



Community Economic Development
Assistance Corporation

**GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

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June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 10 be presented to supplement the basic general purpose financial statements. Such information, although not a part of the basic general purpose financial statements, is required by 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.

AAFCPA, Inc.

Boston, Massachusetts
September 30, 2021

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2021 and 2020

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, 2021.

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. Please visit CEDAC's website at www.cedac.org.

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 and early education and out-of-school time facility development. Affordable housing development is CEDAC's largest program. CEDAC is the primary provider of high-risk pre-development capital to nonprofit community development organizations in Massachusetts. While providing critical early stage funding 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 and asset manager of four state-financed long-term deferred payment loan programs of the Commonwealth's Department of Housing and Community Development (DHCD): Housing Innovations Fund (HIF), Facilities Consolidation Fund (FCF), Community-Based Housing (CBH), and the Housing Preservation and Stabilization Trust Fund (HPSTF).

Through its affiliate organization, the Children's Investment Fund, Inc. (CIF), CEDAC provides a full-range of financing and technical services options for nonprofit early education and out-of-school time providers seeking to construct or improve their facilities. In addition to providing technical expertise, CIF offers pre-development, site acquisition, construction, and term loans, along with a small number of planning grants, as available, to help finance the cost of developing capital projects, leasehold improvements, and equipment. CIF is certified 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) contracts with CEDAC to administer its capital fund: the Early Education and Out of School Time (EEOST) Capital Fund, which was first 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 nonprofit providers to support acquisition, design, construction and/or renovation of the facilities funded. In the past seven fiscal years, EEC and CEDAC have conducted seven competitive rounds of capital grant applications and awards, allocating over \$39 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. Since 1999, CEDAC has served in this capacity for the Massachusetts Rehabilitation Commission (MRC)'s Home Modification Loan Program and continued to serve in this capacity during fiscal year 2021.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2021 and 2020

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. In fiscal year 2020, the University of Massachusetts Boston Center for Social Policy transferred this program to a workforce organization with more stable funding, the Mass Workforce Alliance. As workforce development is an important component of community development, CEDAC continues to support the efforts of CWC.

Using This Report

This financial report consists of the general purpose financial statements that present the activities of CEDAC only. In prior years, the financial report included a discrete column in each financial statement for CEDAC's former component unit, CIF. During fiscal year 2018, CIF's Board of Directors and CEDAC's Board of Directors voted to modify the bylaws of CIF to reduce CEDAC's control over CIF's governance and financial resources. This change was also approved by the United Way which had founded the organization in 1990. Therefore, as of fiscal year 2018, as a result of these changes, CIF's financial statements are no longer required to be reported as part of CEDAC's financial report. CIF 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 Statements of Net Position for fiscal year 2021 and the prior year 2020 are found on pages 11 and 12, respectively, and show the current and long-term assets held by CEDAC and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Statement of Net 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 externally-imposed 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 19 and 20).

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, fixtures, and leasehold improvements, net of accumulated depreciation.

The restricted expendable net position for fiscal years 2021 and 2020 includes resources that may be used to support CWC activities, Kuehn Charitable Foundation resources (see page 5 under CEDAC Housing Programs), Robert Wood Johnson Foundation resources for the Accelerating Investments for Healthy Communities (AIHC) program, and other resources available for lending to preservation projects.

The Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2021 and 2020 found on pages 13 and 14, respectively, report CEDAC's earned income received during each year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2021 and 2020 found on pages 15 and 16, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2021 and 2020, can be found on pages 37 and 38, 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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2021 and 2020

Using This Report (Continued)

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

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

Effects of the COVID-19 Pandemic

In March 2020, as the COVID-19 pandemic spread to Massachusetts, CEDAC moved all of its employees to working remotely from their homes. CEDAC successfully transitioned to remote operations and continued to provide much needed liquidity and support to its borrowers. CEDAC continued its successful remote operations throughout fiscal year 2021. Even though certain sectors of the Commonwealth economy were ordered to temporarily shut down, housing development activity was allowed to continue given the critical need for affordable housing. Accordingly, DHCD maintained its schedule of funding rounds and CEDAC approved pre-development and acquisition loan requests ensuring that the pipeline of affordable housing development projects moved forward. CEDAC's continued provision of funding and technical assistance throughout the year translated into strong fiscal year-end financial results.

Commitment to Racial Equity

CEDAC has designated racial equity as an organizational priority in line with its mission to support community-based economic development in distressed areas of the state. CEDAC is working internally on three areas: employee training; recruiting, hiring, and retaining a diverse workforce; and increasing the utilization of minority-owned vendors in its procurement processes. CEDAC is working externally in two major areas: increasing the utilization of minority-owned vendors in the development and operation of affordable housing; and identifying and supporting community development that advances racial equity.

Summary of Financial Performance and Changes in Net Position

As reported in CEDAC's general purpose financial statements, CEDAC's net position increased by \$10,688,398 in fiscal year 2020 and increased by \$1,430,097 in 2021. These figures break down as follows:

	<u>Net Position</u> <u>June 30, 2019</u>	<u>Changes in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2020</u>	<u>Changes in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2021</u>
Operating and CEDAC Loan Funds	\$ 12,344,608	\$ 10,589,776	\$ 22,934,384	\$ 200,535	\$ 23,134,919
Restricted Program Funds	<u>272,095</u>	<u>98,622</u>	<u>370,717</u>	<u>1,229,562</u>	<u>1,600,279</u>
Total	<u>\$ 12,616,703</u>	<u>\$ 10,688,398</u>	<u>\$ 23,305,101</u>	<u>\$ 1,430,097</u>	<u>\$ 24,735,198</u>

Operating and CEDAC Loan Funds

CEDAC supports its annual operating activities primarily with earnings from lending activity, management and underwriting fees, and contract revenues. During fiscal years 2020 and 2021, CEDAC increased lending levels commensurate with the continued allocation of state funding and the urgent need for additional affordable housing. Both the need for affordable housing and the state's commitment to funding it has increased with the onset of the pandemic.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

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Operating and CEDAC Loan Funds (Continued)

CEDAC monitors its operating performance carefully to ensure on-going agency stability and agility and has posted surpluses in core operating activities in fiscal years 2021 and 2020. Core operating results for fiscal year 2021 show a surplus of \$591,704, after adding back the non-cash loan loss reserve adjustment (see table below). The positive operating performance is the result of strong pre-development and acquisition lending activity and the continued high pace of underwriting long-term deferred payment loans on behalf of the state. Operating results exceeded the budget and there were no negative variations that would have a significant effect on future operations or liquidity. In fiscal year 2020, CEDAC's core operating activities posted a surplus of \$10,504,168, after subtracting the non-cash loan loss reserve adjustment. The fiscal year 2020 surplus was aided by a \$10 million grant which CEDAC's Board of Directors designated for loan capital. CEDAC's net core operating activities are calculated as follows:

	<u>2021</u>	<u>2020</u>
Change in net position - Operating and CEDAC Loan Funds	\$ 200,535	\$ 10,589,776
Loan and interest reserve adjustment	<u>391,162</u>	<u>(85,608)</u>
Net core operating results	<u>\$ 591,697</u>	<u>\$ 10,504,168</u>

The increase in the loan loss reserve in fiscal year 2021 was primarily a result of the growth in the loans receivable compared to fiscal year-end 2020 (see the Portfolio Summary on page 6). In fiscal year 2020, the overall reduction in the assessed risk of the loan portfolio resulted in a decrease in the loan loss reserve. Specific factors in the reduction in risk in 2020 included the repayment of a large acquisition loan and the continued progression of projects from initial feasibility (high risk) to permanent financing secured (low risk).

