



Community Economic Development
Assistance Corporation

**GENERAL PURPOSE FINANCIAL STATEMENTS
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
JUNE 30, 2020 AND 2019**

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Contents
June 30, 2020 and 2019

	<u>Pages</u>
Unmodified Opinion on General Purpose Financial Statements Accompanied by Other Information - Governmental Entity	1 - 1A
Management's Discussion and Analysis	2 - 9
General Purpose Financial Statements:	
Statements of Net Position	10 - 11
Statements of Revenues, Expenses and Changes in Net Position	12 - 13
Statements of Cash Flows	14 - 15
Statements of Fiduciary Net Position	16
Notes to General Purpose Financial Statements	17 - 34
Supplementary Information:	
Supplementary Statements of Functional Expenses	35 - 36
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of General Purpose Financial Statements Performed in Accordance With Government Auditing Standards	37 - 38



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

**Unmodified Opinion on General Purpose Financial Statements Accompanied
By Other Information – Governmental Entity**

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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 on page one present fairly, in all material respects, the net position of Community Economic Development Assistance Corporation as of June 30, 2020 and 2019, 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 9 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of CEDAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEDAC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEDAC's internal control over financial reporting and compliance.

AAFCPA, Inc.

Boston, Massachusetts
September 24, 2020

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

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, 2020.

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 care facilities. 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 bankrolling critical early seed money needs in the form of acquisition and pre-development loans, CEDAC also provides nonprofit developers with its staff's expertise in real estate finance and development and strategic project management. In addition to its pre-development lending program, CEDAC also serves as underwriter of four state-financed permanent 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. (the Fund), 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, the Fund 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 on flexible loan terms that meet the needs of child care providers of all sizes. The Fund 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 six fiscal years, EEC and CEDAC have conducted six competitive rounds of capital grant applications and awards, allocating over \$31 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 2020.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

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 report 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, the Fund. During fiscal year 2018, the Fund's Board of Directors and CEDAC's Board of Directors voted to modify the bylaws of the Fund to reduce CEDAC's control over the Fund's governance and financial resources. This change was also approved by the United Way which had founded the organization in 1990. Therefore, as a result of these changes, the Fund's financial statements are no longer required to be reported as part of CEDAC's financial report. The Fund prepares separate annual audited financial statements in accordance with accounting principles applicable to non-governmental not-for-profit entities as promulgated by the Financial Accounting Standards Board (FASB).

The Statements of Net Position for fiscal year 2020 and the prior year 2019 are found on pages 10 and 11, respectively, and show the current and long-term assets held by CEDAC and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Statement of Net 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 18 and 19).

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

The restricted expendable net position for fiscal years 2020 and 2019 includes resources that may be used to support CWC activities, Kuehn Charitable Foundation resources (see page 5 under CEDAC Housing Programs) and resources available for lending to preservation projects.

The Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2020 and 2019 found on pages 12 and 13, respectively, report CEDAC's earned income received during each year, as well as the years' expenses.

The Statements of Cash Flows for fiscal years 2020 and 2019 found on pages 14 and 15, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2020 and 2019, can be found on pages 35 and 36, respectively. The Statement of Functional Expenses, presented as supplemental information, shows how CEDAC's expenses break down among the loan funds and program areas for the year.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

Using This Report (Continued)

The Statements of Fiduciary Net Position are found on page 16 and summarize the financial activity associated with the funds managed by CEDAC as fiscal intermediary.

Beginning on page 17 are notes provided to further explain the balances and information contained in the general-purpose financial statements.

As part of the annual budget to actual analysis, CEDAC did not note any variations that will have a significant effect on its future operations or liquidity.

Summary of Financial Performance and Changes in Net Position

As reported in CEDAC's general purpose financial statements, CEDAC's net position decreased by \$7,384 in fiscal year 2019 and increased by \$10,688,398 in fiscal year 2020. These figures break down as follows:

	<u>Net Position</u> <u>June 30, 2018</u>	<u>Changes in</u> <u>Net Position</u>	<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>
Operating and CEDAC Loan Funds	\$ 12,370,123	\$ (25,515)	\$ 12,344,608	\$ 10,589,776	\$ 22,934,384
Restricted Program Funds	<u>253,964</u>	<u>18,131</u>	<u>272,095</u>	<u>98,622</u>	<u>370,717</u>
Total	<u>\$ 12,624,087</u>	<u>\$ (7,384)</u>	<u>\$ 12,616,703</u>	<u>\$ 10,688,398</u>	<u>\$ 23,305,101</u>

Effects of the COVID-19 Pandemic

In March 2020, as the COVID-19 pandemic spread to Massachusetts, CEDAC successfully moved all of its employees to working remotely from their homes. To the staff's credit, CEDAC made the transition successfully to remote operations and continued to provide much needed liquidity to its borrowers. In the last quarter of fiscal year 2020 and throughout the summer of fiscal year 2021, CEDAC continued to see high demand for early stage lending.

In addition, together with the Commonwealth's DHCD, CEDAC has worked to identify at-risk occupied affordable housing properties and to develop solutions to help these projects and nonprofit housing owners to weather the economic storm.

CEDAC's financial and technical assistance services are in high demand now more than ever.

