



Community Economic Development
Assistance Corporation

**GENERAL PURPOSE FINANCIAL STATEMENTS
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
JUNE 30, 2023 AND 2022**

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Contents
June 30, 2023 and 2022

	<u>Pages</u>
Unmodified Opinion on Financial Statements Accompanied by Required Supplementary Information and Supplementary Information - Governmental Entity	1 - 1B
Management's Discussion and Analysis	2 - 10
General Purpose Financial Statements:	
Statements of Net Position	11 - 12
Statements of Revenues, Expenses and Changes in Net Position	13 - 14
Statements of Cash Flows	15 - 16
Statements of Fiduciary Net Position	17
Notes to General Purpose Financial Statements	18 - 38
Supplementary Information:	
Supplementary Statements of Functional Expenses	39 - 40
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	41 - 42

**Unmodified Opinion on Financial Statements Accompanied by Required
Supplementary Information and Supplementary Information – Governmental Entity**

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the general purpose financial statements of the business-type activities of Community Economic Development Assistance Corporation (CEDAC) (a component unit of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2023 and 2022, and the related notes to the general purpose financial statements, which collectively comprise CEDAC's basic general purpose financial statements as listed in the table of contents.

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of Community Economic Development Assistance Corporation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CEDAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the general purpose financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the general purpose financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDAC's ability to continue as a going concern within one year after the date that the general purpose financial statements are available to be issued.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the general purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the general purpose financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the general purpose financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the general purpose financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CEDAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the general purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CEDAC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

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

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 statements of functional expenses are 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 28, 2023, 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 28, 2023

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis June 30, 2023 and 2022

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, 2023.

Background

CEDAC is a quasi-public agency of the Commonwealth of Massachusetts (the Commonwealth), established as a public corporation by state legislation in 1978, to provide technical assistance to nonprofit community-based development organizations to help them carry out community economic development activity in economically distressed areas of the state. CEDAC is also a 501(c)(3) tax-exempt corporation. A nine-member Board of Directors drawn from the public and private development sectors is appointed by the Governor to oversee CEDAC's corporate affairs and set policy for the corporation. Please visit CEDAC's website at www.cedac.org.

CEDAC supports the community development needs of community-based nonprofit organizations by offering flexible capital financing, technical support and assistance, and training in the areas of affordable housing development and early education and out-of-school time facility development. Affordable housing development is CEDAC's largest program. CEDAC is the primary provider of high-risk predevelopment capital to nonprofit community development organizations in Massachusetts. While providing critical early-stage funding in the form of acquisition and predevelopment 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 predevelopment lending program, CEDAC also serves as underwriter and asset manager of four state-financed long-term deferred payment loan programs of the Commonwealth's Executive Office of Housing and Livable Communities (EOHLC): Housing Innovations Fund (HIF), Facilities Consolidation Fund (FCF), Community-Based Housing (CBH), and the Housing Preservation and Stabilization Trust Fund (HPSTF). In addition, on behalf of EOHLC, CEDAC serves as underwriter and administrator for the Accessibility Affordable Housing Grant (AAHG), a program providing capital grants to projects that prioritize the accommodation of disabled residents.

Beginning in fiscal year 2023 and continuing through fiscal year 2025, as a contractor for EOHLC, CEDAC is assisting EOHLC in the underwriting, closing, and disbursement of \$107 million of American Rescue Plan Act of 2021 (ARPA) funds designated by the Commonwealth to support the production of permanent supportive housing for individuals and families. This program is referred to as ARPA SH. The funds are structured as long-term deferred payment loans and, in some cases, can be used early in acquisition loans for eligible supportive housing projects.

Through its affiliate organization, the Children's Investment Fund, Inc. (CIF), CEDAC provides a full-range of financing and technical services options for nonprofit early education and out-of-school time providers seeking to construct or improve their facilities. In addition to providing technical expertise, CIF offers predevelopment, site acquisition, construction, term loans, and capital grants to help finance the cost of developing capital projects, leasehold improvements, and equipment. CIF is certified as a Community Development Finance Institution (CDFI) by the U.S. Department of the Treasury's CDFI Fund.

Because of CEDAC's unique experience providing technical assistance and capital financing and its deep experience with the early education and out-of-school time program operations, the Commonwealth's Department of Early Education and Care (EEC) contracts with CEDAC to administer its capital fund: the Early Education and Out of School Time (EEOST) Capital Fund, which was first authorized as part of the Community Development Bond Bill passed by the Massachusetts Legislature in November 2013. The Legislature authorized up to \$45 million of public capital grants to support nonprofit center-based early education and out-of-school time programs. In 2018, the Legislature re-authorized EEOST again for up to \$45 million. With the EEOST Capital Funds, EEC awards grants to nonprofit providers to support acquisition, design, construction and/or renovation of the facilities funded. In the past decade, EEC and CEDAC have conducted nine competitive rounds of capital grant applications and awards, allocating over \$51.4 million to projects.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Background (Continued)

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 2023.

CEDAC is the founding partner of the Commonwealth Workforce Coalition (CWC), a statewide workforce development initiative that seeks to strengthen the capacity of Massachusetts' education, training, and workforce system to produce better employment and earnings outcomes for unemployed and underemployed residents. In fiscal year 2017, CEDAC completed the transition of the operations and management of CWC to the University of Massachusetts Boston Center for Social Policy. In fiscal year 2020, the University of Massachusetts Boston Center for Social Policy transferred this program to a workforce organization with more stable funding, the Mass Workforce Alliance. As workforce development is an important component of community development, CEDAC continues to support the efforts of CWC.