CEDAC Housing Programs

CEDAC's lending activity was strong in fiscal year 2021, continuing a multi-year trend fueled by both an increasing need in Massachusetts for affordable housing, which has only been exacerbated by the pandemic, and the availability of state and local resources to help address that need. As shown on page 6, CEDAC's fiscal year 2021 ending loans receivable balance achieved another fiscal year-end high of \$41.6 million.

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.

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 pre-development period. Throughout the pandemic, CEDAC has offered its borrowers the financial support and flexibility they need to continue their affordable housing development.

CEDAC's early stage lending is dependent on the availability of loan capital, particularly low-cost, highly flexible capital. In fiscal year 2020, CEDAC received a \$10 million unrestricted grant from the Commonwealth's DHCD. CEDAC's Board of Directors voted to designate the full \$10 million as capital for early stage lending. This amount is included in CEDAC's Loan Funds on page 19. This vital resource could not have come at a more important time, bringing CEDAC's lending capital to a high of \$72.1 million at year end 2020. In fiscal year 2021, CEDAC made partial loan repayments to lenders totaling \$2.7 million, as required by the terms of the loan agreements. CEDAC's lending capital at fiscal year-end 2021 was just shy of \$70 million.

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CEDAC Housing Programs (Continued)

Some loan and grant programs are worth noting.

In fiscal year 2017, CEDAC partnered with the City of Boston's 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 \$8.85 million Vacant Site Acquisition Fund includes \$2.85 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. As of June 30, 2021, CEDAC has committed \$7,306,000 in loans, representing 84% of this acquisition fund, and closed on loans totaling \$6,136,000.

Another 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 planning grants to small nonprofit organizations that are testing the feasibility of a project. Since 2016, CEDAC has awarded \$551,534 in grants to thirty-nine projects. These grants have led to early successes in project development, including four completed projects and three projects that have moved into the construction phase. Thirteen projects have secured CEDAC pre-development loan commitments to support project development. The remaining projects, except three, continue to remain feasible and in progress.

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. CEDAC's overall commitment ratio remains strong at 81% of total capital.

<u>Portfolio Summary</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Pre-development Loans:			
Capital Available	\$ 26,306,978	\$ 26,486,003	\$ 17,148,579
Current Loan Commitments	\$ 23,233,777	\$ 21,800,949	\$ 17,695,394
Commitment Ratio	88%	82%	104%
Loans Receivable	\$ 12,366,132	\$ 13,948,610	\$ 10,856,141
Deployment Ratio	53%	64%	61%
Acquisition Loans:			
Capital Available	\$ 41,680,052	\$ 43,614,878	\$ 41,270,655
Current Loan Commitments	\$ 33,138,050	\$ 33,812,250	\$ 30,145,907
Commitment Ratio	80%	78%	73%
Loans Receivable	\$ 29,204,283	\$ 22,333,767	\$ 22,688,392
Deployment Ratio	88%	66%	75%
Bridge Loans:			
Capital Available	\$ 2,000,000	\$ 2,000,000	\$ 2,700,000
Current Loan Commitments	\$ -	\$ -	\$ 2,700,000
Commitment Ratio	0%	0%	100%
Loans Receivable	\$ -	\$ -	\$ 1,500,000
Deployment Ratio	0%	0%	56%
Total Loans:			
Capital Available	\$ 69,987,030	\$ 72,100,881	\$ 61,119,234
Current Loan Commitments	\$ 56,371,827	\$ 55,613,199	\$ 50,541,301
Commitment Ratio	81%	77%	83%
Loans Receivable	\$ 41,570,415	\$ 36,282,377	\$ 35,044,533
Deployment Ratio	74%	65%	69%

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
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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 (see below) can have a large impact on acquisition loan commitments in any one year. For example, in fiscal year 2019, while there was strong acquisition loan activity, there were no large preservation projects. In fiscal year 2020, one preservation project accounted for \$4.4 million of acquisition loan commitments and a \$4 million participation to another financial institution. In fiscal year 2021, there were no large preservation projects which resulted in lower overall acquisition loan numbers. On the other hand, CEDAC saw a substantial increase in the demand for pre-development loans in fiscal year 2021 as borrowers readied their projects to apply for permanent state financing or, upon receiving commitments for permanent financing, readied their projects for closing on financing and commencing construction.

Bridge loan volume is primarily affected by the timing of the flow of previously committed state bond or other public capital funds. While there has not been a high demand for bridge financing during the last two years, the availability of this product ensures that CEDAC can provide funds, often on a quick emergency basis, when committed public funds are not yet available for construction.

The following chart summarizes the annual loan commitments approved plus acquisition loan participations during each of the last three years:

<u>Annual Loan Commitments</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Pre-development loans	\$ 12,857,792	58%	\$ 10,134,050	41%	\$ 10,375,020	42%
Acquisition loans	9,482,500	42	14,825,718	59	13,122,532	52
Bridge loans	-	-	-	-	1,500,000	6
Total	<u>\$ 22,340,292</u>	<u>100%</u>	<u>\$ 24,959,768</u>	<u>100%</u>	<u>\$ 24,997,552</u>	<u>100%</u>
Acquisition loan participations, not included in totals above	<u>\$ 328,500</u>		<u>\$ 8,000,000</u>		<u>\$ 1,706,250</u>	

Housing Preservation

CEDAC, collaborating with other state and local 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 residents, project owners, and local communities 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

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Accelerating Investments for Healthy Communities (AIHC)

In fiscal year 2021, CEDAC was chosen to be the financial intermediary for the first phase of the Boston Accelerating Investments for Healthy Communities (AIHC), part of a national initiative to deepen the investment of hospitals and health systems in affordable housing. CEDAC assembled \$2.7 million, evenly split between the Boston Medical Center (BMC) and the Robert Wood Johnson Foundation (RWJF), to finance twenty-year subordinate debt for three Boston affordable housing projects. In fiscal year 2021, CEDAC committed \$1.7 million of these funds to two of the projects and will commit the remaining funds in the first quarter of fiscal year 2022. The BMC capital is a twenty-year non-recourse loan to CEDAC, and the RWJF capital is a grant to CEDAC.

Long-Term Deferred Payment Funding Programs

CEDAC continues to serve as underwriter, closer, and asset manager for DHCD for Housing Innovations Fund (HIF) loans, Facilities Consolidation Fund (FCF) loans, Community-Based Housing (CBH) loans, and Housing Preservation and Stabilization Trust Fund (HPSTF) loans. HIF, FCF, CBH, and HPSTF loans are long-term deferred payment loans that fund affordable and supportive housing development. Demand for deferred payment loans has also increased substantially in the last several years. In May 2018, the Massachusetts Legislature passed and the Governor signed into law a \$1.8 billion, five-year capital bond bill authorizing the production and preservation of housing for low and moderate-income residents. HIF, FCF, and CBH deferred payment loan funds were re-authorized in this bill with HIF authorized for \$100 million, FCF authorized for \$65 million, and CBH authorized for \$55 million.

Despite recent strides made in the creation and preservation of affordable housing in Massachusetts, 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 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 through 2021, DHCD continued to hold supportive housing rounds using federal National Housing Trust funds, additional HIF funds, and funding for operating subsidy and services. Toward the end of fiscal year 2019, DHCD allocated an additional \$5 million of HPSTF to capital projects which CEDAC, as Trustee of HPSTF, also administers.

In response to the pandemic in 2021, DHCD launched a \$10 million rolling funding opportunity to create single-room occupancy units (SROs) for homeless individuals. This funding is particularly important as service providers try to reduce the numbers of residents in congregate shelters. Since HIF funds consist of \$5 million of this funding opportunity, CEDAC is active in the underwriting and management of these awards. In fiscal year 2021, DHCD announced the first \$4 million award to an organization that is converting a hotel into SROs to provide permanent supportive housing to formerly homeless individuals.