Operating and CEDAC Loan Funds

Historically, CEDAC has supported its annual operating activities from management and underwriting fees and contract revenues. As the level of capitalization has increased, CEDAC has also relied on earnings from lending activity, which is generated from the gross interest earned on loans, less the interest paid to lenders for the capital. CEDAC continues to manage its financial activities in light of the Commonwealth's larger economic conditions. During fiscal years 2019 and 2020, CEDAC increased lending levels commensurate with the continued allocation of state subordinate permanent capital availability, positive economic conditions through the third quarter of fiscal year 2020, and continued potential to make larger acquisition loans, primarily through the Housing Preservation program. As noted above, the need for CEDAC's technical assistance and financial resources increased with the outbreak of the pandemic in the fourth quarter of fiscal year 2020.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

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 2019 and 2020. In fiscal year 2019, CEDAC's core operating activities posted a surplus of \$560,878, after adding back the non-cash loan loss reserve adjustment. Core operating results for fiscal year 2020 reflect a surplus of \$10,504,168, after subtracting the non-cash loan loss reserve adjustment (see table below). The positive operating performance is a result of a \$10 million grant coupled with both strong pre-development and acquisition lending activity and continued strong deferred payment permanent loan underwriting. CEDAC's core operating activities can be calculated as follows:

	<u>2020</u>	<u>2019</u>
Change in net position - Operating and CEDAC Loan Funds	\$ 10,589,776	\$ (25,515)
Loan and interest reserve adjustment	<u>(85,608)</u>	<u>586,393</u>
Net core operating results	<u>\$ 10,504,168</u>	<u>\$ 560,878</u>

The relatively large increase in loan loss reserve in fiscal year 2019 was primarily a result of the growth in the loans receivable compared to fiscal year-end 2018 (see the Portfolio Summary on page 6). The repayment of a large acquisition loan in fiscal year 2020 as well as the continued progression of projects from initial feasibility (high risk) to permanent financing secured (low risk), resulted in a decrease in the loan loss reserve at year-end.

CEDAC Housing Programs

CEDAC's lending activity was strong in fiscal year 2020, 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 2020 ending loans receivable balance achieved another fiscal year-end high of \$36 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. During the fourth quarter of fiscal year 2020, CEDAC reached out to its borrowers, offering the financial support and flexibility they need to continue their critical affordable housing development during the pandemic.

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 Commonwealth's DHCD. CEDAC's Board of Directors voted to designate the full \$10 million as capital for the early stage lending. This amount is included in CEDAC's Loan Funds on page 18. This important resource could not have come at a more important time, bringing CEDAC's lending capital to a high of \$72.1 million.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

CEDAC Housing Programs (Continued)

Some recent loan and grant programs are worth noting.

In fiscal year 2017, CEDAC partnered with the City of Boston, Department of Neighborhood Development (DND) to create a new loan fund to assist nonprofit developers to buy vacant or underutilized land in Boston and hold this land for up to five years before developing affordable housing. The goal of the fund is to support nonprofits to secure control of land that will be developable into affordable housing in the coming years and thereby remove this land from the speculative market. The \$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. CEDAC has committed \$6,380,000, representing 72% of this acquisition fund.

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. To-date, CEDAC has awarded \$459,534 in grants to thirty-two projects. These grants have led to early successes in project development, including one completed project and two projects that have moved into the construction phase. An additional eleven projects have secured CEDAC pre-development loan commitments to support project development. The remaining projects, except two, continue to remain feasible and to 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 77% of total capital.

<u>Portfolio Summary</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Pre-development Loans:			
Capital Available	\$ 26,486,003	\$ 17,148,579	\$ 16,576,469
Current Loan Commitments	\$ 21,800,949	\$ 17,695,394	\$ 14,995,982
Commitment Ratio	82%	104%	90%
Loans Receivable	\$ 13,948,610	\$ 10,856,141	\$ 10,211,047
Deployment Ratio	64%	61%	68%
Acquisition Loans:			
Capital Available	\$ 43,614,878	\$ 41,270,655	\$ 42,077,767
Current Loan Commitments	\$ 33,812,250	\$ 30,145,907	\$ 21,945,125
Commitment Ratio	78%	73%	52%
Loans Receivable	\$ 22,333,767	\$ 22,688,392	\$ 15,291,382
Deployment Ratio	66%	75%	70%
Bridge Loans:			
Capital Available	\$ 2,000,000	\$ 2,700,000	\$ 2,000,000
Current Loan Commitments	\$ -	\$ 2,700,000	\$ 1,200,000
Commitment Ratio	0%	100%	60%
Loans Receivable	\$ -	\$ 1,500,000	\$ -
Deployment Ratio	0%	56%	0%
Total Loans:			
Capital Available	\$ 72,100,881	\$ 61,119,234	\$ 60,654,236
Current Loan Commitments	\$ 55,613,199	\$ 50,541,301	\$ 38,141,107
Commitment Ratio	77%	83%	63%
Loans Receivable	\$ 36,282,377	\$ 35,044,533	\$ 25,502,429
Deployment Ratio	65%	69%	67%

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

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) continues to be a key driver of annual acquisition loan commitments, which is anticipated to continue for the next few years. For example, in fiscal year 2018, one preservation project accounted for \$6 million of acquisition loan commitments and \$26 million of participations to other financial institutions. 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.

Bridge loan volume is primarily affected by the timing of the flow of previously committed state bond or other public capital funds.