Using This Report

This financial report consists of the general purpose financial statements that present the activities of CEDAC only. In prior years, the financial report included a discrete column in each financial statement for CEDAC's former component unit, CIF. During fiscal year 2018, CIF's Board of Directors and CEDAC's Board of Directors voted to modify the bylaws of CIF to reduce CEDAC's control over CIF's governance and financial resources. This change was also approved by the United Way which had founded the organization in 1990. Therefore, as of fiscal year 2018, as a result of these changes, CIF's financial statements are no longer required to be reported as part of CEDAC's financial report. CIF prepares separate annual audited financial statements in accordance with accounting principles applicable to non-governmental not-for-profit entities as promulgated by the Financial Accounting Standards Board (FASB).

The Statements of Net Position for fiscal year 2023 and the prior year 2022 are found on pages 11 and 12, respectively, and show the current and long-term assets held by CEDAC and the current and long-term liabilities owed at the end of the fiscal year. The difference between assets and liabilities on the Statement of Net Position is reported as the net position according to three different classifications: Unrestricted net position, Net position invested in capital assets, and Restricted net position - expendable.

Unrestricted net position includes those net positions over which CEDAC's Board of Directors exercises control, without any externally imposed restriction or capital designation. The Board has elected to allocate the majority of CEDAC's unrestricted net position to support CEDAC's lending programs. That net position is reported as CEDAC Loan Funds. Additional unrestricted net resources are allocated to an operating reserve to help support corporate operations (see Note 1, pages 19 and 20).

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

The restricted expendable net position for fiscal years 2023 and 2022 includes resources that may be used to support CWC activities, Kuehn Charitable Foundation resources, Robert Wood Johnson Foundation resources for the Accelerating Investments for Healthy Communities (AIHC) program, and other resources available for lending to preservation projects.

The Statements of Revenues, Expenses and Changes in Net Position for fiscal years 2023 and 2022 found on pages 13 and 14, respectively, report CEDAC's earned income received during each year, as well as the years' expenses.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Using This Report (Continued)

The Statements of Cash Flows for fiscal years 2023 and 2022 found on pages 15 and 16, respectively, report how CEDAC received and used cash during the year. Supplementary schedules, the Statements of Functional Expenses for fiscal years 2023 and 2022, can be found on pages 39 and 40, respectively. The Statement of Functional Expenses, presented as supplemental information, shows how CEDAC's expenses break down among the housing and child care program areas for the year.

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

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

Effects of the COVID-19 Pandemic

In March 2020, as the COVID-19 pandemic spread to Massachusetts, CEDAC successfully transitioned to remote operations and continued to provide much needed liquidity and support to its borrowers. Even though certain sectors of the Commonwealth's economy were ordered to temporarily shut down during the pandemic, housing development activity was allowed to continue given the critical need for affordable housing. Accordingly, EOHLC maintained its schedule of funding rounds, and CEDAC approved predevelopment and acquisition loan requests ensuring that the pipeline of affordable housing development projects moved forward.

As the pandemic eases, CEDAC continues to utilize the expertise it developed in conducting operations remotely, providing a popular hybrid in-office/remote schedule for employees. CEDAC's work continues unabated.

Commitment to Racial Equity

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

Summary of Financial Performance and Changes in Net Position

In fiscal year 2023, CEDAC's continued provision of funding and technical assistance translated into strong year-end financial results. In addition, CEDAC experienced a significant increase in contract revenue with the commencement of a contract with EOHLC to administer the ARPA SH funds. Because of federal spending requirements, the commitment, closing, and disbursement of the ARPA SH funds is on a fast track which will result in the condensed recognition of contract revenue over a short timeframe thus creating this increase in revenue.

As reported in CEDAC's general purpose financial statements, CEDAC's net position increased by \$508,957 in fiscal year 2022 and increased by \$3,375,296 in 2023. These figures break down as follows:

	<u>Net Position</u> <u>June 30, 2021</u>	<u>Changes in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2022</u>	<u>Changes in</u> <u>Net Position</u>	<u>Net Position</u> <u>June 30, 2023</u>
Operating and CEDAC Loan Funds	\$ 23,098,859	\$ 551,370	\$ 23,650,229	\$ 3,364,746	\$ 27,014,975
Restricted Program Funds	<u>1,600,279</u>	<u>(42,413)</u>	<u>1,557,866</u>	<u>10,550</u>	<u>1,568,416</u>
Total	<u>\$ 24,699,138</u>	<u>\$ 508,957</u>	<u>\$ 25,208,095</u>	<u>\$ 3,375,296</u>	<u>\$ 28,583,391</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Operating and CEDAC Loan Funds

CEDAC supports its annual operating activities primarily with earnings from lending activity, management and underwriting fees, and contract revenues. During fiscal years 2022 and 2023, CEDAC increased lending levels commensurate with the continued allocation of state funding and the urgent need for additional affordable housing. Both the need for affordable housing and the state's commitment to funding it increased during the pandemic.