In fiscal years 2020 and 2021, DHCD awarded CEDAC the contract to administer the Accessible Affordable Housing Grant (AAHG) program. The AAHG program, funded as a \$2.7 million line item in DHCD's operating budget for both fiscal years 2020 and 2021, will provide grants to landlords to improve or create accessible affordable housing units for persons with disabilities, with a priority given to units that accommodate voucher recipients under the alternative housing voucher program. CEDAC worked with DHCD to develop program guidelines, and in fiscal year 2021, the first three projects received grant commitments for AAHG funds.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

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Long-Term Deferred Payment Funding Programs (Continued)

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 28 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:

Outstanding Commitments	2021		2020		2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Housing Innovations Fund	\$ 13,010,489	44%	\$ 15,331,663	42%	\$ 18,140,327	39%
Community-Based Housing	7,348,480	24	6,341,390	17	9,796,207	21
Facilities Consolidation Fund	7,117,688	24	12,764,802	35	18,266,758	39
Housing Preservation and Stabilization Trust Fund	<u>2,299,223</u>	<u>8</u>	<u>2,487,786</u>	<u>6</u>	<u>628,705</u>	<u>1</u>
Total	<u>\$ 29,775,880</u>	<u>100%</u>	<u>\$ 36,925,641</u>	<u>100%</u>	<u>\$ 46,831,997</u>	<u>100%</u>

EEOST Capital Fund

In fiscal year 2014, the Massachusetts Legislature authorized \$45 million from general obligation bonds for the EEOST 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 EEOST projects provided by its affiliate, the Children's Investment Fund. In 2018, the Massachusetts Legislature re-authorized the program at \$45 million for the EEOST Capital Fund. Since 2015, EEC has conducted seven highly competitive grant rounds, allocating over \$39 million.

The activity associated with the EEOST Capital Fund for fiscal years 2021 and 2020 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 and related expenses 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 MRC with the management of this program. HMLP provides loans of 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 seven provider agencies throughout the Commonwealth to originate, close, and disburse the loans to eligible homeowners 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 EEOST Capital Fund described above.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2021 and 2020

Conclusion

CEDAC continues to play an essential role in the Commonwealth's affordable housing and community development programs, providing early-stage project financing and technical assistance to community-based nonprofit developers and managing several deferred payment loan programs for the Commonwealth. Despite the pandemic, CEDAC continues to experience strong activity as a result of the Commonwealth's focus on affordable and supportive housing development, the preservation of existing affordable housing, and the continuation of the capital grant program for the nonprofit early education and out-of-school time sector. CEDAC continues to manage its fiscal resources prudently to ensure its continued stability and viability and is poised to address the heightened demand for and challenges associated with preserving and developing affordable housing during uncertain times.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

 Statement of Net Position
 June 30, 2021

Assets	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Current Assets:				
Cash and cash equivalents	\$ 2,082,614	\$ -	\$ -	\$ 2,082,614
Restricted cash and cash equivalents for approximately \$51,364,000 CEDAC has committed for loans and grants (see Note 10)	13,409,477	11,084,675	44,726,364	69,220,516
Short-term investments	2,081,866	-	-	2,081,866
Accounts and interest receivable	475,144	-	944	476,088
Grants receivable	-	520,823	-	520,823
Current portion of loans receivable, net of allowance for uncollectible loans	5,595,578	-	4,195,625	9,791,203
Net interfund receivables (payables)	61,417	(20,823)	(40,594)	-
Other current assets	62,211	-	-	62,211
Total current assets	23,768,307	11,584,675	48,882,339	84,235,321
Other Assets:				
Interest receivable, net of allowance for uncollectible accounts	724,295	-	227,687	951,982
Loans receivable, net of current portion and allowance for uncollectible loans	22,893,349	-	6,142,760	29,036,109
Loans receivable - AIHC	-	316,111	316,111	632,222
Fixed assets, net of accumulated depreciation	185,824	-	-	185,824
Total other assets	23,803,468	316,111	6,686,558	30,806,137
Total assets	\$ 47,571,775	\$ 11,900,786	\$ 55,568,897	\$ 115,041,458
Liabilities and Net Position				
Current Liabilities:				
Current portion of recourse notes payable	\$ 10,501,749	\$ -	\$ -	\$ 10,501,749
Current portion of non-recourse notes payable	-	-	1,271,775	1,271,775
Accounts payable and accrued expenses	230,091	-	-	230,091
Deferred revenue	564,313	10,300,507	1,486,716	12,351,536
Accrued and deferred compensation	343,569	-	-	343,569
Total current liabilities	11,639,722	10,300,507	2,758,491	24,698,720
Long-Term Liabilities:				
Recourse notes payable, net of current portion	12,797,134	-	-	12,797,134
Non-recourse notes payable, net of current portion	-	-	52,810,406	52,810,406
Total liabilities	24,436,856	10,300,507	55,568,897	90,306,260
Net Position:				
Unrestricted net position	19,073,751	-	-	19,073,751
Invested in capital assets	185,824	-	-	185,824
Restricted net position - expendable	3,875,344	1,600,279	-	5,475,623
Total net position	23,134,919	1,600,279	-	24,735,198
Total liabilities and net position	\$ 47,571,775	\$ 11,900,786	\$ 55,568,897	\$ 115,041,458

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

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COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Net Position
June 30, 2020

Assets	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Current Assets:				
Cash and cash equivalents	\$ 2,129,881	\$ -	\$ -	\$ 2,129,881
Restricted cash and cash equivalents for approximately \$53,615,000 CEDAC has committed for loans and grants (see Note 10)	20,353,740	6,736,182	45,950,129	73,040,051
Short-term investments	2,081,866	-	-	2,081,866
Accounts and interest receivable	247,170	-	-	247,170
Grants receivable	-	272,159	-	272,159
Current portion of loans receivable, net of allowance for uncollectible loans	4,409,163	-	4,208,454	8,617,617
Net interfund receivables (payables)	166,500	(152,159)	(14,341)	-
Other current assets	59,332	-	-	59,332
Total current assets	29,447,652	6,856,182	50,144,242	86,448,076
Other Assets:				
Interest receivable, net of allowance for uncollectible accounts	596,569	-	316,681	913,250
Loans receivable, net of current portion and allowance for uncollectible loans	16,574,713	-	8,388,617	24,963,330
Fixed assets, net of accumulated depreciation	238,896	-	-	238,896
Total other assets	17,410,178	-	8,705,298	26,115,476
Total assets	\$ 46,857,830	\$ 6,856,182	\$ 58,849,540	\$ 112,563,552
Liabilities and Net Position				
Current Liabilities:				
Current portion of recourse notes payable	\$ 5,119,602	\$ -	\$ -	\$ 5,119,602
Current portion of non-recourse notes payable	-	-	1,821,959	1,821,959
Accounts payable and accrued expenses	351,047	-	-	351,047
Deferred revenue	600,538	6,485,465	1,451,487	8,537,490
Accrued and deferred compensation	284,856	-	-	284,856
Total current liabilities	6,356,043	6,485,465	3,273,446	16,114,954
Long-Term Liabilities:				
Recourse notes payable, net of current portion	17,567,403	-	-	17,567,403
Non-recourse notes payable, net of current portion	-	-	55,576,094	55,576,094
Total liabilities	23,923,446	6,485,465	58,849,540	89,258,451
Net Position:				
Unrestricted net position	18,741,434	-	-	18,741,434
Invested in capital assets	238,896	-	-	238,896
Restricted net position - expendable	3,954,054	370,717	-	4,324,771
Total net position	22,934,384	370,717	-	23,305,101
Total liabilities and net position	\$ 46,857,830	\$ 6,856,182	\$ 58,849,540	\$ 112,563,552

