriptions	1,258	-	-	1,258
Total operating expenses	3,687,727	1,996,632	132,627	5,816,986
Changes in net position from operations	303,230	75,142	542,050	920,422
<b>Net Operations of Loan Funds Not Recourse to CEDAC</b>	-	-	(542,050)	(542,050)
Changes in net position	303,230	75,142	-	378,372
<b>Net Position:</b>				
Beginning of year	12,066,893	178,822	-	12,245,715
End of year	\$ 12,370,123	\$ 253,964	\$ -	\$ 12,624,087

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Operating and CEDAC Loan Funds</b>	<b>Restricted Program Funds</b>	<b>Loan Funds Under Management</b>	
<b>Operating Revenues:</b>				
Financial and related revenue:				
Interest	\$ 1,285,216	\$ 43,245	\$ 683,445	\$ 2,011,906
Loan fund management fees and other fees	392,405	-	13,000	405,405
Less - loan and interest reserve adjustment	(343,405)	-	31,662	(311,743)
Less - interest expense	(549,128)	-	(87,000)	(636,128)
Net financial and related revenue	785,088	43,245	641,107	1,469,440
Government contracts	2,191,247	4,349,912	-	6,541,159
Earned revenue and other	619,962	195	-	620,157
Restricted grants and contributions	-	492,776	-	492,776
Legal fee revenue	-	-	186,954	186,954
Legal fee expense	-	-	(186,954)	(186,954)
Management fees expense	-	(249,000)	(142,936)	(391,936)
Total operating revenues	<u>3,596,297</u>	<u>4,637,128</u>	<u>498,171</u>	<u>8,731,596</u>
<b>Operating Expenses:</b>				
Employee compensation	2,521,422	71,814	-	2,593,236
Grants and related expenses	-	4,341,231	-	4,341,231
Contracted services	163,922	168,113	-	332,035
Rent	394,006	-	-	394,006
Management fees	219,000	-	-	219,000
Supplies and document storage	42,838	-	-	42,838
Depreciation	37,570	-	-	37,570
Accounting and audit	36,675	-	-	36,675
Equipment	3,069	-	-	3,069
Other expenses	23,475	-	-	23,475
Legal	72,508	1,382	-	73,890
Insurance	17,659	-	-	17,659
Travel	15,317	-	-	15,317
Maintenance and repair	18,487	-	-	18,487
Memberships	21,039	-	-	21,039
Staff development	9,279	-	-	9,279
Printing	13,818	-	-	13,818
Telephone	7,925	-	-	7,925
Utilities	7,573	-	-	7,573
Postage and messengers	6,626	-	-	6,626
Publications and subscriptions	449	-	-	449
Total operating expenses	<u>3,632,657</u>	<u>4,582,540</u>	<u>-</u>	<u>8,215,197</u>
Changes in net position from operations	(36,360)	54,588	498,171	516,399
<b>Net Operations of Loan Funds Not Recourse to CEDAC</b>				
	<u>-</u>	<u>-</u>	<u>(498,171)</u>	<u>(498,171)</u>
Changes in net position	(36,360)	54,588	-	18,228
<b>Net Position:</b>				
Beginning of year	<u>12,103,253</u>	<u>124,234</u>	<u>-</u>	<u>12,227,487</u>
End of year	<u>\$ 12,066,893</u>	<u>\$ 178,822</u>	<u>\$ -</u>	<u>\$ 12,245,715</u>

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Cash Flows  
For the Year Ended June 30, 2018

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Operating and CEDAC Loan Funds</b>	<b>Restricted Program Funds</b>	<b>Loan Funds Under Management</b>	
<b>Cash Flows from Operating Activities:</b>				
Receipts from funders, net of management fees expense	\$ 2,930,375	\$ 4,980,000	\$ 316,000	\$ 8,226,375
Interest and fees received on loans	1,186,094	-	477,078	1,663,172
Interest received on bank deposits	153,165	101,383	600,506	855,054
Employee compensation	(2,673,421)	-	-	(2,673,421)
Payments for supplies and services	(1,018,331)	(271,079)	(543,062)	(1,832,472)
Payments to grantees	-	(1,562,795)	-	(1,562,795)
Interest payments to lenders	(427,169)	-	(88,333)	(515,502)
Internal activity - payments between funds	(193,015)	68,705	124,310	-
Net cash provided by (used in) operating activities	<u>(42,302)</u>	<u>3,316,214</u>	<u>886,499</u>	<u>4,160,411</u>
<b>Cash Flows from Investing Activities:</b>				
Loans disbursed	(8,398,723)	-	(37,645,656)	(46,044,379)
Proceeds from loan repayments	11,966,998	-	6,111,763	18,078,761
Purchase of investments	(4,061,518)	-	-	(4,061,518)
Maturity of investments	4,066,362	-	-	4,066,362
Acquisition of fixed assets	(13,680)	-	-	(13,680)
Net cash provided by (used in) investing activities	<u>3,559,439</u>	<u>-</u>	<u>(31,533,893)</u>	<u>(27,974,454)</u>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from notes payable	2,808,755	-	32,624,826	35,433,581
Decrease in due to participating lender	(42,188)	-	-	(42,188)
Repayments of principal of notes payable	(7,874,929)	-	-	(7,874,929)
Net cash provided by (used in) financing activities	<u>(5,108,362)</u>	<u>-</u>	<u>32,624,826</u>	<u>27,516,464</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,591,225)</b>	<b>3,316,214</b>	<b>1,977,432</b>	<b>3,702,421</b>
<b>Cash and Cash Equivalents:</b>				
Beginning of year	<u>10,172,090</u>	<u>2,320,516</u>	<u>47,064,299</u>	<u>59,556,905</u>
End of year	<u>\$ 8,580,865</u>	<u>\$ 5,636,730</u>	<u>\$ 49,041,731</u>	<u>\$ 63,259,326</u>
<b>Reconciliation of Changes in Net Position to Net Cash Provided by (Used in) Operating Activities:</b>				
Changes in net position	\$ 303,230	\$ 75,142	\$ -	\$ 378,372
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:				
Depreciation	38,104	-	-	38,104
Loan and interest reserve adjustment	5,774	-	41,319	47,093
Net operations of loan funds not recourse to CEDAC	-	-	542,050	542,050
Changes in operating assets and liabilities:				
Accounts and interest receivable	(97,915)	-	(1,433)	(99,348)
Grants receivable	(14,528)	29,111	-	14,583
Interfund receivables (payables)	(193,015)	68,705	124,310	-
Other current assets	(5,753)	-	-	(5,753)
Interest receivable	(22,810)	-	63,355	40,545
Accounts payable and accrued expenses	58,170	-	-	58,170
Deferred revenue	(124,954)	3,143,256	116,898	3,135,200
Accrued and deferred compensation	11,395	-	-	11,395
Net cash provided by (used in) operating activities	<u>\$ (42,302)</u>	<u>\$ 3,316,214</u>	<u>\$ 886,499</u>	<u>\$ 4,160,411</u>