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>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Acquisition loans	\$ 14,825,718	59%	\$ 13,122,532	52%	\$ 12,605,375	59%
Pre-development loans	10,134,050	41	10,375,020	42	7,348,162	35
Bridge loans	-	0	1,500,000	6	1,200,000	6
Total	<u>\$ 24,959,768</u>	<u>100%</u>	<u>\$ 24,997,552</u>	<u>100%</u>	<u>\$ 21,153,537</u>	<u>100%</u>
Acquisition loan participations	<u>\$ 8,000,000</u>		<u>\$ 1,706,250</u>		<u>\$ 26,222,555</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 owners to help maintain affordability either through the transfer of ownership to a nonprofit entity, or to renew affordability contracts with the federal or state government. CEDAC also provides technical assistance and training to developers, owners, tenants, and state and local officials regarding federal housing preservation programs and the state's landmark law, Chapter 40T, which regulates publicly-assisted multifamily rental housing.

With the large number of Housing Preservation projects in Massachusetts with expiring affordability periods, CEDAC anticipates that there will be a steady volume of Housing Preservation transactions each year undertaken by nonprofit developers seeking to maintain affordability in these projects.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

Permanent Deferred Payment Funding Programs

Department of Housing and Community Development

CEDAC continues to serve as underwriter, closer, and asset manager for DHCD for Housing Innovations Fund (HIF) loans, Facilities Consolidation Fund (FCF) loans, 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 housing development. Demand for deferred payment loans has also increased substantially in the last several years. FCF in particular has experienced enormous demand as Department of Developmental Services' (DDS) service providers respond to recent federal and state litigation and the closing of state institutions aimed at expediting the move of DDS clients into community-based residences. The Department of Mental Health (DMH) has increased its goal for the production of community residential programs as well. In May 2018, the Massachusetts Legislature passed and the Governor signed into law a \$1.8 billion, 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 2020, 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, will also administer.

In fiscal years 2019 and 2020, 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 2019 and 2020, will provide grants or deferred payment loans 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.

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 27 of these general purpose financial statements. As capital spending allows, DHCD transfers funds for projects to CEDAC prior to disbursement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2020 and 2019

Permanent Deferred Payment Funding Programs (Continued)

At the end of each fiscal year, CEDAC held the following outstanding loan commitment balances (net note payable) for HIF, FCF, CBH, and HPSTF:

<u>Outstanding Commitments</u>	<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 15,331,663	42%	\$ 18,140,327	39%	\$ 14,306,340	36%
Facilities Consolidation Fund	12,764,802	35	18,266,758	39	15,810,142	40
Community-Based Housing	6,341,390	17	9,796,207	21	7,550,373	19
Housing Preservation and Stabilization Trust Fund	<u>2,487,786</u>	<u>6</u>	<u>628,705</u>	<u>1</u>	<u>1,843,684</u>	<u>5</u>
Total	<u>\$ 36,925,641</u>	<u>100%</u>	<u>\$ 46,831,997</u>	<u>100%</u>	<u>\$ 39,510,539</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 fiscal years 2015 through 2020, EEC conducted and awarded six highly competitive grant rounds, allocating over \$31 million. In May 2018, the Massachusetts Legislature re-authorized the program at \$45 million for the EEOST Capital Fund.

The activity associated with the EEOST Capital Fund for fiscal years 2020 and 2019 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 constituents in their areas. These agencies are also responsible for managing the region's loan portfolio. The source of the funds is state capital bond funds authorized under the same legislation as the housing deferred payment loan funds and the EEOST Capital Fund described above.

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 and economic downturn, 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, 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:				
Accounts payable and accrued expenses	\$ 351,047	\$ -	\$ -	\$ 351,047
Deferred revenue	600,538	6,485,465	1,451,487	8,537,490
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
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 Net Position
June 30, 2019

Assets	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Current Assets:				
Cash and cash equivalents	\$ 2,030,040	\$ -	\$ -	\$ 2,030,040
Restricted cash and cash equivalents for approximately \$63,505,000 CEDAC has committed for loans and grants (see Note 10)	3,454,632	8,574,153	54,796,319	66,825,104
Short-term investments	2,081,866	-	-	2,081,866
Accounts and interest receivable	383,591	-	6,067	389,658
Grants receivable	75,000	51,628	-	126,628
Current portion of loans receivable, net of allowance for uncollectible loans	5,511,068	-	3,652,720	9,163,788
Net interfund receivables (payables)	(2,045)	(51,628)	53,673	-
Other current assets	56,841	-	-	56,841
Total current assets	13,590,993	8,574,153	58,508,779	80,673,925
Other Assets:				
Interest receivable, net of allowance for uncollectible accounts	499,158	-	197,859	697,017
Loans receivable, net of current portion and allowance for uncollectible loans	16,414,772	-	6,553,434	22,968,206
Fixed assets, net of accumulated depreciation	255,473	-	-	255,473
Total other assets	17,169,403	-	6,751,293	23,920,696
Total assets	\$ 30,760,396	\$ 8,574,153	\$ 65,260,072	\$ 104,594,621
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 261,957	\$ -	\$ -	\$ 261,957
Deferred revenue	663,715	8,302,058	1,351,242	10,317,015
Current portion of recourse notes payable	6,013,000	-	-	6,013,000
Current portion of non-recourse notes payable	-	-	3,425,702	3,425,702
Accrued and deferred compensation	249,272	-	-	249,272
Total current liabilities	7,187,944	8,302,058	4,776,944	20,266,946
Long-Term Liabilities:				
Recourse notes payable, net of current portion	11,227,844	-	-	11,227,844
Non-recourse notes payable, net of current portion	-	-	60,483,128	60,483,128
Total liabilities	18,415,788	8,302,058	65,260,072	91,977,918
Net Position:				
Unrestricted net position	8,415,341	-	-	8,415,341
Invested in capital assets	255,473	-	-	255,473
Restricted net position - expendable	3,673,794	272,095	-	3,945,889
Total net position	12,344,608	272,095	-	12,616,703
Total liabilities and net position	\$ 30,760,396	\$ 8,574,153	\$ 65,260,072	\$ 104,594,621