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Operating Revenues:				
Financial and related revenue:				
Interest earnings - loans	\$ 1,799,838	\$ -	\$ 433,811	\$ 2,233,649
Commitment fee income	236,312	6,000	25,427	267,739
Interests earnings - corpus	25,404	20,209	75,257	120,870
Less - loan and interest reserve adjustment	(391,162)	-	216,120	(175,042)
Less - interest expense	(712,965)	-	(87,883)	(800,848)
Net financial and related revenue	<u>957,427</u>	<u>26,209</u>	<u>662,732</u>	<u>1,646,368</u>
Government contract - EEOST	-	2,884,958	-	2,884,958
Management fees - underwriting	2,089,254	-	-	2,089,254
Restricted grants and contributions	-	1,350,000	-	1,350,000
Fee for service - non-governmental	638,825	-	-	638,825
Fee for service - governmental	235,920	105,375	-	341,295
Management fees - loan funds under management	257,318	-	-	257,318
Other income	19,400	-	-	19,400
Legal fee revenue	-	-	260,772	260,772
Legal fee expense	-	-	(260,772)	(260,772)
Management fees expense	-	(26,000)	(251,311)	(277,311)
Total operating revenues	<u>4,198,144</u>	<u>4,340,542</u>	<u>411,421</u>	<u>8,950,107</u>
Operating Expenses:				
Employee compensation	3,097,725	90,578	-	3,188,303
Grants and related expenses	11,000	2,595,111	-	2,606,111
Contracted services	102,490	425,291	-	527,781
Rent	417,594	-	-	417,594
Depreciation	64,413	-	-	64,413
Equipment	59,874	-	-	59,874
Legal	45,593	-	-	45,593
Accounting and audit	43,400	-	-	43,400
Maintenance and repair	31,895	-	-	31,895
Insurance	27,576	-	-	27,576
Other expenses	26,168	-	-	26,168
Supplies and document storage	25,758	-	-	25,758
Printing	9,184	-	-	9,184
Memberships	8,775	-	-	8,775
Telephone	7,510	-	-	7,510
Staff development	5,748	-	-	5,748
Postage and messengers	5,356	-	-	5,356
Utilities	5,232	-	-	5,232
Travel	2,318	-	-	2,318
Total operating expenses	<u>3,997,609</u>	<u>3,110,980</u>	<u>-</u>	<u>7,108,589</u>
Changes in net position from operations	200,535	1,229,562	411,421	1,841,518
Net Operations of Loan Funds Not Recourse to CEDAC	<u>-</u>	<u>-</u>	<u>(411,421)</u>	<u>(411,421)</u>
Changes in net position	200,535	1,229,562	-	1,430,097
Net Position:				
Beginning of year	<u>22,934,384</u>	<u>370,717</u>	<u>-</u>	<u>23,305,101</u>
End of year	<u>\$ 23,134,919</u>	<u>\$ 1,600,279</u>	<u>\$ -</u>	<u>\$ 24,735,198</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Operating Revenues:				
Financial and related revenue:				
Interest earnings - loans	\$ 1,676,567	\$ -	\$ 380,492	\$ 2,057,059
Commitment fee income	166,105	-	18,538	184,643
Interests earnings - corpus	54,678	156,297	824,700	1,035,675
Less - loan and interest reserve adjustment	85,608	-	19,744	105,352
Less - interest expense	<u>(647,605)</u>	<u>-</u>	<u>(89,000)</u>	<u>(736,605)</u>
Net financial and related revenue	1,335,353	156,297	1,154,474	2,646,124
Government contract - EEOST	-	4,053,093	-	4,053,093
Management fees - underwriting	2,029,340	-	-	2,029,340
Restricted grants and contributions	5,496	303,160	-	308,656
Fee for service - non-governmental	650,615	-	-	650,615
Fee for service - governmental	187,070	282,620	-	469,690
Management fees - loan funds under management	102,272	-	-	102,272
Other income	75,033	-	-	75,033
Legal fee revenue	-	-	232,754	232,754
Legal fee expense	-	-	(232,754)	(232,754)
Management fees expense	<u>-</u>	<u>(10,000)</u>	<u>(112,654)</u>	<u>(122,654)</u>
Total operating revenues	<u>4,385,179</u>	<u>4,785,170</u>	<u>1,041,820</u>	<u>10,212,169</u>
Operating Expenses:				
Employee compensation	2,956,919	83,705	-	3,040,624
Grants and related expenses	11,000	4,323,839	-	4,334,839
Contracted services	107,741	279,004	-	386,745
Rent	399,066	-	-	399,066
Depreciation	57,158	-	-	57,158
Equipment	26,969	-	-	26,969
Legal	6,826	-	-	6,826
Accounting and audit	38,200	-	-	38,200
Maintenance and repair	23,744	-	-	23,744
Insurance	22,445	-	-	22,445
Other expenses	53,792	-	-	53,792
Supplies and document storage	27,413	-	-	27,413
Printing	7,377	-	-	7,377
Memberships	15,995	-	-	15,995
Telephone	6,790	-	-	6,790
Staff development	9,680	-	-	9,680
Postage and messengers	5,666	-	-	5,666
Utilities	7,029	-	-	7,029
Travel	<u>11,593</u>	<u>-</u>	<u>-</u>	<u>11,593</u>
Total operating expenses	<u>3,795,403</u>	<u>4,686,548</u>	<u>-</u>	<u>8,481,951</u>
Changes in net position from operations	589,776	98,622	1,041,820	1,730,218
Unrestricted Grants and Contributions	10,000,000	-	-	10,000,000
Net Operations of Loan Funds Not Recourse to CEDAC	<u>-</u>	<u>-</u>	<u>(1,041,820)</u>	<u>(1,041,820)</u>
Changes in net position	10,589,776	98,622	-	10,688,398
Net Position:				
Beginning of year	<u>12,344,608</u>	<u>272,095</u>	<u>-</u>	<u>12,616,703</u>
End of year	<u>\$ 22,934,384</u>	<u>\$ 370,717</u>	<u>\$ -</u>	<u>\$ 23,305,101</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 2021

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Cash Flows from Operating Activities:				
Receipts from funders, net of management fees expense	\$ 3,212,830	\$ 7,886,711	\$ (190,655)	\$ 10,908,886
Interest and fees received on loans	1,758,381	-	557,867	2,316,248
Interest received on bank deposits	44,804	20,209	74,313	139,326
Employee compensation	(3,039,012)	(90,578)	-	(3,129,590)
Payments for supplies and services	(967,706)	(425,291)	-	(1,392,997)
Payments to grantees	(11,000)	(2,595,111)	-	(2,606,111)
Interest payments to lenders	(712,965)	-	(87,883)	(800,848)
Internal activity - payments between funds	105,083	(131,336)	26,253	-
Net cash provided by operating activities	390,415	4,664,604	379,895	5,434,914
Cash Flows from Investing Activities:				
Loans disbursed	(21,484,241)	(316,111)	(39,152,389)	(60,952,741)
Proceeds from loan repayments	13,501,759	-	5,717,691	19,219,450
Purchase of investments	(4,163,732)	-	-	(4,163,732)
Maturity of investments	4,163,732	-	-	4,163,732
Acquisition of fixed assets	(11,341)	-	-	(11,341)
Net cash used in investing activities	(7,993,823)	(316,111)	(33,434,698)	(41,744,632)
Cash Flows from Financing Activities:				
Proceeds from notes payable	8,116,440	-	32,031,038	40,147,478
Repayments of principal of notes payable	(7,504,562)	-	(200,000)	(7,704,562)
Net cash provided by financing activities	611,878	-	31,831,038	32,442,916
Net Change in Cash and Cash Equivalents	(6,991,530)	4,348,493	(1,223,765)	(3,866,802)
Cash and Cash Equivalents:				
Beginning of year	22,483,621	6,736,182	45,950,129	75,169,932
End of year	\$ 15,492,091	\$ 11,084,675	\$ 44,726,364	\$ 71,303,130
Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities:				
Changes in net position	\$ 200,535	\$ 1,229,562	\$ -	\$ 1,430,097
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	64,413	-	-	64,413
Loan and interest reserve adjustment	391,162	-	(216,120)	175,042
Net operations of loan funds not recourse to CEDAC	-	-	411,421	411,421
Changes in operating assets and liabilities:				
Accounts and interest receivable	(227,974)	-	(944)	(228,918)
Grants receivable	-	(248,664)	-	(248,664)
Interfund receivables (payables)	105,083	(131,336)	26,253	-
Other current assets	(2,879)	-	-	(2,879)
Interest receivable	(41,457)	-	124,056	82,599
Accounts payable and accrued expenses	(120,956)	-	-	(120,956)
Deferred revenue	(36,225)	3,815,042	35,229	3,814,046
Accrued and deferred compensation	58,713	-	-	58,713
Net cash provided by operating activities	\$ 390,415	\$ 4,664,604	\$ 379,895	\$ 5,434,914