**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statement of Cash Flows  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>			<b>Total</b>
	<b>Operating and CEDAC Loan Funds</b>	<b>Restricted Program Funds</b>	<b>Loan Funds Under Management</b>	
<b>Cash Flows from Operating Activities:</b>				
Receipts from funders, net of management fees expense	\$ 2,960,058	\$ 180,195	\$ 386,000	\$ 3,526,253
Interest and fees received on loans	1,526,053	-	221,821	1,747,874
Interest received on bank deposits	74,990	43,246	387,960	506,196
Employee compensation	(2,520,184)	-	-	(2,520,184)
Payments for supplies and services	(1,173,323)	(308,500)	(330,287)	(1,812,110)
Payments to grantees	-	(4,191,131)	-	(4,191,131)
Interest payments to lenders	(558,354)	-	(87,000)	(645,354)
Internal activity - payments between funds	225,722	(79,754)	(145,968)	-
Net cash provided by (used in) operating activities	<u>534,962</u>	<u>(4,355,944)</u>	<u>432,526</u>	<u>(3,388,456)</u>
<b>Cash Flows from Investing Activities:</b>				
Loans disbursed	(11,270,135)	-	(44,176,197)	(55,446,332)
Proceeds from loan repayments	12,680,767	-	4,817,186	17,497,953
Purchase of investments	(2,086,710)	-	-	(2,086,710)
Acquisition of fixed assets	(285,228)	-	-	(285,228)
Net cash used in investing activities	<u>(961,306)</u>	<u>-</u>	<u>(39,359,011)</u>	<u>(40,320,317)</u>
<b>Cash Flows from Financing Activities:</b>				
Proceeds from notes payable	8,652,336	-	29,099,992	37,752,328
Decrease in due to participating lender	(42,188)	-	-	(42,188)
Repayments of principal of notes payable	(6,579,303)	-	-	(6,579,303)
Net cash provided by financing activities	<u>2,030,845</u>	<u>-</u>	<u>29,099,992</u>	<u>31,130,837</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,604,501</b>	<b>(4,355,944)</b>	<b>(9,826,493)</b>	<b>(12,577,936)</b>
<b>Cash and Cash Equivalents:</b>				
Beginning of year	<u>8,567,589</u>	<u>6,676,460</u>	<u>56,890,792</u>	<u>72,134,841</u>
End of year	<u>\$ 10,172,090</u>	<u>\$ 2,320,516</u>	<u>\$ 47,064,299</u>	<u>\$ 59,556,905</u>
<b>Reconciliation of Changes in Net Position to Net Cash Provided by (Used in) Operating Activities:</b>				
Changes in net position	\$ (36,360)	\$ 54,588	\$ -	\$ 18,228
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:				
Depreciation	37,570	-	-	37,570
Loan and interest reserve adjustment	343,405	-	(31,662)	311,743
Net operations of loan funds not recourse to CEDAC	-	-	498,171	498,171
Changes in operating assets and liabilities:				
Accounts and interest receivable	2,251	-	(84)	2,167
Grants receivable	17,643	(18,064)	-	(421)
Interfund receivables (payables)	225,722	(79,754)	(145,968)	-
Other current assets	(290)	-	-	(290)
Interest receivable	117,358	-	(86,581)	30,777
Accounts payable and accrued expenses	(109,175)	(34,616)	-	(143,791)
Deferred revenue	(59,278)	(4,278,098)	198,650	(4,138,726)
Accrued and deferred compensation	(3,884)	-	-	(3,884)
Net cash provided by (used in) operating activities	<u>\$ 534,962</u>	<u>\$ (4,355,944)</u>	<u>\$ 432,526</u>	<u>\$ (3,388,456)</u>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Statements of Fiduciary Net Position  
June 30, 2018 and 2017

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<b>Assets</b>	<b>CEDAC Agency Fund</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 3,515,523	\$ 7,128,680
Total assets	<u>\$ 3,515,523</u>	<u>\$ 7,128,680</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities:</b>		
Agency funds held for others	\$ 3,515,523	\$ 7,128,680
<b>Net Position</b>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 3,515,523</u>	<u>\$ 7,128,680</u>

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 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.