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	\$ 1,745,893	\$ 156,298	\$ 1,205,192	\$ 3,107,383
Loan fund management fees and other fees	307,256	-	18,538	325,794
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	1,491,152	156,298	1,154,474	2,801,924
Government contracts	2,209,585	4,259,958	-	6,469,543
Earned revenue and other	678,946	-	-	678,946
Restricted grants and contributions	5,496	378,914	-	384,410
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:				
Grants and related expenses	11,000	4,323,839	-	4,334,839
Employee compensation	2,956,919	83,705	-	3,040,624
Rent	399,066	-	-	399,066
Contracted services	107,741	279,004	-	386,745
Depreciation	57,158	-	-	57,158
Other expenses	53,792	-	-	53,792
Accounting and audit	38,200	-	-	38,200
Supplies and document storage	27,413	-	-	27,413
Equipment	26,969	-	-	26,969
Maintenance and repair	23,744	-	-	23,744
Insurance	22,445	-	-	22,445
Memberships	15,995	-	-	15,995
Travel	11,593	-	-	11,593
Staff development	9,680	-	-	9,680
Printing	7,377	-	-	7,377
Utilities	7,029	-	-	7,029
Legal	6,826	-	-	6,826
Telephone	6,790	-	-	6,790
Postage and messengers	<u>5,666</u>	<u>-</u>	<u>-</u>	<u>5,666</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	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
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>

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Operating Revenues:				
Financial and related revenue:				
Interest	\$ 1,345,331	\$ 171,466	\$ 1,412,208	\$ 2,929,005
Loan fund management fees and other fees	478,563	-	28,442	507,005
Less - loan and interest reserve adjustment	(586,393)	-	(234,093)	(820,486)
Less - interest expense	(449,203)	-	(89,000)	(538,203)
Net financial and related revenue	788,298	171,466	1,117,557	2,077,321
Government contracts	2,109,834	5,164,661	-	7,274,495
Earned revenue and other	667,284	150	-	667,434
Restricted grants and contributions	-	232,667	-	232,667
Legal fee revenue	-	-	213,385	213,385
Legal fee expense	-	-	(213,385)	(213,385)
Management fees expense	-	(30,000)	(315,848)	(345,848)
Total operating revenues	3,565,416	5,538,944	801,709	9,906,069
Operating Expenses:				
Grants and related expenses	11,000	5,333,847	-	5,344,847
Employee compensation	2,740,057	83,952	-	2,824,009
Rent	373,482	-	-	373,482
Contracted services	104,195	103,014	15,318	222,527
Depreciation	41,896	-	-	41,896
Other expenses	68,470	-	-	68,470
Accounting and audit	37,550	-	-	37,550
Supplies and document storage	36,693	-	-	36,693
Equipment	30,507	-	-	30,507
Maintenance and repair	20,411	-	-	20,411
Insurance	20,268	-	-	20,268
Memberships	18,892	-	-	18,892
Travel	18,059	-	-	18,059
Staff development	10,727	-	-	10,727
Printing	6,214	-	-	6,214
Utilities	6,831	-	-	6,831
Legal	33,133	-	-	33,133
Telephone	6,758	-	-	6,758
Postage and messengers	5,788	-	-	5,788
Total operating expenses	3,590,931	5,520,813	15,318	9,127,062
Changes in net position from operations	(25,515)	18,131	786,391	779,007
Net Operations of Loan Funds Not Recourse to CEDAC	-	-	(786,391)	(786,391)
Changes in net position	(25,515)	18,131	-	(7,384)
Net Position:				
Beginning of year	12,370,123	253,964	-	12,624,087
End of year	\$ 12,344,608	\$ 272,095	\$ -	\$ 12,616,703

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 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	10,565,797	(1,837,971)	(8,922,420)	(194,594)
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	986,991	-	(35,980,181)	(34,993,190)
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	5,446,161	-	36,056,411	41,502,572
Net Change in Cash and Cash Equivalents	16,998,949	(1,837,971)	(8,846,190)	6,314,788
Cash and Cash Equivalents:				
Beginning of year	5,484,672	8,574,153	54,796,319	68,855,144
End of year	\$ 22,483,621	\$ 6,736,182	\$ 45,950,129	\$ 75,169,932
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	\$ 10,565,797	\$ (1,837,971)	\$ (8,922,420)	\$ (194,594)

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Cash Flows
For the Year Ended June 30, 2019