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 2020

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Cash Flows from Operating Activities:				
Receipts from funders, net of management fees expense	\$ 13,544,871	\$ 2,351,748	\$ (10,000,000)	\$ 5,896,619
Interest and fees received on loans	1,616,179	-	380,492	1,996,671
Interest received on bank deposits	129,714	156,298	824,700	1,110,712
Employee compensation	(2,921,335)	(83,705)	-	(3,005,040)
Payments for supplies and services	(980,885)	(39,004)	(106,626)	(1,126,515)
Payments to grantees	(11,000)	(4,323,839)	-	(4,334,839)
Interest payments to lenders	(643,202)	-	(89,000)	(732,202)
Internal activity - payments between funds	(168,545)	100,531	68,014	-
Net cash provided by (used in) operating activities	<u>10,565,797</u>	<u>(1,837,971)</u>	<u>(8,922,420)</u>	<u>(194,594)</u>
Cash Flows from Investing Activities:				
Loans disbursed	(15,656,659)	-	(37,442,909)	(53,099,568)
Proceeds from loan repayments	16,684,231	-	1,462,728	18,146,959
Purchase of investments	(4,163,732)	-	-	(4,163,732)
Maturity of investments	4,163,732	-	-	4,163,732
Acquisition of fixed assets	(40,581)	-	-	(40,581)
Net cash provided by (used in) investing activities	<u>986,991</u>	<u>-</u>	<u>(35,980,181)</u>	<u>(34,993,190)</u>
Cash Flows from Financing Activities:				
Proceeds from notes payable	8,435,414	-	36,056,411	44,491,825
Repayments of principal of notes payable	(2,989,253)	-	-	(2,989,253)
Net cash provided by financing activities	<u>5,446,161</u>	<u>-</u>	<u>36,056,411</u>	<u>41,502,572</u>
Net Change in Cash and Cash Equivalents	<u>16,998,949</u>	<u>(1,837,971)</u>	<u>(8,846,190)</u>	<u>6,314,788</u>
Cash and Cash Equivalents:				
Beginning of year	<u>5,484,672</u>	<u>8,574,153</u>	<u>54,796,319</u>	<u>68,855,144</u>
End of year	<u>\$ 22,483,621</u>	<u>\$ 6,736,182</u>	<u>\$ 45,950,129</u>	<u>\$ 75,169,932</u>
Reconciliation of Changes in Net Position to Net Cash Provided by (Used in) Operating Activities:				
Changes in net position	\$ 10,589,776	\$ 98,622	\$ -	\$ 10,688,398
Adjustments to reconcile changes in net position to net cash provided by (used in) operating activities:				
Depreciation	57,158	-	-	57,158
Loan and interest reserve adjustment	(85,608)	-	(19,744)	(105,352)
Forgiveness of loan funds under management - notes payable	-	-	(10,000,000)	(10,000,000)
Net operations of loan funds not recourse to CEDAC	-	-	1,041,820	1,041,820
Changes in operating assets and liabilities:				
Accounts and interest receivable	136,421	-	6,067	142,488
Grants receivable	75,000	(220,531)	-	(145,531)
Interfund receivables (payables)	(168,545)	100,531	68,014	-
Other current assets	(2,491)	-	-	(2,491)
Interest receivable	(97,411)	-	(118,822)	(216,233)
Accounts payable and accrued expenses	89,090	-	-	89,090
Deferred revenue	(63,177)	(1,816,593)	100,245	(1,779,525)
Accrued and deferred compensation	35,584	-	-	35,584
Net cash provided by (used in) operating activities	<u>\$ 10,565,797</u>	<u>\$ (1,837,971)</u>	<u>\$ (8,922,420)</u>	<u>\$ (194,594)</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statements of Fiduciary Net Position
June 30, 2021 and 2020

Assets	CEDAC Agency Fund	
	2021	2020
Assets:		
Cash and cash equivalents	\$ 3,163,142	\$ 2,039,360
Total assets	<u>\$ 3,163,142</u>	<u>\$ 2,039,360</u>
Liabilities and Net Position		
Liabilities:		
Agency funds held for others	\$ 3,163,142	\$ 2,039,360
Net Position	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 3,163,142</u>	<u>\$ 2,039,360</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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 40H of Massachusetts General Laws in 1978 and is discretely presented as a component unit in the Commonwealth of Massachusetts' (the Commonwealth) Comprehensive Annual Financial Report. CEDAC provides a range of development assistance programs to nonprofit development corporations throughout the Commonwealth to expand the supply of affordable housing and foster the revitalization of economically distressed areas.

CEDAC 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.

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 generally accepted accounting standards (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*.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

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, 2021 and 2020, CEDAC has set aside \$2,708,769 and \$2,148,957, 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 \$16,364,982 and \$16,592,477 of unrestricted net position designated by the Board of Directors as of June 30, 2021 and 2020, 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).

Unrestricted net position as of June 30, 2021 and 2020, are summarized as follows:

	<u>2021</u>	<u>2020</u>
CEDAC Loan Funds	\$ 16,364,982	\$ 16,592,477
Operating net position	<u>2,708,769</u>	<u>2,148,957</u>
	<u>\$ 19,073,751</u>	<u>\$ 18,741,434</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 \$185,824 and \$238,896 as of June 30, 2021 and 2020, 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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

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 \$1,600,279 and \$370,717 at June 30, 2021 and 2020, respectively, are those funds associated with the certain programs. The 2021 balance includes funds received for new collaboration on the Accelerating Investments for Healthy Communities (AIHC) program (see Note 3).

Loan Funds Under Management - Loan Funds Under Management consist 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 directly to the loan fund, which are shown as management fees expense 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).

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. Cash and cash equivalents included in MMDT are not insured. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions. Included in cash and cash equivalents for the purposes of statements of cash flows is cash and cash equivalents and restricted cash and cash equivalents for the years ended June 30, 2021 and 2020.

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".

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

The MMDT cash portfolio adheres to GASB Statement 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 all of 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 \$69.3 million and \$71.3 million as of June 30, 2021 and 2020, 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).

Short-term 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.

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, the likelihood that the project being developed will receive permanent financing, financial strength and cash flows of the borrower, and current economic conditions that may affect the borrower's ability to repay.

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 \$539,003 and \$527,662 at June 30, 2021 and 2020, respectively. Accumulated depreciation at June 30, 2021 and 2020, totaled \$353,179 and \$288,766, respectively.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

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

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.

Revenue Recognition

Government contract, management fees, fee for service, and interest earnings are recognized when earned. Grants and contributions are recognized as revenue when unconditionally pledged or committed. All other revenue is recognized when earned.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30, 2021, which is the date the general purpose financial statements were available to be issued. See Note 2 for a subsequent event 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 use 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, 2021 and 2020.