Prior to fiscal year 2018, CEDAC maintained 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 maintained certain rights with regard to the composition of the Fund's Board of Directors. During fiscal year 2018, the Fund's Board of Directors, CEDAC's Board of Directors, and United Way voted to modify the bylaws of the Fund to eliminate CEDAC's control over the Fund's governance and financial resources. The Fund 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).

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.

CEDAC is exempt from Federal income taxes as an organization (not private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). CEDAC is also exempt from state income taxes. Donors may deduct contributions made to CEDAC within the IRC regulations.

#### SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation - GASB Standards

The accompanying general purpose financial statements were prepared on the accrual basis of accounting. Because CEDAC is a quasi-public corporation, its accounting policies and 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.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Basis of Presentation - GASB Standards (Continued)

Prior to fiscal year 2018, under the 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 was discretely presented in general purpose financial statements as a component unit of CEDAC. A "Memorandum Only Total" was presented in accordance with these GASB standards. With the changes to the Fund's bylaws in fiscal year 2018, the Fund is no longer considered a component unit for financial reporting purposes, and its financial statements are no longer provided in a discrete column in these financial statements. In addition, for comparative purposes, the fiscal year 2017 statements no longer include the discrete Fund column and the Memorandum Only Total.

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, 2018 and 2017, CEDAC has set aside \$1,752,368 and \$1,650,739, respectively, for the operating reserve. Allowances for potential loan losses have been calculated and provisioned for CEDAC Loan Funds (see Notes 4 and 5). To the extent possible and should the provisioned allowances in CEDAC Loan Funds prove insufficient, the Board may authorize the transfer of funds to the CEDAC Loan Funds to help maintain lending capacity.

**CEDAC Loan Funds** - The CEDAC Loan Funds consist of \$6,607,299 and \$6,592,844 of unrestricted net position designated by the Board of Directors as of June 30, 2018 and 2017, 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 statements of net position because the timing of repayment 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 statements of net position as notes payable to funding sources (see Note 2).

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 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, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
CEDAC Loan Funds	\$ 6,607,299	\$ 6,592,844
Operating net position	<u>1,752,368</u>	<u>1,650,739</u>
	<u>\$ 8,359,667</u>	<u>\$ 8,243,583</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 \$249,440 and \$273,864 as of June 30, 2018 and 2017, respectively, are presented in the accompanying statements of net position as net position invested in capital assets.

**Restricted Net Position - Expendable** - Included in this classification are 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 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 \$253,964 and \$178,822 at June 30, 2018 and 2017, respectively, are those funds associated with the certain programs.

**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 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 statements of revenues, expenses and changes in net position.

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 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 statement of fiduciary net position (see Note 6).

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks, the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see Note 7), and certificates of deposit with initial maturities of three months or less. The Federal Deposit Insurance Corporation insures the balances held in banks up to certain amounts. At certain times during the year, the balances exceeded the insured limits. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions.

The MMDT cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The MMDT cash portfolio adheres to GASB Statement 79 (GASB 79), *Certain External Investment Pools and Pool Participants*, which amends GASB Statement 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes of all its investments at amortized cost. Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity.

CEDAC's balances held in the MMDT amounted to approximately \$61.3 million and \$60.0 million as of June 30, 2018 and 2017, respectively, which includes money held as a fiduciary (see Note 6). The MMDT cash 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).

##### Investments

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

##### 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.

##### Loans Receivable and Allowance for Uncollectible Loans

Loans receivable are stated net of an allowance for losses. Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding (see below).

Provisions are made for estimated loan losses based on management's evaluation of each loan. Loss recoveries are recorded in the year the recovery is known. The allowance for uncollectible loans (see Note 5) is established through the provision for loan losses and is charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, and current economic conditions that may affect the borrower's ability to repay.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fixed Assets

Fixed assets consist of office equipment and leasehold improvements, which are depreciated on the straight-line method over their estimated useful lives of three to five years or the life of the lease. CEDAC fixed assets are recorded at cost and totaled \$525,489 and \$512,996 at June 30, 2018 and 2017, respectively. Accumulated depreciation at June 30, 2018 and 2017, totaled \$276,049 and \$239,132, respectively.

##### 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).

##### Fair Value Measurements

CEDAC follows the accounting and disclosure standards pertaining to GASB Statement 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that CEDAC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

CEDAC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of CEDAC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

##### Estimates

The preparation of 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 general purpose financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue Recognition

Contract revenue, fees for service and interest is recognized when earned. Grants and contributions are recognized as operating revenue when unconditionally pledged or committed. All other revenue is recognized when earned.

##### 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.

##### Federal and State Grants and Contracts

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

##### Subsequent Events

Subsequent events have been evaluated through September 27, 2018, which is the date the general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the 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 Funds 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, 2018 and 2017.