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 2023 and 2022. Core operating results for fiscal year 2023 show a surplus of \$4,131,334, after adding back the non-cash loan loss reserve adjustment (see table below). The positive operating performance is the result of strong predevelopment and acquisition lending activity and the continued high pace of underwriting long-term deferred payment loans on behalf of the state, including ARPA SH. Operating results exceeded the budget, and there were no negative variations that would have a significant effect on future operations or liquidity. In fiscal year 2022, CEDAC's core operating activities posted a surplus of \$675,762, after adding back the non-cash loan loss reserve adjustment. CEDAC's net core operating activities are calculated as follows:

	<u>2023</u>	<u>2022</u>
Change in net position - Operating and CEDAC Loan Funds	\$ 3,364,746	\$ 551,370
Loan and interest reserve adjustment	<u>766,588</u>	<u>124,392</u>
Net core operating results	<u>\$ 4,131,334</u>	<u>\$ 675,762</u>

In fiscal year 2023, the large increase in the loan loss reserve is primarily a result of the growth of the loans receivable compared to fiscal year-end 2022 (see the Portfolio Summary on page 6). The fiscal year 2023 surplus in core operations will result in an increase in CEDAC's unrestricted operating net position, helping to create long-term financial stability to support CEDAC's operations after the ARPA SH contract revenue dissipates.

CEDAC Housing Programs

CEDAC's lending activity was robust in fiscal year 2023, 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 Federal, state, and local resources to help address that need. As shown on page 6, CEDAC's 2023 fiscal year-end loan commitments achieved a fiscal year-end high of over \$92 million, a 44% increase from fiscal year-end 2022. Loans receivable also achieved a fiscal year-end high of over \$52 million, a 27% increase from fiscal year-end 2022.

CEDAC's early-stage lending program (comprised of predevelopment, 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 catalyzing 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 predevelopment period. Throughout the pandemic, CEDAC offered its borrowers the financial support and flexibility they needed to continue their affordable housing development.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

CEDAC Housing Programs (Continued)

CEDAC's early-stage lending is dependent on the availability of loan capital, particularly low-cost, highly flexible capital. In fiscal year 2023, CEDAC successfully increased its loan capital by more than \$28 million from fiscal year 2022. In fiscal year 2023, CEDAC closed on a new eight-year \$10 million line of credit with Massachusetts Housing Partnership (MHP). This line of credit can be used for predevelopment or acquisition loan capital and offers CEDAC an attractive borrowing rate option based on the weighted average interest rate paid by insured depository institutions. Also in fiscal year 2023, CEDAC used approximately \$14 million of ARPA SH to fund acquisition loans for four eligible supportive housing projects. With EOHLC's permission, CEDAC was able to deploy the ARPA SH funds early to these projects as acquisition loans, thus saving the projects significant carrying costs. CEDAC's lending capital at fiscal year-end 2023, including the ARPA SH funds used in the acquisition loans, was \$99.5 million.

The chart below illustrates the composition of our early-stage lending portfolio, and the capital available to support it, at the end of each fiscal year, sorted by loan product. The commitment ratio is loan commitments divided by capital available, and the deployment ratio is loans receivable divided by loan commitments. CEDAC's overall commitment ratio remains strong at 93% of total capital, and the deployment ratio remains steady at 57%.

Portfolio Summary	2023	2022	2021
Predevelopment Loans:			
Capital Available	\$ 31,229,412	\$ 26,395,746	\$ 26,306,978
Current Loan Commitments	\$ 30,606,238	\$ 27,742,425	\$ 23,233,777
Commitment Ratio	98%	105%	88%
Loans Receivable	\$ 19,048,891	\$ 15,456,633	\$ 12,366,132
Deployment Ratio	62%	56%	53%
Acquisition Loans:			
Capital Available	\$ 58,259,675	\$ 41,093,094	\$ 41,680,052
Current Loan Commitments	\$ 55,708,250	\$ 36,214,004	\$ 33,138,050
Commitment Ratio	96%	88%	80%
Loans Receivable	\$ 33,608,201	\$ 25,870,959	\$ 29,204,283
Deployment Ratio	60%	71%	88%
Bridge Loans:			
Capital Available	\$ 10,036,142	\$ 4,000,000	\$ 2,000,000
Current Loan Commitments	\$ 6,036,142	\$ -	\$ -
Commitment Ratio	60%	0%	0%
Loans Receivable	\$ -	\$ -	\$ -
Deployment Ratio	0%	0%	0%
Total Loans:			
Capital Available	\$ 99,525,229	\$ 71,488,840	\$ 69,987,030
Current Loan Commitments	\$ 92,350,630	\$ 63,956,429	\$ 56,371,827
Commitment Ratio	93%	89%	81%
Loans Receivable	\$ 52,657,092	\$ 41,327,592	\$ 41,570,415
Deployment Ratio	57%	65%	74%

As the chart on page 7 illustrates, new annual loan commitments have increased by 132% in terms of dollar volume since 2021, a strong indicator of the increasing demand for CEDAC's early-stage financing. Fiscal year 2023 exhibited a particularly large jump in new commitments as a result of a large dollar amount of new acquisition loan commitments, a new bridge loan, and steady predevelopment loan commitments.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

CEDAC Housing Programs (Continued)

Fiscal year 2023's acquisition loan commitments were fueled, in part, by the availability of ARPA SH funding. As previously noted, this important resource for new supportive housing projects is being utilized early at the acquisition stage in four projects in order to reduce the carrying costs of the property as the housing developers assemble permanent financing.

In fiscal year 2023, CEDAC provided a \$6 million bridge loan commitment for an important public housing redevelopment project ready to close and begin construction. While this project had commitments for funding from the Commonwealth, the final sources of funding had not yet been determined. By providing the bridge loan, CEDAC enabled the project to close and begin construction, thus avoiding costly delays.