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 and the \$2,000,000 principal balance is due at maturity on June 30, 2023. 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 at various dates through June 2023, with borrowing authority of up to \$8.7 million. Interest is payable semi-annually. As of June 30, 2021 and 2020, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The City of Boston Department of Neighborhood Development (DND) Loan Fund** authorized the capitalization of a revolving loan fund held at CEDAC to be used to provide loans to governmentally-assisted projects in the City of Boston. Under the terms of the contract, all principal accrues to the DND Loan Fund, and the maturity of the loan renews annually on June 30.
- **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 accrue to the loan fund. The last loan from this fund was made by CEDAC on December 10, 2020.
- **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 2025, 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-developments Lines of Credit** were 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 agreements were amended to increase the available capital and extend the maturity date five more years. The total commitment under these lines 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. Interest is payable quarterly. The lines of credit are unsecured revolving lines of credit, with maturity in January 2023.

The agreements contain various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. At June 30, 2021 and 2020, CEDAC was in compliance with all covenants of the agreements.

- **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 \$2.5 million. The line of credit is an unsecured revolving line of credit maturing in November 2022. Interest is payable quarterly. As of June 30, 2021 and 2020, CEDAC was in compliance with all covenants of the agreement.
- **The Eastern Bank Acquisition Line of Credit** was executed during 2016 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 2022. Interest is payable quarterly. The agreement contains various covenants. As of June 30, 2021 and 2020, CEDAC was in compliance will all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2015 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 2022. Interest is payable quarterly. As of June 30, 2021 and 2020, 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 is set to mature on December 31, 2022. Interest is payable quarterly. As of June 30, 2021 and 2020, 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 original commitment under this line of credit was \$5 million, with a two-year draw period that ended in March 2019. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit, maturing at various dates through March 21, 2022. CEDAC repaid \$2.5 million as required in March 2021. The balance of \$2.5 million is due on March 21, 2022. Subsequent to year-end, Bank of America committed another \$2.5 million which will be used consistently as the previous \$5 million acquisition line of credit. As of June 30, 2021 and 2020, CEDAC was in compliance with all covenants of the agreement.
- **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, 2021, and is unsecured.
- **The City of Boston Department of Neighborhood Development (DND) 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 five years before developing affordable housing. This Loan Fund was capitalized with a \$2.8 million grant from DND. Any undisbursed or repaid funds shall be paid back to DND, unless otherwise directed by DND. Disbursed funds shall be owed back to DND from the respective borrower. In fiscal year 2021, DND confirmed that CEDAC is to continue the program and not return funds as specified in the original agreement.
- **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. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with a current maturity of June 30, 2023. As of June 30, 2021 and 2020, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Easthampton Savings Bank Acquisition and Bridge Lines of Credit** were executed in fiscal year 2022 to provide capital to finance acquisition and bridge loans to nonprofit organizations. The total commitment under these line of credit is \$5 million, with \$3 million available for acquisition loans and \$2 million available for bridge loans. Acquisition loans are secured by first mortgages. Interest is payable quarterly. The lines of credit are unsecured revolving lines of credit, with maturity in August 2023.

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

	<u>2021</u>	<u>2020</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 Lines	10,756,713	8,086,505
Boston Private Bank Lines	1,855,920	1,414,250
Rockland Trust Acquisition Line	1,000,000	1,000,000
Bank of America Acquisition Line	2,500,000	5,000,000
Citizens Bank Acquisition Line	<u>2,186,250</u>	<u>2,186,250</u>
Total CEDAC Loan Funds	23,298,883	22,687,005
Less - current portion	<u>10,501,749</u>	<u>5,119,602</u>
	<u>\$ 12,797,134</u>	<u>\$ 17,567,403</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	\$ 8,812,733	\$ 8,998,828
DND Loan Fund	796,775	779,459
DND Vacant Site Acquisition Loan Fund	2,774,978	2,774,643
HSF Acquisition Loan Fund	1,717,447	1,657,613
AHT Pre-development Loan Fund	3,012,620	2,884,495
Net DMH (see Note 3)	638,701	634,508
AAHG (see Note 3)	5,202,436	2,742,866
AIHC BMC (see Note 3)	1,350,610	-
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>29,775,881</u>	<u>36,925,641</u>
Total Loan Funds Under Management	54,082,181	57,398,053
Less - current portion	<u>1,271,775</u>	<u>1,821,959</u>
	<u>\$ 52,810,406</u>	<u>\$ 55,576,094</u>

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, and for any agreements that are not renewed, CEDAC has one year to pay the outstanding loan fund. The schedule on the next page reflects certain adjustments for the impact of agreement renewals and extensions. All of the agreements with private banks include an acceleration clause in the event of a CEDAC default and for acquisition lending, an assignment of the underlying acquisition loans and mortgages.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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>
2022	\$ 10,501,749	\$ 1,271,775	\$ 825,325	\$ 12,598,849
2023	12,797,134	8,337,733	575,261	21,710,128
2024	-	1,717,447	-	1,717,447
2025	-	3,012,620	-	3,012,620
2026	-	-	-	-
2027 - 2032	-	-	-	-
2033 - 2038	-	-	-	-
2039 - 2044	-	1,350,610	-	1,350,610
	<u>23,298,883</u>	<u>15,690,185</u>	<u>1,400,586</u>	<u>40,389,654</u>
Net DMH	-	638,701	-	638,701
DND Vacant Site Acquisition	-	2,774,978	-	2,774,978
AAHG	-	5,202,436	-	5,202,436
Deferred payment loans	-	29,775,881	-	29,775,881
	<u>\$ 23,298,883</u>	<u>\$ 54,082,181</u>	<u>\$ 1,400,586</u>	<u>\$ 78,781,650</u>

The net note payable balances for DMH Trust, AAHG, and HIF/FCF/CBH/HPSTF are expected to be loaned in perpetuity (see Note 3). The note payable for DND Vacant Site Acquisition loan fund does not have a specified maturity date. As noted above, DND expects CEDAC to continue to use the loan funds in the interim period until a renewed agreement is signed.

The schedule above 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.

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 the disbursing agent for legal fees associated with these loans and disbursed \$260,772 and \$232,754 of legal fees during fiscal years 2021 and 2020, 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, 2021 and 2020

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. The revenue is presented as management fees - underwriting in the accompanying statements of revenues, expenses and changes in net position. 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, 2021 and 2020.

During fiscal year 2020, DHCD provided a one-time unrestricted grant to CEDAC totaling \$10,000,000, reducing the associated note payable balance. The related forgiveness of debt and grant expense in Loan Funds Under Management are presented net in the accompanying statement of revenues, expenses and changes in net position for the year ended June 30, 2020.

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

2021	HIF	FCF	CBH	HPSTF	Total
Note payable	\$ 282,930,807	\$ 178,279,616	\$ 69,298,735	\$ 29,069,024	\$ 559,578,182
Less - loans receivable	<u>269,920,318</u>	<u>171,161,928</u>	<u>61,950,254</u>	<u>26,769,801</u>	<u>529,802,301</u>
Net note payable	<u>\$ 13,010,489</u>	<u>\$ 7,117,688</u>	<u>\$ 7,348,481</u>	<u>\$ 2,299,223</u>	<u>\$ 29,775,881</u>
2020	HIF	FCF	CBH	HPSTF	Total
Note payable	\$ 268,740,864	\$ 170,878,020	\$ 62,957,627	\$ 29,064,478	\$ 531,640,989
Less - loans receivable	<u>253,409,201</u>	<u>158,113,218</u>	<u>56,616,237</u>	<u>26,576,692</u>	<u>494,715,348</u>
Net note payable	<u>\$ 15,331,663</u>	<u>\$ 12,764,802</u>	<u>\$ 6,341,390</u>	<u>\$ 2,487,786</u>	<u>\$ 36,925,641</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, 2021 and 2020

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

Accessible Affordable Housing Grant (AAHG)

In fiscal years 2019 and 2020, DHCD awarded CEDAC the administration of the Accessible Affordable Housing Grant (AAHG) program. The AAHG program, funded as a \$2.74 million-line item in DHCD's operating budget for both fiscal years 2019 and 2020, will provide grants to landlords to improve or create accessible affordable housing units for persons with disabilities, with a priority given to units that accommodate voucher recipients under the alternative housing voucher program. By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. The revenue is presented as management fees - underwriting in the accompanying statements of revenues, expenses and changes in net position. Interest earnings on these funds are added to the note payable balance until returned to the funding source.