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 on a quarterly basis at a rate of 4.0% and the principal balance is due at maturity on June 30, 2020. The loan is generally reviewed and renewed every three years.
- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition, pre-development, and bridge loans to projects where a minimum of twenty percent of the housing units will support families with incomes at or below thirty percent of median income. Acquisition loans are secured by first mortgages. Bridge loans are secured by an assignment and pledge by the state source being financed. The principal balance and repayment terms are adjusted periodically as Home Funders raises additional capital to fund loans. The loan requires periodic payments of principal based on additional capitalizations provided by the funders of Home Funders. The maturity date can be extended as additional capitalizations are received. The loan matures in June 2023, with borrowing authority of up to \$8.9 million. Interest is payable semi-annually at a rate of 1%. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.



## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Massachusetts Housing Partnership (MHP) Acquisition Loan Fund** included a \$5 million line of credit with the MHP Fund to provide funding for real estate acquisition loans secured by first mortgages. The line of credit was fully repaid upon maturity on April 30, 2017.
- **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.
- **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 on June 29, 2017.
- **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. Principal and all remaining interest accrue to the loan fund under the terms of the agreement.
- **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. In fiscal year 2018, the agreement was amended to increase the available capital and extend the maturity date five more years. The total commitment under this line of credit is \$3 million, with \$1.5 million available for acquisition/bridge loans and \$1.5 million 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 2.15% or the Federal Home Loan Bank Three-Year Classic rate, plus 2.15%, both fixed at January 1<sup>st</sup> of each year for draws made during the calendar year. For pre-development loans, interest is payable quarterly at the bank's base lending rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively). The line of credit is an unsecured revolving line of credit, with maturity in January 2023.

The agreement contains various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. At June 30, 2018 and 2017, 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. The line of credit is an unsecured revolving line of credit maturing in November 2018. Interest is payable quarterly at the bank's base rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively), plus 0.5%, but not lower than 4% or higher than 5%. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Eastern Bank Acquisition Line of Credit** was executed during 2005 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$14.5 million. 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 2018.

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>
Prior to January 28, 2013	Ninety-day LIBOR plus 3% or a fixed rate of 4%
January 29, 2013 to November 13, 2016	Ninety-day LIBOR plus 3% or a fixed rate of 3.5%
November 14, 2016 - Present	Ninety-day LIBOR plus 1.90% or a fixed rate of 3.5%

The ninety-day London Interfund Offered Rate (LIBOR) was 2.34% and 1.26% at June 30, 2018 and 2017, respectively. The agreement contains various covenants. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.

- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2011 to provide capital to finance bridge loans to nonprofit organizations to move into construction where the nonprofit organization has a commitment from state funding sources for disbursement in future years. The total commitment under this line of credit is \$2 million. 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 2018. The interest rate for loans is 4.75%. Interest is payable quarterly. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.
- **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 that was set to mature on July 28, 2018, at which time the maturity date was extended to July 25, 2020. The bank granted a 90-day extension as it prepared a two-year amendment. The interest rate for amounts borrowed was a fixed rate of 3.5% and will increase with the two-year amendment to a fixed rate of 4.375%. Interest is payable quarterly. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.
- **The Bank of America Acquisition Line of Credit**, a Program-Related Investment (PRI) of Bank of America Community Development Corporation, was executed during fiscal year 2017 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The commitment under this line of credit is \$5 million, with a two-year draw period ending in March 2019. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit, maturing on March 21, 2022. The interest rate on the loan is 2.5%. As of June 30, 2018 and 2017, CEDAC was in compliance with all covenants of the agreement.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

- **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 matures and is payable on the extended maturity date of October 1, 2020, and is unsecured. The interest rate on the loan is 2%.
- **The City of Boston Vacant Site Acquisition Loan Fund** was created in fiscal year 2017 and funded in fiscal year 2018 to assist nonprofit developers to buy vacant or underutilized land in Boston and hold this land for up to three years before developing affordable housing. The Fund was capitalized with a \$2.5 million non-interest bearing note from the City of Boston Department of Neighborhood Development (DND). Any undisbursed or repaid funds shall be paid back to DND in July 2020, unless otherwise directed by DND.
- **The Citizens Bank Vacant Site Acquisition Line of Credit** was executed during fiscal year 2018 to fund the City of Boston Vacant Site Acquisition Loan Fund. The commitment under this revolving line of credit is \$3 million, with a three year draw period ending in June 2020. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with an initial maturity of June 30, 2020, with two automatic twelve-month extensions with thirty days’ notice. The outstanding principal balance of the revolving loan will bear interest at a rate of 3.51%, payable quarterly. As of June 30, 2018, CEDAC was in compliance with all covenants of the agreement.