	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	\$ 2,907,057	\$ 8,300,110	\$ 244,999	\$ 11,452,166
Interest and fees received on loans	1,347,799	-	412,444	1,760,243
Interest received on bank deposits	207,253	171,466	1,135,162	1,513,881
Employee compensation	(2,723,550)	(83,952)	-	(2,807,502)
Payments for supplies and services	(797,638)	(103,014)	(647,745)	(1,548,397)
Payments to grantees	(11,000)	(5,333,847)	-	(5,344,847)
Interest payments to lenders	(512,872)	-	(89,000)	(601,872)
Internal activity - payments between funds	90,207	(13,340)	(76,867)	-
Net cash provided by operating activities	507,256	2,937,423	978,993	4,423,672
Cash Flows from Investing Activities:				
Loans disbursed	(27,165,208)	-	(33,834,905)	(61,000,113)
Proceeds from loan repayments	19,227,507	-	6,358,699	25,586,206
Purchase of investments	(3,063,726)	-	-	(3,063,726)
Maturity of investments	3,063,726	-	-	3,063,726
Acquisition of fixed assets	(47,929)	-	-	(47,929)
Net cash used in investing activities	(7,985,630)	-	(27,476,206)	(35,461,836)
Cash Flows from Financing Activities:				
Proceeds from notes payable	20,491,861	-	32,251,801	52,743,662
Repayments of principal of notes payable	(16,109,680)	-	-	(16,109,680)
Net cash provided by financing activities	4,382,181	-	32,251,801	36,633,982
Net Change in Cash and Cash Equivalents	(3,096,193)	2,937,423	5,754,588	5,595,818
Cash and Cash Equivalents:				
Beginning of year	8,580,865	5,636,730	49,041,731	63,259,326
End of year	\$ 5,484,672	\$ 8,574,153	\$ 54,796,319	\$ 68,855,144
Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities:				
Changes in net position	\$ (25,515)	\$ 18,131	\$ -	\$ (7,384)
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	41,896	-	-	41,896
Loan and interest reserve adjustment	586,393	-	234,093	820,486
Net operations of loan funds not recourse to CEDAC	-	-	786,391	786,391
Changes in operating assets and liabilities:				
Accounts and interest receivable	(209,672)	-	(4,550)	(214,222)
Grants receivable	(3,115)	13,342	-	10,227
Interfund receivables (payables)	90,207	(13,340)	(76,867)	-
Other current assets	20,036	-	-	20,036
Interest receivable	(83,377)	-	8,312	(75,065)
Accounts payable and accrued expenses	85,869	-	-	85,869
Deferred revenue	(11,973)	2,919,290	31,614	2,938,931
Accrued and deferred compensation	16,507	-	-	16,507
Net cash provided by operating activities	\$ 507,256	\$ 2,937,423	\$ 978,993	\$ 4,423,672

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statements of Fiduciary Net Position
June 30, 2020 and 2019

Assets	CEDAC Agency Fund	
	2020	2019
Assets:		
Cash and cash equivalents	\$ 2,039,360	\$ 2,199,888
Total assets	<u>\$ 2,039,360</u>	<u>\$ 2,199,888</u>
Liabilities and Net Position		
Liabilities:		
Agency funds held for others	\$ 2,039,360	\$ 2,199,888
Net Position	-	-
Total liabilities and net position	<u>\$ 2,039,360</u>	<u>\$ 2,199,888</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, CEDAC has set aside \$2,148,957 and \$1,810,995, 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 \$16,592,477 and \$6,604,346 of unrestricted net position designated by the Board of Directors as of June 30, 2020 and 2019, 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, 2020 and 2019, are summarized as follows:

	<u>2020</u>	<u>2019</u>
CEDAC Loan Funds	\$ 16,592,477	\$ 6,604,346
Operating net position	<u>2,148,957</u>	<u>1,810,995</u>
	<u>\$ 18,741,434</u>	<u>\$ 8,415,341</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 \$238,896 and \$255,473 as of June 30, 2020 and 2019, 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, 2020 and 2019

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 \$370,717 and \$272,095 at June 30, 2020 and 2019, respectively, are those funds associated with the certain programs.

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 and loan loss provisions directly to the loan fund and 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. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions.

The MMDT cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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 \$71.3 million and \$64.1 million as of June 30, 2020 and 2019, respectively, which includes money held as a fiduciary (see Note 6). The MMDT cash portfolio is managed such that it maintains a dollar-weighted average portfolio maturity of ninety days or less, and consists of certificates of deposit, money market funds, U.S. Government securities, and high-grade commercial paper (see Note 7).

Investments

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

Concentration of Credit Risk

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

Loans Receivable and Allowance for Uncollectible Loans

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

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

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 \$527,662 and \$521,876 at June 30, 2020 and 2019, respectively. Accumulated depreciation at June 30, 2020 and 2019, totaled \$288,766 and \$266,403, respectively.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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

Contract revenue, fees for service and interest 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, 2020 and 2019

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 24, 2020, which is the date the general purpose financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the general purpose financial statements.

2. NOTES PAYABLE TO FUNDING SOURCES

Loan programs managed by CEDAC are governed by contracts which outline the 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, 2020 and 2019.

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 \$8.9 million. Interest is payable semi-annually. As of June 30, 2020 and 2019, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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 January 29, 2019.
- **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-development Line of Credit** was executed in 2013 to provide capital to finance acquisition and pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. In fiscal year 2018, the agreement was amended to increase the available capital and extend the maturity date five more years. The total commitment under this line of credit is \$3 million, with \$1.5 million available for acquisition/bridge loans and \$1.5 million available for pre-development loans. Acquisition loans are secured by first mortgages. Interest is payable quarterly. The line of credit is an unsecured revolving line of credit, with maturity in January 2023.