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, 2021 and 2020, CEDAC held \$105,675 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>2021</u>	<u>2020</u>
Note payable	\$ 3,597,873	\$ 3,593,680
Less - loans receivable	<u>2,959,172</u>	<u>2,959,172</u>
Net note payable	<u>\$ 638,701</u>	<u>\$ 634,508</u>

Accelerating Investments for Healthy Communities (AIHC)

In fiscal year 2021, CEDAC was chosen to be the financial intermediary for the first phase of the Boston Accelerating Investments for Healthy Communities (AIHC), part of a national initiative to deepen the investment of hospitals and health systems in affordable housing. CEDAC assembled \$2.7 million, evenly split between the Boston Medical Center (BMC) and the Robert Wood Johnson Foundation (RWJF), to finance twenty-year subordinate debt for three Boston affordable housing projects. The BMC capital is a twenty-year non-recourse loan to CEDAC, and the RWJF capital is a grant to CEDAC, which is included in the restricted program funds' net position (see Note 1). At June 30, 2021, CEDAC has a note payable to BMC of \$1,350,610. The grant from RWJF of \$1,350,000 is included in restricted net position in the restricted program funds (see Note 2).

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

4. LOANS RECEIVABLE

Pre-development, Acquisition and Bridge Loans

CEDAC's loans receivable primarily consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2021 and 2020. 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 and principal and interest are due at the first project closing. Acquisition loans 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 is due when the state funds being bridged are received.

See the below table for the makeup of loan receivables as of June 30:

<u>2021</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	60	\$ 12,366,132	\$ (1,477,436)	\$ 10,888,696
Acquisition loans	<u>19</u>	<u>29,204,283</u>	<u>(1,265,667)</u>	<u>27,938,616</u>
Total	<u>79</u>	41,570,415	(2,743,103)	38,827,312
Less - current portion		<u>10,132,748</u>	<u>(341,545)</u>	<u>9,791,203</u>
Long-term portion		<u>\$ 31,437,667</u>	<u>\$ (2,401,558)</u>	<u>\$ 29,036,109</u>
<u>2020</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Pre-development loans	59	\$ 13,948,610	\$ (1,721,337)	\$ 12,227,273
Acquisition loans	<u>19</u>	<u>22,333,767</u>	<u>(980,093)</u>	<u>21,353,674</u>
Total	<u>78</u>	36,282,377	(2,701,430)	33,580,947
Less - current portion		<u>9,003,950</u>	<u>(386,333)</u>	<u>8,617,617</u>
Long-term portion		<u>\$ 27,278,427</u>	<u>\$ (2,315,097)</u>	<u>\$ 24,963,330</u>

Loan Receivables - AIHC

During fiscal year 2021, CEDAC made two loan commitments from the AIHC loan fund, totaling \$1,700,000 (see Note 3). The loans receivable balance was \$632,222 at June 30, 2021. Any reserve on the loans receivable is deemed immaterial.

See Note 10 for disclosure of loan commitments.

Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of June 30, 2021 or 2020. There have been no loan modifications classified as troubled debt restructurings as of June 30, 2021 or 2020. There were no loans receivable on non-accrual status as of June 30, 2021 or 2020.

Loan Receivable Aging Analysis

There were no past due loans as of June 30, 2021 or 2020.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

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 and rating of the risk of loss associated with individual loans. Activity in the allowance is summarized as following:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Balance, June 30, 2019	\$ 2,912,539	\$ 236,603	\$ 3,149,142
Changes to allowance	(141,109)	35,757	(105,352)
Loans and interest forgiven	<u>(70,000)</u>	<u>(2,737)</u>	<u>(72,737)</u>
Balance, June 30, 2020	2,701,430	269,623	2,971,053
Changes to allowance	163,513	11,529	175,042
Loans and interest forgiven	<u>(121,840)</u>	<u>(132,860)</u>	<u>(254,700)</u>
Balance, June 30, 2021	<u>\$ 2,743,103</u>	<u>\$ 148,292</u>	<u>\$ 2,891,395</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.

Agency funds held for others include amounts held for MRC HMLP as of June 30, 2021 and 2020.

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, 2021:

<u>2021</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 66,175,526	\$ 66,175,526	\$ 66,175,526	\$ -
Other cash	5,127,604	5,127,604	5,127,604	-
Certificates of deposit	<u>2,081,866</u>	<u>2,081,866</u>	<u>2,081,866</u>	-
Total	<u>\$ 73,384,996</u>	<u>\$ 73,384,996</u>	<u>\$ 73,384,996</u>	<u>\$ -</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

7. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The table below represents CEDAC's total cash, cash equivalents and investments, excluding Agency Funds (see Note 6), as of June 30, 2020:

<u>2020</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
			<u>Less than 1</u>	<u>1 or more</u>
Massachusetts Municipal Depository Trust - Cash Portfolio	\$ 69,237,160	\$ 69,237,160	\$ 69,237,160	\$ -
Other cash	5,932,772	5,932,772	5,932,772	-
Certificates of deposit	<u>2,081,866</u>	<u>2,081,866</u>	<u>2,081,866</u>	<u>-</u>
Total	<u>\$ 77,251,798</u>	<u>\$ 77,251,798</u>	<u>\$ 77,251,798</u>	<u>\$ -</u>

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:

<u>Securities With an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2021</u>	<u>2020</u>
1 - 30 Days	52.2%	55.0%
31 - 90 Days	31.7	23.2
91 - 180 Days	11.1	17.5
181 - 365 Days	<u>5.0</u>	<u>4.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

<u>2021</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 66,175,526	See below	
Other cash	5,127,604	\$ -	\$ 5,127,604
Certificates of deposit	<u>2,081,866</u>	<u>-</u>	<u>2,081,866</u>
Total	<u>\$ 73,384,996</u>	<u>\$ -</u>	<u>\$ 7,209,470</u>

<u>2020</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 69,237,160	See below	
Other cash	5,932,772	\$ -	\$ 5,932,772
Certificates of deposit	<u>2,081,866</u>	<u>-</u>	<u>2,081,866</u>
Total	<u>\$ 77,251,798</u>	<u>\$ -</u>	<u>\$ 8,014,638</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

7. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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.

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
2021	100.0%	- %
2020	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, 2021 and 2020, were \$112,776 and \$108,956, 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 \$123,518 and \$119,731 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

9. DEFERRED REVENUE (Continued)

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, as part of the 2018 Community Development Bond Bill passed by the Massachusetts Legislature, the program was re-authorized at \$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.

CEDAC contracts with the Children's Investment Fund (CIF) to perform underwriting and grant administration of EEOST capital projects (see Note 11).