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

	<u>2018</u>	<u>2017</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 2,000,000	\$ 2,000,000
The Housing Preservation Loan Fund	3,000,000	3,000,000
Eastern Bank Loan Funds	4,082,413	10,451,870
Boston Private Bank Lines	-	972,967
Rockland Trust Acquisition Line	1,000,000	1,000,000
Bank of America Acquisition Line	2,465,000	500,000
Citizens Bank Acquisition Line	<u>311,250</u>	<u>-</u>
Total CEDAC Loan Funds	<u>12,858,663</u>	<u>17,924,837</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	8,989,205	8,755,650
DND Loan Fund	796,719	788,391
DND Vacant Site Acquisition Loan Fund	2,505,960	-
HSF Acquisition Loan Fund	1,617,213	1,716,690
AHT Pre-development Loan Fund	2,695,809	2,535,832
Net DMH Trust (see Note 3)	624,396	608,713
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>39,510,539</u>	<u>40,779,099</u>
Total Loan Funds Under Management	<u>56,739,841</u>	<u>55,184,375</u>
	<u>\$ 69,598,504</u>	<u>\$ 73,109,212</u>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

**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>Estimated Interest</u>	<u>Total Debt Service</u>
2019	\$ 1,862,500	\$ -	\$ 292,267	\$ 2,154,767
2020	4,186,750	6,198,488	289,375	10,674,613
2021	4,344,413	2,092,213	204,625	6,641,251
2022	2,465,000	-	82,250	2,547,250
2023	-	8,314,205	82,250	8,396,455
	<u>12,858,663</u>	<u>16,604,906</u>	<u>950,767</u>	<u>30,414,336</u>
DMH MetState Fund	-	624,396	-	624,396
Deferred payment loans	-	39,510,539	-	39,510,539
	<u>\$ 12,858,663</u>	<u>\$ 56,739,841</u>	<u>\$ 950,767</u>	<u>\$ 70,549,271</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).

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 notes payable to them upon satisfactory periodic review. In addition, CEDAC may also seek to negotiate extensions of lending arrangements that have funded underlying loans receivable (see Note 4) to CEDAC which may be extended in the ordinary course of business. This schedule reflects certain adjustments for the impact of agreement renewals and extensions.

**3. UNDERWRITING, 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 Program, 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 \$199,103 and \$186,954 of legal fees during fiscal years 2018 and 2017, 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.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

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

- **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 \$25.5 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 general purpose financial statements net of loans receivable at June 30, 2018 and 2017.

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

<b>2018</b>	<b>HIF</b>	<b>FCF</b>	<b>CBH</b>	<b>HPSTF</b>	<b>Total</b>
Note payable	\$ 242,525,327	\$ 153,510,222	\$ 55,035,953	\$ 24,284,074	\$ 475,355,576
Less - loans receivable	<u>228,218,987</u>	<u>137,700,080</u>	<u>47,485,580</u>	<u>22,440,390</u>	<u>435,845,037</u>
Net note payable	<u>\$ 14,306,340</u>	<u>\$ 15,810,142</u>	<u>\$ 7,550,373</u>	<u>\$ 1,843,684</u>	<u>\$ 39,510,539</u>
<b>2017</b>	<b>HIF</b>	<b>FCF</b>	<b>CBH</b>	<b>HPSTF</b>	<b>Total</b>
Note payable	\$ 228,485,416	\$ 141,340,996	\$ 50,829,486	\$ 24,350,856	\$ 445,006,754
Less - loans receivable	<u>214,855,634</u>	<u>127,280,673</u>	<u>43,151,731</u>	<u>18,939,617</u>	<u>404,227,655</u>
Net note payable	<u>\$ 13,629,782</u>	<u>\$ 14,060,323</u>	<u>\$ 7,677,755</u>	<u>\$ 5,411,239</u>	<u>\$ 40,779,099</u>

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

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

**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, 2018 and 2017, CEDAC held \$112,500 for administration and compliance. These funds are included in deferred revenue in the accompanying general purpose financial statements (see Note 9). Interest accrues to the loan fund, which can be used to fund additional program costs as may be mutually agreed between DMH and CEDAC.

Gross loan receivable and note payable are as follows:

	<u>2018</u>	<u>2017</u>
Note payable	\$ 3,561,685	\$ 3,546,002
Less - loans receivable	<u>2,937,289</u>	<u>2,937,289</u>
Net note payable	<u>\$ 624,396</u>	<u>\$ 608,713</u>

**4. LOANS RECEIVABLE**

CEDAC's loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2018 and 2017. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC's 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 7.9%, and are secured by a first mortgage on the property acquired. Interest on acquisition loans is due quarterly and principal is due on the earlier of the loan'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>2018</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	55	\$ 10,211,047	\$ (1,197,850)	\$ 9,013,197
Acquisition loans	<u>17</u>	<u>15,291,382</u>	<u>(916,834)</u>	<u>14,374,548</u>
Total	<u>72</u>	25,502,429	(2,114,684)	23,387,745
Less - current portion		<u>5,936,780</u>	<u>(263,143)</u>	<u>5,673,637</u>
Long-term portion		<u>\$ 19,565,649</u>	<u>\$ (1,851,541)</u>	<u>\$ 17,714,108</u>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

**4. LOANS RECEIVABLE (Continued)**

<u>2017</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	63	\$ 8,758,424	\$ (1,350,343)	\$ 7,408,081
Bridge loans	1	90,952	(1,819)	89,133
Acquisition loans	<u>20</u>	<u>20,503,086</u>	<u>(808,988)</u>	<u>19,694,098</u>
Total	<u>84</u>	29,352,462	(2,161,150)	27,191,312
Less - current portion		<u>10,940,710</u>	<u>(435,428)</u>	<u>10,505,282</u>
Long-term portion		<u>\$ 18,411,752</u>	<u>\$ (1,725,722)</u>	<u>\$ 16,686,030</u>

See Note 10 for disclosure of loan commitments.