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

Annual Loan Commitments	2023		2022		2021	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Predevelopment loans	\$ 13,098,348	25%	\$ 15,273,502	48%	\$ 12,857,792	58%
Acquisition loans	32,627,500	63	16,346,400	52	9,482,500	42
Bridge loans	6,036,142	12	-	-	-	-
Total	<u>\$ 51,761,990</u>	<u>100%</u>	<u>\$ 31,619,902</u>	<u>100%</u>	<u>\$ 22,340,292</u>	<u>100%</u>
Acquisition loan participations, not included in totals above	<u>\$ 7,512,500</u>		<u>\$ 10,315,000</u>		<u>\$ 328,500</u>	

Housing Preservation

CEDAC, collaborating with other state and local agencies, monitors and identifies affordable housing properties at risk of loss of affordability at the expiration of a legally mandated affordability period and works with the residents, project owners, and local communities to help maintain affordability either through the transfer of ownership to a nonprofit entity, or to renew affordability contracts with the Federal or state government. CEDAC also provides technical assistance and training to developers, owners, tenants, and state and local officials regarding Federal housing preservation programs and the state's landmark law, Chapter 40T, which regulates publicly assisted multifamily rental housing.

As affordable housing projects in Massachusetts continue to reach the end of their 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.

Accelerating Investments for Healthy Communities (AIHC)

In fiscal year 2021, CEDAC was chosen to be the financial intermediary for the first phase of the Boston Accelerating Investments for Healthy Communities (AIHC), part of a national initiative to deepen the investment of hospitals and health systems in affordable housing, an important social determinant of health. CEDAC assembled \$2.7 million, evenly split between the Boston Medical Center (BMC) and the Robert Wood Johnson Foundation (RWJF), to finance twenty-year subordinate debt for three Boston affordable housing projects. In fiscal year 2021, CEDAC committed \$1.7 million of these funds to two of the projects and in fiscal year 2022, committed the remaining \$1 million of these funds to one project. All three loans have closed, and the projects are all under construction. The BMC capital is a twenty-year non-recourse loan to CEDAC, and the RWJF capital is a grant to CEDAC.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Long-Term Deferred Payment Funding Programs

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

Despite recent strides made in the creation and preservation of affordable housing in Massachusetts, the demand for affordable housing continues to increase, particularly as rental vacancy rates decline and market-rate rents rise. The Commonwealth's most vulnerable populations, in particular, struggle to find housing and obtain the supportive services they need in order to get back on their feet. These populations include homeless families and individuals, veterans, unaccompanied youth, elders, disabled persons, as well as other populations with similar needs.

Recognizing this challenge, the Commonwealth provided additional capital resources to supportive housing programs beginning in 2014 and began to offer competitive housing rounds exclusively for supportive housing projects. The initial funding was through an innovative new program created by the Massachusetts Legislature in 2014, the HPSTF, which 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 funds which are structured as deferred payment permanent loans with similar terms as the HIF, FCF, and CBH programs. EOHLC continues to hold annual supportive housing rounds using Federal National Housing Trust funds, additional HIF funds, and funding for operating subsidy and services. In fiscal year 2023, EOHLC included ARPA SH as a funding source in the supportive housing funding round.

ARPA SH was created in fiscal year 2022 when the Massachusetts Legislature finalized the appropriation of the first tranche of Federal American Rescue Plan Act (ARPA) funds, including \$600 million for affordable housing programs. \$150 million of that amount is directed for supportive housing. Given CEDAC's longstanding role as the underwriter and manager of state capital programs for supportive housing, CEDAC has been designated by EOHLC to manage \$107 million of those funds. In fiscal year 2022, CEDAC staff worked with EOHLC on the planning phase of this new funding program and executed a contract with EOHLC in fiscal year 2023. During the year, ten projects were awarded a total of \$33.1 million of ARPA SH funds as permanent deferred payment loans.

Beginning In fiscal year 2019, EOHLC has awarded CEDAC the contract to administer the Accessible Affordable Housing Grant (AAHG) program. The AAHG program, funded as a line item in EOHLC's annual operating budget provides grants to landlords to improve or create accessible affordable housing units for persons with disabilities, with a priority given to units that accommodate voucher recipients under the state's alternative housing voucher program. CEDAC worked with EOHLC to develop program guidelines, and EOHLC has awarded grant commitments to ten projects to-date.

For all deferred payment loan programs administered, CEDAC is responsible for managing the funds between the time that they are received from EOHLC 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 30 of these general purpose financial statements. As capital spending allows, EOHLC transfers funds for projects to CEDAC prior to disbursement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Long-Term 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>2023</u>		<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Housing Innovations Fund	\$ 16,053,377	35%	\$ 18,077,603	41%	\$ 13,010,489	44%
Community-Based Housing	9,948,151	21	10,957,719	25	7,348,481	24
Facilities Consolidation Fund	19,507,124	42	14,631,122	33	7,117,688	24
Housing Preservation and Stabilization Trust Fund	<u>846,357</u>	<u>2</u>	<u>768,004</u>	<u>1</u>	<u>2,299,223</u>	<u>8</u>
Total	<u>\$ 46,355,009</u>	<u>100%</u>	<u>\$ 44,434,448</u>	<u>100%</u>	<u>\$ 29,775,881</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, CIF. In 2018, the Massachusetts Legislature re-authorized the program at \$45 million for the EEOST Capital Fund. Over the last decade, EEC has conducted nine highly competitive grant rounds, allocating \$51.4 million. In response to the needs of the child care sector during the pandemic, EEC, with the assistance of CIF and CEDAC, modified the grant rounds in fiscal years 2021 through 2023 in order to fund smaller capital projects that address health and safety.