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 \$10,300,507 and \$6,485,465 at June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Operating and CEDAC Loan Funds:		
Unearned underwriting fees and grants	\$ 458,638	\$ 494,863
Unearned underwriting fees and monitoring DMH MetState Trust Loan Program	<u>105,675</u>	<u>105,675</u>
Total Operating and CEDAC Loan Funds	564,313	600,538
Restricted Program Funds:		
EEOST contract	10,300,507	6,485,465
Loan Funds Under Management:		
Deferred legal fees	<u>1,486,716</u>	<u>1,451,487</u>
Total deferred revenue	<u>\$ 12,351,536</u>	<u>\$ 8,537,490</u>

10. COMMITMENTS

Facility Lease

CEDAC maintains a ten-year operating lease for 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 \$417,594 and \$399,066 for the years ended June 30, 2021 and 2020, respectively, and are reported as rent in the accompanying statements of revenues, expenses and changes in net position.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

10. COMMITMENTS (Continued)

Facility Lease (Continued)

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

2022	\$ 384,180
2023	\$ 398,334
2024	\$ 408,444
2025	\$ 408,444
2026	\$ 408,444
2027	\$ 170,185

Loan and Grant Commitments

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

	<u>2021</u>	<u>2020</u>
Subordinated deferred payment loans	\$ 29,477,792	\$ 35,037,352
Pre-development, acquisition and bridge loans	56,371,827	55,613,199
AIHC loans	1,700,000	-
EEOST grant program	9,886,017	6,079,163
Pre-development grants	<u>102,893</u>	<u>98,150</u>
Total commitments	97,538,529	96,827,864
Less - loans receivable	<u>(42,202,637)</u>	<u>(36,282,377)</u>
Total outstanding commitments	55,335,892	60,545,487
Less - commitments to be drawn under credit lines	<u>(3,972,157)</u>	<u>(6,930,677)</u>
Total outstanding commitments held in cash	<u>\$ 51,363,735</u>	<u>\$ 53,614,810</u>

11. RELATED PARTY TRANSACTIONS

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

	<u>2021</u>	<u>2020</u>
Contracted staffing:		
Services provided to CIF during fiscal year	\$ 682,113	\$ 680,012
Less - amounts invoiced by CEDAC	<u>(595,324)</u>	<u>(579,840)</u>
Net in-kind services to CIF	<u>\$ 86,789</u>	<u>\$ 100,172</u>
Accounts receivable from CIF at end of fiscal year	<u>\$ 124,296</u>	<u>\$ 168,374</u>
EEOST grants provided by CEDAC to CIF:		
Grants provided to CIF during the fiscal year	<u>\$ 320,450</u>	<u>\$ 350,000</u>

CEDAC has a contract with CIF to provide the contracted staffing services noted during fiscal year 2022.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2021 and 2020

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2021 and 2020, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 2,082,614	\$ 2,082,614	\$ 2,129,881	\$ 2,129,881
Restricted cash and cash equivalents	\$ 69,220,516	\$ 69,220,516	\$ 73,040,051	\$ 73,040,051
Investments	\$ 2,081,866	\$ 2,081,866	\$ 2,081,866	\$ 2,081,866
Loans receivable, net	\$ 39,459,534	See below	\$ 33,580,947	See below
Notes payable to funding sources	\$ 77,381,064	See below	\$ 80,085,058	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, 2021 and 2020.

13. CONTINGENCY

During fiscal year 2021, COVID-19 continued to be a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on CEDAC's operations and financial position. As a result, the adverse impact COVID-19 will have on CEDAC's businesses, operating results, cash flows and financial condition is uncertain. It is management's opinion that the adverse impact, if any, would not be material.

14. RECLASSIFICATION

Certain amounts in the fiscal year 2020 general purpose financial statements were reclassified to conform with the fiscal year 2021 presentation.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Supplementary Statement of Functional Expenses
For the Year Ended June 30, 2021

	Enterprise Funds			
	Program Expenses			Total
	Housing and Intermediary Program	Child Care Program	Management and General	
Employee Compensation:				
Salaries	\$ 1,284,735	\$ 422,094	\$ 732,400	\$ 2,439,229
Fringe benefits and payroll taxes	394,537	129,665	224,872	749,074
Total employee compensation	<u>1,679,272</u>	<u>551,759</u>	<u>957,272</u>	<u>3,188,303</u>
Professional Fees:				
Contracted services	98,032	344,584	85,165	527,781
Legal	40,176	729	4,688	45,593
Accounting and audit	20,832	9,982	12,586	43,400
Total professional fees	<u>159,040</u>	<u>355,295</u>	<u>102,439</u>	<u>616,774</u>
Other:				
Rent	222,368	56,552	138,674	417,594
Depreciation	30,919	14,815	18,679	64,413
Equipment	26,425	12,662	20,787	59,874
Maintenance and repair	15,310	7,336	9,249	31,895
Insurance	13,237	6,342	7,997	27,576
Other expenses	11,737	5,624	8,807	26,168
Supplies and document storage	12,364	5,924	7,470	25,758
Printing	4,409	2,112	2,663	9,184
Memberships	4,212	2,018	2,545	8,775
Telephone	2,365	-	5,145	7,510
Staff development	2,759	1,322	1,667	5,748
Postage and messengers	2,570	1,231	1,555	5,356
Utilities	2,739	722	1,771	5,232
Travel	-	-	2,318	2,318
Total other	<u>351,414</u>	<u>116,660</u>	<u>229,327</u>	<u>697,401</u>
Subtotal before grants and related expenses	2,189,726	1,023,714	1,289,038	4,502,478
Grants and Related Expenses	<u>101,169</u>	<u>2,493,942</u>	<u>11,000</u>	<u>2,606,111</u>
Total expenses	<u><u>\$ 2,290,895</u></u>	<u><u>\$ 3,517,656</u></u>	<u><u>\$ 1,300,038</u></u>	<u><u>\$ 7,108,589</u></u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Supplementary Statement of Functional Expenses
For the Year Ended June 30, 2020

	Enterprise Funds			
	Program Expenses			Total
	Housing and Intermediary Program	Child Care Program	Management and General	
Employee Compensation:				
Salaries	\$ 1,041,040	\$ 399,202	\$ 891,463	\$ 2,331,705
Fringe benefits and payroll taxes	316,036	121,367	271,516	708,919
Total employee compensation	<u>1,357,076</u>	<u>520,569</u>	<u>1,162,979</u>	<u>3,040,624</u>
Professional Fees:				
Contracted services	34,765	244,239	107,741	386,745
Legal	4,538	-	2,288	6,826
Accounting and audit	15,280	8,022	14,898	38,200
Total professional fees	<u>54,583</u>	<u>252,261</u>	<u>124,927</u>	<u>431,771</u>
Other:				
Rent	225,528	37,326	136,212	399,066
Depreciation	24,006	13,146	20,006	57,158
Equipment	10,787	5,663	10,519	26,969
Maintenance and repair	9,497	4,986	9,261	23,744
Insurance	8,978	4,713	8,754	22,445
Other expenses	21,516	11,296	20,980	53,792
Supplies and document storage	10,965	5,757	10,691	27,413
Printing	2,951	1,549	2,877	7,377
Memberships	6,398	3,359	6,238	15,995
Telephone	-	-	6,790	6,790
Staff development	3,872	2,033	3,775	9,680
Postage and messengers	2,266	1,190	2,210	5,666
Utilities	3,972	657	2,400	7,029
Travel	-	-	11,593	11,593
Total other	<u>330,736</u>	<u>91,675</u>	<u>252,306</u>	<u>674,717</u>
Subtotal before grants and related expenses	1,742,395	864,505	1,540,212	4,147,112
Grants and Related Expenses	<u>76,249</u>	<u>4,247,590</u>	<u>11,000</u>	<u>4,334,839</u>
Total expenses	<u>\$ 1,818,644</u>	<u>\$ 5,112,095</u>	<u>\$ 1,551,212</u>	<u>\$ 8,481,951</u>