**5. ALLOWANCE FOR UNCOLLECTIBLE LOANS**

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

Activity in the allowance is summarized as following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Balance, June 30, 2016</b>	\$ 1,997,393	\$ 269,688	\$ 2,267,081
Changes to allowance	252,056	59,687	311,743
Loans forgiven	<u>(88,299)</u>	<u>-</u>	<u>(88,299)</u>
<b>Balance, June 30, 2017</b>	2,161,150	329,375	2,490,525
Changes to allowance	57,667	(10,574)	47,093
Loans and interest forgiven	<u>(104,133)</u>	<u>(100,107)</u>	<u>(204,240)</u>
<b>Balance, June 30, 2018</b>	<u>\$ 2,114,684</u>	<u>\$ 218,694</u>	<u>\$ 2,333,378</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 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 Modification Loan Program (HMLP). 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 HMLP.

CEDAC serves as fiscal sponsor for a collaborative funding program of a group of Boston-based foundations, the Boston Schoolyards Funders 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 Funders Collaborative voted to cease operations, acknowledging that the program had substantially accomplished its mission. CEDAC continued to serve as fiscal sponsor until the program fully closed at the end of fiscal year 2018.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

**6. AGENCY FUNDS HELD FOR OTHERS (Continued)**

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

	<u>2018</u>	<u>2017</u>
MRC HMLP	\$ 3,515,523	\$ 7,100,165
Boston Schoolyards Funders Collaborative	<u>-</u>	<u>28,515</u>
Total	<u>\$ 3,515,523</u>	<u>\$ 7,128,680</u>

**7. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

The table below represents CEDAC's total cash, cash equivalents and investments, excluding Agency Funds (see Note 6), as of June 30, 2018:

<u>2018</u>			<u>Investment Maturities (in years)</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 57,794,940	\$ 57,794,940	\$ 57,794,940	\$ -
Other cash	5,464,386	5,464,386	5,464,386	-
Certificates of deposit	<u>2,081,866</u>	<u>2,081,866</u>	<u>2,081,866</u>	<u>-</u>
Total	<u>\$ 65,341,192</u>	<u>\$ 65,341,192</u>	<u>\$ 65,341,192</u>	<u>\$ -</u>

The table below represents CEDAC's total cash, cash equivalents and investments, excluding Agency Funds, as of June 30, 2017:

<u>2017</u>			<u>Investment Maturities (in years)</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 52,830,473	\$ 52,830,473	\$ 52,830,473	\$ -
Other cash	6,726,432	6,726,432	6,726,432	-
Certificates of deposit	<u>2,086,710</u>	<u>2,086,710</u>	<u>2,086,710</u>	<u>-</u>
Total	<u>\$ 61,643,615</u>	<u>\$ 61,643,615</u>	<u>\$ 61,643,615</u>	<u>\$ -</u>



**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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

The table below represents funds held by the 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:

<b>Securities With an Effective Maturity of:</b>	<b>Percentage of Total Net Position</b>	
	<b>2018</b>	<b>2017</b>
1 - 30 Days	71.7%	59.1%
31 - 90 Days	20.4%	25.0%
91 - 180 Days	7.9%	14.0%
181 - 365 Days	-	1.9%
Total	<u>100.0%</u>	<u>100.0%</u>

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

<b>2018</b>	<b>Fair Value</b>	<b>Credit Quality Ratings</b>	
		<b>AAA</b>	<b>Unrated</b>
Massachusetts Municipal Depository Trust	\$ 57,794,940	See below	
Other cash	5,464,386	\$ -	\$ 5,464,386
Certificates of deposit	<u>2,081,866</u>	-	<u>2,081,866</u>
Total	<u>\$ 65,341,192</u>	<u>\$ -</u>	<u>\$ 7,546,252</u>

<b>2017</b>	<b>Fair Value</b>	<b>Credit Quality Ratings</b>	
		<b>AAA</b>	<b>Unrated</b>
Massachusetts Municipal Depository Trust	\$ 52,830,473	See below	
Other cash	6,726,432	\$ -	\$ 6,726,432
Certificates of deposit	<u>2,086,710</u>	-	<u>2,086,710</u>
Total	<u>\$ 61,643,615</u>	<u>\$ -</u>	<u>\$ 8,813,142</u>

The MMDT cash portfolio may only invest in securities rated in the highest rating category (if rated) or evaluated by the portfolio's investment adviser to be of equivalent credit quality (if unrated) and bank deposits meeting the portfolio credit quality requirements of GASB Statement 79. Investments that were permissible at the time acquired may continue to be held to the extent consistent with GASB Statement 79.

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 MMDT cash portfolio follows applicable regulations in determining whether a security is rated and whether a security rated by multiple nationally recognized statistical rating organizations in different rating categories should be identified as a First or Second Tier security.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 7. CASH, CASH EQUIVALENTS AND INVESTMENTS (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	
	First Tier	Second Tier
2018	100.0%	- %
2017	100.0%	- %

### 8. DEFERRED COMPENSATION PLAN

CEDAC has a deferred compensation plan which is qualified under Section 403(b) of the IRC. The plan calls for required employee contributions of 3% of the employee's gross salary, and CEDAC matches the employee's required contribution with a contribution of 4.5% of gross salary each pay period. CEDAC's contributions for the years ended June 30, 2018 and 2017, were \$99,839 and \$94,273, respectively, and are included in employee compensation in the accompanying general purpose financial statements.