The agreement contains various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. At June 30, 2020 and 2019, CEDAC was in compliance with all covenants of the agreement.

- **The Eastern Bank Pre-development Loan Line of Credit** was executed during fiscal year 2015 to provide capital to finance pre-development loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$2 million. The line of credit is an unsecured revolving line of credit maturing in November 2020. Interest is payable quarterly. As of June 30, 2020 and 2019, 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 2020. Interest is payable quarterly. The agreement contains various covenants. As of June 30, 2020 and 2019, CEDAC was in compliance will all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2011 to provide capital to finance bridge loans to nonprofit organizations to move into construction where the nonprofit organization has a commitment from state funding sources for disbursement in future years. The total commitment under this line of credit is \$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 2020. Interest is payable quarterly. As of June 30, 2020 and 2019, 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 October 25, 2020. Interest is payable quarterly. As of June 30, 2020 and 2019, CEDAC was in compliance with all covenants of the agreement.
- **The Bank of America Acquisition Line of Credit**, a Program-Related Investment (PRI) of Bank of America Community Development Corporation, was executed during fiscal year 2017 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The commitment under this line of credit is \$5 million, with a two-year draw period 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. As of June 30, 2020 and 2019, 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 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 non-interest bearing note 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. This loan matured during fiscal year 2020 and management is currently in the process of extending this maturity date with the lender.
- **The Citizens Bank Vacant Site Acquisition Line of Credit** was executed during fiscal year 2018 to fund the City of Boston Vacant Site Acquisition Loan Fund. The commitment under this revolving line of credit is \$3 million, with a three year draw period that ended in June 2020. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with an initial maturity of June 30, 2020, at which time the initial maturity date was extended to November 30, 2020. Upon maturity there are two automatic twelve-month extensions available with thirty days' notice. As of June 30, 2020 and 2019, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

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

	<u>2020</u>	<u>2019</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 2,000,000	\$ 2,000,000
The Housing Preservation Loan Fund	3,000,000	3,000,000
Eastern Bank Loan Funds	8,086,505	5,235,844
Boston Private Bank Lines	1,414,250	850,000
Rockland Trust Acquisition Line	1,000,000	-
Bank of America Acquisition Line	5,000,000	5,000,000
Citizens Bank Acquisition Line	<u>2,186,250</u>	<u>1,155,000</u>
Total CEDAC Loan Funds	<u>22,687,005</u>	<u>17,240,844</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	8,998,828	8,962,879
DND Loan Fund	779,459	813,982
DND Vacant Site Acquisition Loan Fund	2,774,643	2,472,646
HSF Acquisition Loan Fund	1,657,613	1,594,586
AHT Pre-development Loan Fund	2,884,495	2,611,720
Net DMH Trust (see Note 3)	634,508	621,021
AAHG (see Note 3)	2,742,866	-
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>36,925,641</u>	<u>46,831,996</u>
Total Loan Funds Under Management	<u>57,398,053</u>	<u>63,908,830</u>
	<u>\$ 80,085,058</u>	<u>\$ 81,149,674</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. This below schedule 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. 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>
2021	\$ 5,119,602	\$ 1,821,959	\$ 837,724	\$ 7,779,285
2022	14,759,278	2,132,613	523,236	17,415,127
2023	2,808,125	10,255,971	190,652	13,254,748
2024	-	-	-	-
2025	-	<u>2,884,495</u>	-	<u>2,884,495</u>
	<u>22,687,005</u>	<u>17,095,038</u>	<u>1,551,612</u>	<u>41,333,655</u>
DMH MetState Fund	-	634,508	-	634,508
AAHG	-	2,742,866	-	2,742,866
Deferred payment loans	-	<u>36,925,641</u>	-	<u>36,925,641</u>
	<u>\$ 22,687,005</u>	<u>\$ 57,398,053</u>	<u>\$ 1,551,612</u>	<u>\$ 81,636,670</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

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 schedule on page 25 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 \$232,754 and \$213,385 of legal fees during fiscal years 2020 and 2019, respectively.

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

- **The Housing Innovations Fund (HIF)** was funded by \$396 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to specific affordable housing projects owned by nonprofit organizations.
- **The Facilities Consolidation Fund (FCF)** was funded by \$272 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. FCF program loans are targeted to clients leaving state supported facilities operated by the Massachusetts Department of Developmental Services (DDS) and the Massachusetts Department of Mental Health (DMH).
- **The Community-Based Housing Program (CBH)** was funded by \$118 million in general obligation bonding authority. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. CBH program loans are targeted to support disabled individuals not served by DDS or DMH.
- **The Housing Preservation and Stabilization Trust Fund (HPSTF)** was funded by a \$25.5 million capitalization in accordance with Section 60 of MGL c 121B. The funds are used to support subordinated deferred payment mortgage loans to nonprofit organizations. HPSTF program loans provide affordable housing for low-income families and individuals, particularly those most at risk of becoming homeless.

By agreement with DHCD, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF, CBH, and HPSTF notes payable are presented in the accompanying general purpose financial statements net of loans receivable at June 30, 2020 and 2019.