The activity associated with the EEOST Capital Fund for fiscal years 2023 and 2022 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 accessibility modifications to allow disabled or elderly family members to remain in their own homes and communities. CEDAC contracts with nine provider agencies throughout the Commonwealth to originate, close, and disburse the loans to eligible homeowners in their areas. These agencies are also responsible for managing the region's HMLP 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 on the previous page.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Management's Discussion and Analysis
June 30, 2023 and 2022

Conclusion

CEDAC continues to play an essential role in the Commonwealth's affordable housing and community development programs, providing early-stage project financing and technical assistance to community-based nonprofit developers and managing several deferred payment loan programs for the Commonwealth. CEDAC 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, 2023

Assets	Enterprise Funds			
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	Total
Current Assets:				
Cash and cash equivalents	\$ 4,871,585	\$ -	\$ -	\$ 4,871,585
Restricted cash and cash equivalents - approximately \$107,749,000 committed for loans and grants (see Note 10)	13,922,926	7,828,640	86,486,460	108,238,026
Accounts and interest receivable	265,075	154,213	-	419,288
Current portion of loans receivable, net of allowance for uncollectible loans	8,813,639	-	4,708,640	13,522,279
Net interfund receivables (payables)	1,186,474	(154,213)	(1,032,261)	-
Other current assets	67,139	-	-	67,139
Total current assets	29,126,838	7,828,640	90,162,839	127,118,317
Other Assets:				
Interest receivable, net of allowance for uncollectible accounts	1,173,251	-	277,790	1,451,041
Investments	2,082,837	-	-	2,082,837
Loans receivable, net of current portion and allowance for uncollectible loans	22,211,660	-	13,835,954	36,047,614
Loans receivable - AIHC	-	1,020,466	1,020,466	2,040,932
Right to-use-asset - facility lease, net	1,263,990	-	-	1,263,990
Fixed assets, net of accumulated depreciation	143,655	-	-	143,655
Total other assets	26,875,393	1,020,466	15,134,210	43,030,069
Total assets	\$ 56,002,231	\$ 8,849,106	\$ 105,297,049	\$ 170,148,386
Liabilities and Net Position				
Current Liabilities:				
Current portion of recourse notes payable	\$ 5,350,338	\$ -	\$ -	\$ 5,350,338
Current portion of non-recourse notes payable	-	-	2,546,509	2,546,509
Accounts payable and accrued expenses	306,987	-	-	306,987
Deferred revenue	748,161	7,280,690	1,835,396	9,864,247
Current portion of lease liability	311,655	-	-	311,655
Accrued and deferred compensation	336,595	-	-	336,595
Total current liabilities	7,053,736	7,280,690	4,381,905	18,716,331
Long-Term Liabilities:				
Recourse notes payable, net of current portion	20,887,375	-	-	20,887,375
Non-recourse notes payable, net of current portion	-	-	100,915,144	100,915,144
Lease liability, net of current portion	1,046,145	-	-	1,046,145
Total liabilities	28,987,256	7,280,690	105,297,049	141,564,995
Net Position:				
Unrestricted net position	22,692,192	-	-	22,692,192
Invested in capital assets	49,845	-	-	49,845
Restricted net position - expendable	4,272,938	1,568,416	-	5,841,354
Total net position	27,014,975	1,568,416	-	28,583,391
Total liabilities and net position	\$ 56,002,231	\$ 8,849,106	\$ 105,297,049	\$ 170,148,386

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

Page 11

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Net Position
June 30, 2022

Assets	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Current Assets:				
Cash and cash equivalents	\$ 3,056,173	\$ -	\$ -	\$ 3,056,173
Restricted cash and cash equivalents - approximately \$72,482,000 committed for loans and grants (see Note 10)	6,867,365	11,391,136	62,768,604	81,027,105
Investments	2,081,866	-	-	2,081,866
Accounts and interest receivable	483,208	287,211	-	770,419
Grants receivable	26,451	-	-	26,451
Current portion of loans receivable, net of allowance for uncollectible loans	12,244,204	-	6,194,228	18,438,432
Net interfund receivables (payables)	403,524	(287,212)	(116,312)	-
Other current assets	84,369	-	-	84,369
Total current assets	25,247,160	11,391,135	68,846,520	105,484,815
Other Assets:				
Interest receivable, net of allowance for uncollectible accounts	1,049,340	-	200,445	1,249,785
Loans receivable, net of current portion and allowance for uncollectible loans	15,299,210	-	5,011,952	20,311,162
Loans receivable - AIHC	-	545,466	545,466	1,090,932
Right-to-use asset - facility lease, net	1,608,715	-	-	1,608,715
Fixed assets, net of accumulated depreciation	174,393	-	-	174,393
Total other assets	18,131,658	545,466	5,757,863	24,434,987
Total assets	\$ 43,378,818	\$ 11,936,601	\$ 74,604,383	\$ 129,919,802
Liabilities and Net Position				
Current Liabilities:				
Current portion of recourse notes payable	\$ 8,926,143	\$ -	\$ -	\$ 8,926,143
Current portion of non-recourse notes payable	-	-	9,215,392	9,215,392
Accounts payable and accrued expenses	222,164	27,240	-	249,404
Deferred revenue	1,111,127	10,351,495	1,794,237	13,256,859
Current portion of lease liability	312,057	-	-	312,057
Accrued and deferred compensation	356,563	-	-	356,563
Total current liabilities	10,928,054	10,378,735	11,009,629	32,316,418
Long-Term Liabilities:				
Recourse notes payable, net of current portion	7,442,735	-	-	7,442,735
Non-recourse notes payable, net of current portion	-	-	63,594,754	63,594,754
Lease liability, net of current portion	1,357,800	-	-	1,357,800
Total liabilities	19,728,589	10,378,735	74,604,383	104,711,707
Net Position:				
Unrestricted net position	19,496,714	-	-	19,496,714
Invested in capital assets	113,251	-	-	113,251
Restricted net position - expendable	4,040,264	1,557,866	-	5,598,130
Total net position	23,650,229	1,557,866	-	25,208,095
Total liabilities and net position	\$ 43,378,818	\$ 11,936,601	\$ 74,604,383	\$ 129,919,802