In addition, CEDAC has established a deferred compensation plan as a fringe benefit, whereby in each pay period 5.5% of each employee's gross wages are deposited into a separate cash account. At each employee's anniversary date of employment, the employee has the option of withdrawing the amount accumulated in his or her name or transferring the entire amount into a deferred compensation account to which employees may make voluntary contributions. CEDAC's contributions were \$111,350 and \$105,430 for the years ended June 30, 2018 and 2017, respectively, and are included in employee compensation in the accompanying general purpose financial statements.

### 9. DEFERRED REVENUE

Deferred revenue consists of unearned underwriting fees and grants which have been received but not yet earned or disbursed as of June 30, 2018 and 2017.

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. In May 2018, the Legislature authorized up to another \$45 million. 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

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 9. DEFERRED REVENUE (Continued)

CEDAC contracts with 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, and other third-party expenses incurred in the administration of the program. The net amount of cash on-hand at CEDAC for future disbursements for grantees and related fees was \$5,382,768 and \$2,239,512 at June 30, 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Operating and CEDAC Loan Funds:		
Unearned underwriting fees and grants	\$ 563,188	\$ 688,142
Unearned underwriting fees and monitoring DMH MetState Trust Loan Program	<u>112,500</u>	<u>112,500</u>
Total Operating and CEDAC Loan Funds	675,688	800,642
Restricted Program Funds:		
EEOST contract	5,382,768	2,239,512
Loan Funds Under Management:		
Deferred legal fees	<u>1,319,628</u>	<u>1,202,730</u>
Total deferred revenue	<u>\$ 7,378,084</u>	<u>\$ 4,242,884</u>

### 10. COMMITMENTS

#### Facility Lease

CEDAC maintains a ten-year operating lease for new office space which runs through December 2026. The lease may be extended by one five-year period at CEDAC's option. The lease is secured by an irrevocable standby letter of credit issued by a bank in the amount of \$119,972. Rental payments may be adjusted for increases in taxes and operating costs above specific amounts. CEDAC rents additional office space in Northampton, Massachusetts as a tenant-at-will.

Rental expenses under these leases were \$369,240 and \$394,006 for the years ended June 30, 2018 and 2017, respectively, and are reported as rent in the accompanying statements of revenues, expenses and changes in net position.

Future minimum payments under these lease obligations are as follows for the years ending June 30:

2019	\$ 359,916
2020	\$ 374,070
2021	\$ 384,180
2022	\$ 384,180
2023	\$ 398,334
2024 -2027	\$ 1,395,517

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**Notes to General Purpose Financial Statements  
June 30, 2018 and 2017**10. COMMITMENTS (Continued)****Loan and Grant Commitments**

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

	<u>2018</u>	<u>2017</u>
Subordinated deferred payment loans	\$ 40,134,935	\$ 41,387,812
Pre-development, acquisition and bridge loans	38,141,107	38,224,751
EEOST grant program	5,382,768	2,239,512
Pre-development grants	<u>159,624</u>	<u>81,004</u>
Total commitments	83,818,434	81,933,079
Less - loans receivable	<u>(25,502,429)</u>	<u>(29,352,462)</u>
Total outstanding commitments	58,316,005	52,860,617
Less - commitments to be drawn under credit lines	<u>(4,725,888)</u>	<u>(3,135,474)</u>
Total outstanding commitments held in cash	<u>\$ 53,590,117</u>	<u>\$ 49,445,143</u>

**11. RELATED PARTY TRANSACTIONS**

CEDAC has a contract with the Fund (see Note 1) to provide administrative and management services to the Fund. CEDAC invoices for direct staff time and provides certain indirect management services in-kind. The Fund also provides underwriting and other services for CEDAC to qualified recipients for awards under the EEOST Capital Fund Program. A summary of activity with the Fund is as follows as of June 30:

	<u>2018</u>	<u>2017</u>
<b>Contracted staffing:</b>		
Services provided to the Fund during fiscal year	\$ 594,515	\$ 597,360
Less - amounts invoiced by CEDAC	<u>(518,620)</u>	<u>(547,572)</u>
Net in-kind services to the Fund	<u>\$ 75,895</u>	<u>\$ 49,788</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 38,504</u>	<u>\$ 45,972</u>
<b>EEOST services provided to CEDAC by the Fund:</b>		
Services provided by the Fund during the fiscal year	<u>\$ 173,624</u>	<u>\$ 219,000</u>

CEDAC received and passed-through to the Fund \$150,000 in fiscal years 2018 and 2017 from donors who restricted these gifts for the Fund's activities.

CEDAC has a contract with the Fund to provide the contracted staffing services noted above during fiscal year 2019.

## COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2018 and 2017

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### 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2018 and 2017, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,225,599	\$ 2,225,599	\$ 2,190,398	\$ 2,190,398
Restricted cash and cash equivalents	\$ 61,033,727	\$ 61,033,727	\$ 57,366,507	\$ 57,366,507
Investments	\$ 2,081,866	\$ 2,081,866	\$ 2,086,710	\$ 2,086,710
Loans receivable, net	\$ 23,387,745	See below	\$ 27,191,312	See below
Notes payable to funding sources	\$ 69,598,504	See below	\$ 73,109,212	See below

**Cash and cash equivalents, restricted cash and cash equivalents, and investments** - The carrying amounts reported in the accompanying 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, 2018 and 2017.