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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATIONNotes to General Purpose Financial Statements
June 30, 2020 and 2019**3. UNDERWRITING, FISCAL AGENT SERVICES AND LOANS PAYABLE (Continued)****Department of Housing and Community Development (DHCD) (Continued)**

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

<u>2020</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
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>
<u>2019</u>	<u>HIF</u>	<u>FCF</u>	<u>CBH</u>	<u>HPSTF</u>	<u>Total</u>
Note payable	\$ 259,730,368	\$ 164,391,921	\$ 59,753,030	\$ 24,293,047	\$ 508,168,366
Less - loans receivable	<u>241,590,041</u>	<u>146,125,164</u>	<u>49,956,823</u>	<u>23,664,342</u>	<u>461,336,370</u>
Net note payable	<u>\$ 18,140,327</u>	<u>\$ 18,266,757</u>	<u>\$ 9,796,207</u>	<u>\$ 628,705</u>	<u>\$ 46,831,996</u>

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

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 or deferred payment loans 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. 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, 2020 and 2019, CEDAC held \$105,675 and \$112,500, respectively, 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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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

Department of Mental Health (DMH) (Continued)

Gross loan receivable and note payable are as follows:

	<u>2020</u>	<u>2019</u>
Note payable	\$ 3,593,680	\$ 3,580,193
Less - loans receivable	<u>2,959,172</u>	<u>2,959,172</u>
Net note payable	<u>\$ 634,508</u>	<u>\$ 621,021</u>

4. LOANS RECEIVABLE

CEDAC's loans receivable consist of amounts advanced on pre-development, acquisition, and bridge loan commitments at June 30, 2020 and 2019. 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.

Loan receivable balances of CEDAC include:

<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>
<u>2019</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	\$ 10,856,141	\$ (1,475,385)	\$ 9,380,756
Acquisition loans	20	22,688,392	(1,437,154)	21,251,238
Bridge loan	<u>1</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Total	<u>80</u>	35,044,533	(2,912,539)	32,131,994
Less - current portion		<u>9,618,750</u>	<u>(454,962)</u>	<u>9,163,788</u>
Long-term portion		<u>\$ 25,425,783</u>	<u>\$ (2,457,577)</u>	<u>\$ 22,968,206</u>

See Note 10 for disclosure of loan commitments.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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, 2018	\$ 2,114,684	\$ 218,694	\$ 2,333,378
Changes to allowance	800,455	20,031	820,486
Loans and interest forgiven	<u>(2,600)</u>	<u>(2,122)</u>	<u>(4,722)</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	<u>\$ 2,701,430</u>	<u>\$ 269,623</u>	<u>\$ 2,971,053</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, 2020 and 2019.

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, 2020:

<u>2020</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(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>	-
Total	<u>\$ 77,251,798</u>	<u>\$ 77,251,798</u>	<u>\$ 77,251,798</u>	<u>\$ -</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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, 2019:

<u>2019</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	\$ 61,858,507	\$ 61,858,507	\$ 61,858,507	\$ -
Other cash	6,996,637	6,996,637	6,996,637	-
Certificates of deposit	<u>2,081,866</u>	<u>2,081,866</u>	<u>2,081,866</u>	-
Total	<u>\$ 70,937,010</u>	<u>\$ 70,937,010</u>	<u>\$ 70,937,010</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>2020</u>	<u>2019</u>
1 - 30 Days	55.0%	74.1%
31 - 90 Days	23.2	18.3
91 - 180 Days	17.5	4.6
181 - 365 Days	<u>4.3</u>	<u>3.0</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>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>2,081,866</u>
Total	<u>\$ 77,251,798</u>	<u>\$ -</u>	<u>\$ 8,014,638</u>

<u>2019</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 61,858,507	See below	
Other cash	6,996,637	\$ -	\$ 6,996,637
Certificates of deposit	<u>2,081,866</u>	-	<u>2,081,866</u>
Total	<u>\$ 70,937,010</u>	<u>\$ -</u>	<u>\$ 9,078,503</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

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
2020	100.0%	- %
2019	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, 2020 and 2019, were \$108,956 and \$105,054, 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 \$119,731 and \$113,324 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019

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 Children's Investment Fund (the Fund) 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 \$6,485,465 and \$8,302,058 at June 30, 2020 and 2019, respectively.

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

	<u>2020</u>	<u>2019</u>
Operating and CEDAC Loan Funds:		
Unearned underwriting fees and grants	\$ 494,863	\$ 551,215
Unearned underwriting fees and monitoring DMH MetState Trust Loan Program	<u>105,675</u>	<u>112,500</u>
Total Operating and CEDAC Loan Funds	600,538	663,715
Restricted Program Funds:		
EEOST contract	6,485,465	8,302,058
Loan Funds Under Management:		
Deferred legal fees	<u>1,451,487</u>	<u>1,351,242</u>
Total deferred revenue	<u>\$ 8,537,490</u>	<u>\$ 10,317,015</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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

10. COMMITMENTS (Continued)

Facility Lease (Continued)

Rental expenses under these leases were \$399,066 and \$373,482 for the years ended June 30, 2020 and 2019, respectively, and are reported as rent in the accompanying statements of revenues, expenses and changes in net position.