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

Page 12

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Operating Revenues:				
Financial and related revenue:				
Interests earnings - corpus	\$ 367,012	\$ 425,397	\$ 2,848,587	\$ 3,640,996
Interest earnings - loans	1,893,526	-	273,425	2,166,951
Commitment fee income	252,065	-	16,350	268,415
Less - loan and interest reserve adjustment	(766,588)	-	256,751	(509,837)
Less - interest expense	(677,246)	-	(79,655)	(756,901)
Net financial and related revenue	1,068,769	425,397	3,315,458	4,809,624
Government contract - EEOST	-	7,070,806	-	7,070,806
Management fees - underwriting	5,089,674	-	-	5,089,674
Fee for service - non-governmental	948,754	3,221	-	951,975
Management fees - loan funds under management	520,714	-	-	520,714
Fee for service - governmental	185,668	216,515	-	402,183
Other income	197,063	-	-	197,063
Legal fee revenue	-	-	192,090	192,090
Legal fee expense	-	-	(192,090)	(192,090)
Management fees expense	-	-	(520,714)	(520,714)
Total operating revenues	8,010,642	7,715,939	2,794,744	18,521,325
Operating Expenses:				
Grants and related expenses	-	6,568,132	-	6,568,132
Employee compensation	3,417,598	111,630	-	3,529,228
Contracted services	373,123	1,025,627	-	1,398,750
Amortization - right-to-use asset	344,725	-	-	344,725
Lease expense	56,924	-	-	56,924
Depreciation	55,229	-	-	55,229
Accounting and audit	54,850	-	-	54,850
Lease interest expense	52,659	-	-	52,659
Legal	44,440	-	-	44,440
Equipment	39,487	-	-	39,487
Supplies and document storage	38,454	-	-	38,454
Insurance	36,836	-	-	36,836
Maintenance and repair	35,206	-	-	35,206
Other expenses	33,364	-	-	33,364
Printing	16,311	-	-	16,311
Memberships	13,178	-	-	13,178
Telephone	9,873	-	-	9,873
Utilities	9,535	-	-	9,535
Travel	5,667	-	-	5,667
Postage and messengers	5,025	-	-	5,025
Staff development	3,412	-	-	3,412
Total operating expenses	4,645,896	7,705,389	-	12,351,285
Changes in net position from operations	3,364,746	10,550	2,794,744	6,170,040
Net Operations of Loan Funds Not Recourse to CEDAC	-	-	(2,794,744)	(2,794,744)
Changes in net position	3,364,746	10,550	-	3,375,296
Net Position:				
Beginning of year	23,650,229	1,557,866	-	25,208,095
End of year	\$ 27,014,975	\$ 1,568,416	\$ -	\$ 28,583,391

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, 2022

	Enterprise Funds			Total
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	
Operating Revenues:				
Financial and related revenue:				
Interests earnings - corpus	\$ 21,005	\$ 41,246	\$ 144,491	\$ 206,742
Interest earnings - loans	1,756,521	-	286,778	2,043,299
Commitment fee income	197,246	7,500	33,940	238,686
Less - loan and interest reserve adjustment	(124,392)	-	187,336	62,944
Less - interest expense	(543,307)	-	(84,440)	(627,747)
Net financial and related revenue	1,307,073	48,746	568,105	1,923,924
Government contract - EEOST	-	8,742,680	-	8,742,680
Management fees - underwriting	2,342,212	-	-	2,342,212
Fee for service - non-governmental	735,408	-	-	735,408
Management fees - loan funds under management	184,646	-	-	184,646
Fee for service - governmental	190,325	166,601	-	356,926
Other income	12,734	-	-	12,734
Legal fee revenue	-	-	168,481	168,481
Legal fee expense	-	-	(168,481)	(168,481)
Management fees expense	-	(7,500)	(177,141)	(184,641)
Total operating revenues	4,772,398	8,950,527	390,964	14,113,889
Operating Expenses:				
Grants and related expenses	-	8,269,172	-	8,269,172
Employee compensation	3,225,517	92,664	-	3,318,181
Contracted services	211,505	631,104	-	842,609
Amortization - right-to-use asset	344,725	-	-	344,725
Lease expense	37,672	-	-	37,672
Depreciation	63,598	-	-	63,598
Accounting and audit	48,250	-	-	48,250
Lease interest expense	64,537	-	-	64,537
Legal	14,250	-	-	14,250
Equipment	29,962	-	-	29,962
Supplies and document storage	27,645	-	-	27,645
Insurance	32,252	-	-	32,252
Maintenance and repair	34,403	-	-	34,403
Other expenses	33,182	-	-	33,182
Printing	12,100	-	-	12,100
Memberships	10,693	-	-	10,693
Telephone	6,766	-	-	6,766
Utilities	7,669	-	-	7,669
Travel	7,623	-	-	7,623
Postage and messengers	4,994	-	-	4,994
Staff development	3,685	-	-	3,685
Total operating expenses	4,221,028	8,992,940	-	13,213,968
Changes in net position from operations	551,370	(42,413)	390,964	899,921
Net Operations of Loan Funds Not Recourse to CEDAC	-	-	(390,964)	(390,964)
Changes in net position	551,370	(42,413)	-	508,957
Net Position:				
Beginning of year	23,098,859	1,600,279	-	24,699,138
End of year	\$ 23,650,229	\$ 1,557,866	\$ -	\$ 25,208,095