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Supplementary Statement of Functional Expenses  
For the Year Ended June 30, 2018

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Program Expenses</b>				
	<b>Housing and Intermediary Program</b>	<b>Child Care Program</b>	<b>Economic Develop- ment</b>	<b>Management and General</b>	
<b>Employee Compensation:</b>					
Salaries	\$ 1,073,345	\$ 363,714	\$ 7,736	\$ 597,188	\$ 2,041,983
Fringe benefits and payroll taxes	<u>373,971</u>	<u>126,768</u>	<u>2,703</u>	<u>207,936</u>	<u>711,378</u>
Total employee compensation	<u>1,447,316</u>	<u>490,482</u>	<u>10,439</u>	<u>805,124</u>	<u>2,753,361</u>
<b>Professional Fees:</b>					
Contracted services	239,849	91,702	4,715	152,282	488,548
Management fees	-	173,624	-	-	173,624
Accounting and audit	20,240	6,256	-	10,304	36,800
Legal	<u>21,490</u>	<u>-</u>	<u>-</u>	<u>3,360</u>	<u>24,850</u>
Total professional fees	<u>281,579</u>	<u>271,582</u>	<u>4,715</u>	<u>165,946</u>	<u>723,822</u>
<b>Other:</b>					
Grants and related expenses	101,621	1,639,718	150	-	1,741,489
Rent	219,351	55,553	-	94,336	369,240
Supplies and document storage	21,752	6,723	-	11,074	39,549
Depreciation	20,957	6,478	-	10,669	38,104
Equipment	14,342	4,433	-	7,301	26,076
Other expenses	14,419	3,921	-	7,341	25,681
Insurance	10,379	3,208	-	5,284	18,871
Travel	15,220	-	-	2,964	18,184
Maintenance and repair	9,838	3,041	-	5,008	17,887
Memberships	5,946	1,838	-	3,027	10,811
Staff development	3,882	1,200	-	1,977	7,059
Printing	3,665	1,133	-	1,866	6,664
Telephone	1,337	-	-	5,160	6,497
Utilities	3,849	975	-	1,655	6,479
Postage and messengers	3,275	1,012	-	1,667	5,954
Publications and subscriptions	<u>398</u>	<u>658</u>	<u>-</u>	<u>202</u>	<u>1,258</u>
Total other	<u>450,231</u>	<u>1,729,891</u>	<u>150</u>	<u>159,531</u>	<u>2,339,803</u>
Total expenses	<u>\$ 2,179,126</u>	<u>\$ 2,491,955</u>	<u>\$ 15,304</u>	<u>\$ 1,130,601</u>	<u>\$ 5,816,986</u>

**COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION**

Supplementary Statement of Functional Expenses  
For the Year Ended June 30, 2017

	<b>Enterprise Funds</b>				<b>Total</b>
	<b>Program Expenses</b>				
	<b>Housing and Intermediary Program</b>	<b>Child Care Program</b>	<b>Economic Develop- ment</b>	<b>Management and General</b>	
<b>Employee Compensation:</b>					
Salaries	\$ 1,060,561	\$ 340,550	\$ 41,141	\$ 491,027	\$ 1,933,279
Fringe benefits and payroll taxes	356,377	112,193	13,199	178,188	659,957
Total employee compensation	<u>1,416,938</u>	<u>452,743</u>	<u>54,340</u>	<u>669,215</u>	<u>2,593,236</u>
<b>Professional Fees:</b>					
Contracted services	102,014	65,409	690	163,922	332,035
Management fees	-	219,000	-	-	219,000
Accounting and audit	19,438	5,868	1,100	10,269	36,675
Legal	63,043	-	1,382	9,465	73,890
Total professional fees	<u>184,495</u>	<u>290,277</u>	<u>3,172</u>	<u>183,656</u>	<u>661,600</u>
<b>Other:</b>					
Grants and related expenses	69,466	4,247,175	24,590	-	4,341,231
Rent	214,413	58,208	10,347	111,038	394,006
Supplies and document storage	22,704	6,854	1,285	11,995	42,838
Depreciation	19,912	6,011	1,127	10,520	37,570
Equipment	1,627	491	92	859	3,069
Other expenses	12,442	3,756	704	6,573	23,475
Insurance	9,359	2,825	530	4,945	17,659
Travel	14,627	-	70	620	15,317
Maintenance and repair	9,798	2,958	555	5,176	18,487
Memberships	11,151	3,366	631	5,891	21,039
Staff development	4,918	1,485	278	2,598	9,279
Printing	7,323	2,211	415	3,869	13,818
Telephone	1,384	-	-	6,541	7,925
Utilities	4,121	1,119	199	2,134	7,573
Postage and messengers	3,512	1,060	199	1,855	6,626
Publications and subscriptions	238	72	13	126	449
Total other	<u>406,995</u>	<u>4,337,591</u>	<u>41,035</u>	<u>174,740</u>	<u>4,960,361</u>
Total expenses	<u>\$ 2,008,428</u>	<u>\$ 5,080,611</u>	<u>\$ 98,547</u>	<u>\$ 1,027,611</u>	<u>\$ 8,215,197</u>