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

2021	\$ 384,180
2022	\$ 384,180
2023	\$ 398,334
2024	\$ 408,444
2025	\$ 408,444
2026 - 2027	\$ 578,629

Loan and Grant Commitments

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

	<u>2020</u>	<u>2019</u>
Subordinated deferred payment loans	\$ 35,037,352	\$ 47,453,017
Pre-development, acquisition and bridge loans	55,613,199	50,541,301
EEOST grant program	6,079,163	8,302,058
Pre-development grants	<u>98,150</u>	<u>169,407</u>
Total commitments	96,827,864	106,465,783
Less - loans receivable	<u>(36,282,377)</u>	<u>(35,044,533)</u>
Total outstanding commitments	60,545,487	71,421,250
Less - commitments to be drawn under credit lines	<u>(6,930,677)</u>	<u>(7,911,942)</u>
Total outstanding commitments held in cash	<u>\$ 53,614,810</u>	<u>\$ 63,509,308</u>

11. RELATED PARTY TRANSACTIONS

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

	<u>2020</u>	<u>2019</u>
Contracted staffing:		
Services provided to the Fund during fiscal year	\$ 680,012	\$ 624,235
Less - amounts invoiced by CEDAC	<u>(579,840)</u>	<u>(535,535)</u>
Net in-kind services to the Fund	<u>\$ 100,172</u>	<u>\$ 88,700</u>
Accounts receivable from the Fund at end of fiscal year	<u>\$ 168,374</u>	<u>\$ 94,256</u>
EEOST grants provided by CEDAC to the Fund:		
Grants provided to the Fund during the fiscal year	<u>\$ 350,000</u>	<u>\$ 300,000</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2020 and 2019

11. RELATED PARTY TRANSACTIONS (Continued)

CEDAC has a contract with the Fund to provide the contracted staffing services noted during fiscal year 2021 (see page 33).

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2020 and 2019, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 2,129,881	\$ 2,129,881	\$ 2,030,040	\$ 2,030,040
Restricted cash and cash equivalents	\$ 73,040,051	\$ 73,040,051	\$ 66,825,104	\$ 66,825,104
Investments	\$ 2,081,866	\$ 2,081,866	\$ 2,081,866	\$ 2,081,866
Loans receivable, net	\$ 33,580,947	See below	\$ 32,131,994	See below
Notes payable to funding sources	\$ 80,085,058	See below	\$ 81,149,674	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, 2020 and 2019.

13. CONTINGENCY

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the U.S 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 2019 general purpose financial statements were reclassified to conform with the fiscal year 2020 presentation.

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
Accounting and audit	15,280	8,022	14,898	38,200
Legal	4,538	-	2,288	6,826
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
Other expenses	21,516	11,296	20,980	53,792
Supplies and document storage	10,965	5,757	10,691	27,413
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
Memberships	6,398	3,359	6,238	15,995
Travel	-	-	11,593	11,593
Staff development	3,872	2,033	3,775	9,680
Printing	2,951	1,549	2,877	7,377
Utilities	3,972	657	2,400	7,029
Telephone	-	-	6,790	6,790
Postage and messengers	2,266	1,190	2,210	5,666
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>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Supplementary Statement of Functional Expenses
For the Year Ended June 30, 2019

	Enterprise Funds			Total
	Program Expenses			
	Housing and Intermediary Program	Child Care Program	Management and General	
Employee Compensation:				
Salaries	\$ 1,018,773	\$ 256,282	\$ 896,968	\$ 2,172,023
Fringe benefits and payroll taxes	307,285	79,338	265,363	651,986
Total employee compensation	1,326,058	335,620	1,162,331	2,824,009
Professional Fees:				
Contracted services	15,318	103,013	104,196	222,527
Accounting and audit	17,649	4,882	15,019	37,550
Legal	24,105	-	9,028	33,133
Total professional fees	57,072	107,895	128,243	293,210
Other:				
Rent	222,199	34,336	116,947	373,482
Depreciation	19,691	5,446	16,759	41,896
Other expenses	32,703	10,466	25,301	68,470
Supplies and document storage	17,246	4,770	14,677	36,693
Equipment	14,338	3,966	12,203	30,507
Maintenance and repair	9,593	2,653	8,165	20,411
Insurance	9,526	2,635	8,107	20,268
Memberships	8,879	2,456	7,557	18,892
Travel	-	-	18,059	18,059
Staff development	5,042	1,395	4,290	10,727
Printing	2,921	808	2,485	6,214
Utilities	3,855	596	2,380	6,831
Telephone	-	-	6,758	6,758
Postage and messengers	2,720	752	2,316	5,788
Total other	348,713	70,279	246,004	664,996
Subtotal before grants and related expenses	1,731,843	513,794	1,536,578	3,782,215
Grants and Related Expenses	138,050	5,195,797	11,000	5,344,847
Total expenses	\$ 1,869,893	\$ 5,709,591	\$ 1,547,578	\$ 9,127,062



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of General Purpose Financial Statements Performed in
Accordance With Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of Community Economic Development Assistance Corporation (CEDAC) (a component unit of the Commonwealth of Massachusetts), which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, cash flows and fiduciary net position for the year then ended, and the related notes to the general purpose financial statements, and have issued our report thereon dated September 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the general purpose financial statements, we considered CEDAC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of CEDAC's internal control. Accordingly, we do not express an opinion on the effectiveness of CEDAC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CEDAC's general purpose financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CEDAC's general purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the general purpose financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CEDAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CEDAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPA, Inc.

Boston, Massachusetts
September 24, 2020