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, 2023

	Enterprise Funds			
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	Total
Cash Flows from Operating Activities:				
Receipts from funders, net of management fees expense	\$ 7,075,556	\$ 4,352,735	\$ (463,205)	\$ 10,965,086
Interest and fees received on loans	1,745,573	-	221,515	1,967,088
Interest received on bank deposits	367,012	425,397	2,848,587	3,640,996
Employee compensation	(3,437,566)	(111,630)	-	(3,549,196)
Payments for supplies and services	(673,632)	(1,052,867)	-	(1,726,499)
Payments to grantees	-	(6,568,132)	-	(6,568,132)
Interest payments to lessors	(52,659)	-	-	(52,659)
Interest payments to lenders	(677,246)	-	(79,655)	(756,901)
Internal activity - payments between funds	(782,950)	(132,999)	915,949	-
Net cash provided by (used in) operating activities	3,564,088	(3,087,496)	3,443,191	3,919,783
Cash Flows from Investing Activities:				
Loans disbursed	(12,806,579)	(475,000)	(49,836,296)	(63,117,875)
Proceeds from loan repayments	8,582,148	-	4,841,621	13,423,769
Purchase of investments	(2,082,837)	-	-	(2,082,837)
Maturity of investments	2,081,866	-	-	2,081,866
Acquisition of fixed assets	(24,491)	-	-	(24,491)
Net cash used in investing activities	(4,249,893)	(475,000)	(44,994,675)	(49,719,568)
Cash Flows from Financing Activities:				
Proceeds from notes payable	25,300,332	-	68,184,486	93,484,818
Principal payment of lease liability	(312,057)	-	-	(312,057)
Repayments of principal of notes payable	(15,431,497)	-	(2,915,146)	(18,346,643)
Net cash provided by financing activities	9,556,778	-	65,269,340	74,826,118
Net Change in Cash, Cash Equivalents and Restricted Cash	8,870,973	(3,562,496)	23,717,856	29,026,333
Cash, Cash Equivalents and Restricted Cash:				
Beginning of year	9,923,538	11,391,136	62,768,604	84,083,278
End of year	\$ 18,794,511	\$ 7,828,640	\$ 86,486,460	\$ 113,109,611
Reconciliation of Changes in Net Position to Net Cash Provided by (Used In) Operating Activities:				
Changes in net position	\$ 3,364,746	\$ 10,550	\$ -	\$ 3,375,296
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	55,229	-	-	55,229
Amortization - right-to-use asset	344,725	-	-	344,725
Loan and interest reserve adjustment	766,588	-	(256,751)	509,837
Net operations of loan funds not recourse to CEDAC	-	-	2,794,744	2,794,744
Changes in operating assets and liabilities:				
Accounts and interest receivable	218,133	132,998	-	351,131
Grants receivable	26,451	-	-	26,451
Interfund receivables (payables)	(782,950)	(132,999)	915,949	-
Other current assets	17,230	-	-	17,230
Interest receivable	(147,953)	-	(51,910)	(199,863)
Accounts payable and accrued expenses	84,823	(27,240)	-	57,583
Deferred revenue	(362,966)	(3,070,805)	41,159	(3,392,612)
Accrued and deferred compensation	(19,968)	-	-	(19,968)
Net cash provided by (used in) operating activities	\$ 3,564,088	\$ (3,087,496)	\$ 3,443,191	\$ 3,919,783

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Statement of Cash Flows

For the Year Ended June 30, 2022

	Enterprise Funds			
	Operating and CEDAC Loan Funds	Restricted Program Funds	Loan Funds Under Management	Total
Cash Flows from Operating Activities:				
Receipts from funders, net of management fees expense	\$ 4,174,870	\$ 9,193,881	\$ 164,320	\$ 13,533,071
Interest and fees received on loans	1,365,471	-	318,760	1,684,231
Interest received on bank deposits	21,005	41,246	145,435	207,686
Employee compensation	(3,212,523)	(92,664)	-	(3,305,187)
Payments for supplies and services	(552,736)	(603,864)	-	(1,156,600)
Payments to grantees	-	(8,269,172)	-	(8,269,172)
Interest payments to lessors	(64,537)	-	-	(64,537)
Interest payments to lenders	(543,307)	-	(84,440)	(627,747)
Internal activity - payments between funds	(342,107)	266,389	75,718	-
Net cash provided by operating activities	846,136	535,816	619,793	2,001,745
Cash Flows from Investing Activities:				
Loans disbursed	(14,282,484)	(229,355)	(41,133,141)	(55,644,980)
Proceeds from loan repayments	15,169,610	-	5,198,340	20,367,950
Purchase of investments	(4,163,732)	-	-	(4,163,732)
Maturity of investments	4,163,732	-	-	4,163,732
Acquisition of fixed assets	(52,167)	-	-	(52,167)
Net cash provided by (used in) investing activities	834,959	(229,355)	(35,934,801)	(35,329,197)
Cash Flows from Financing Activities:				
Proceeds from notes payable	7,232,107	-	53,832,248	61,064,355
Principal payment of lease liability	(319,643)	-	-	(319,643)
Repayments of principal of notes payable	(14,162,112)	-	(475,000)	(14,637,112)
Net cash provided by (used in) financing activities	(7,249,648)	-	53,357,248	46,107,600
Net Change in Cash, Cash Equivalents and Restricted Cash	(5,568,553)	306,461	18,042,240	12,780,148
Cash, Cash Equivalents and Restricted Cash:				
Beginning of year	15,492,091	11,084,675	44,726,364	71,303,130
End of year	\$ 9,923,538	\$ 11,391,136	\$ 62,768,604	\$ 84,083,278
Reconciliation of Changes in Net Position to Net Cash Provided by Operating Activities:				
Changes in net position	\$ 551,370	\$ (42,413)	\$ -	\$ 508,957
Adjustments to reconcile changes in net position to net cash provided by operating activities:				
Depreciation	63,598	-	-	63,598
Amortization - right of use asset	344,725	-	-	344,725
Loan and interest reserve adjustment	124,392	-	(187,336)	(62,944)
Net operations of loan funds not recourse to CEDAC	-	-	390,964	390,964
Changes in operating assets and liabilities:				
Accounts and interest receivable	(8,064)	(287,211)	944	(294,331)
Grants receivable	(26,451)	520,823	-	494,372
Interfund receivables (payables)	(342,107)	266,389	75,718	-
Other current assets	(22,158)	-	-	(22,158)
Interest receivable	(391,050)	-	31,982	(359,068)
Accounts payable and accrued expenses	(7,927)	27,240	-	19,313
Deferred revenue	546,814	50,988	307,521	905,323
Accrued and deferred compensation	12,994	-	-	12,994
Net cash provided by operating activities	\$ 846,136	\$ 535,816	\$ 619,793	\$ 2,001,745

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATIONStatements of Fiduciary Net Position
June 30, 2023 and 2022

Assets	CEDAC Agency Fund	
	2023	2022
Assets:		
Cash and cash equivalents	\$ 631,696	\$ 2,558,321
Total assets	<u>\$ 631,696</u>	<u>\$ 2,558,321</u>
Liabilities and Net Position		
Liabilities:		
Agency funds held for others	\$ 631,696	\$ 2,558,321
Net Position	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 631,696</u>	<u>\$ 2,558,321</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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 Financial Accounting Standards Board (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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position

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

Operating and CEDAC Loan Funds:

Unrestricted Net Position:

Operating net position - Operating net position represents the portion of unrestricted expendable funds that are used to support CEDAC's operations and accounts for funds for which CEDAC has met imposed restrictions in accordance with funding agreements or management contracts. The policy outlined by the Board is to fund an operating reserve and then to reserve for potential extraordinary loan losses. As of June 30, 2023 and 2022, CEDAC has set aside \$5,096,940 and \$2,762,427, 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 \$17,595,252 and \$16,734,287 of unrestricted net position designated by the Board of Directors as of June 30, 2023 and 2022, respectively, and of additional recourse debt capital (see Note 2) which is used as a loan fund to assist eligible nonprofit organizations in covering predevelopment costs for the acquisition, construction or rehabilitation of residential, commercial and 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, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
CEDAC Loan Funds	\$ 17,595,252	\$ 16,734,287
Operating net position	<u>5,096,940</u>	<u>2,762,427</u>
	<u>\$ 22,692,192</u>	<u>\$ 19,496,714</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

Operating and CEDAC Loan Funds: (Continued)

Unrestricted Net Position:

Invested in Capital Assets - This classification is used to account for all fixed assets purchased by CEDAC including the right-to-use facility lease asset (net of related lease liability) and used in operations. Depreciation and amortization are provided in amounts sufficient to allocate costs to operations over the estimated useful lives of the underlying assets or lease term, using the straight-line method. Net fixed assets of \$49,845 and \$113,251 as of June 30, 2023 and 2022, respectively, are presented in the accompanying statements of net position as net position invested in capital assets.

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

Restricted Program Funds - Restricted Program Funds relate to funds contributed by donors to fund special CEDAC programs and are classified as Restricted Net Position - Expendable. Contributions are recorded as program revenue in the Restricted Program Funds as they are received. As funds are expended under the program in accordance with the donor-imposed restrictions, they are reported as expenses in the accompanying statements of revenues, expenses and changes in net position. Also included in these funds are advances on government contract awards for grants to be awarded in the subsequent fiscal year (see Note 9). Restricted Program Funds totaling \$1,568,416 and \$1,557,866 at June 30, 2023 and 2022, respectively, are those funds associated with certain programs. The Restricted Program Funds balance includes funds received for new collaboration on the Accelerating Investments for Healthy Communities (AIHC) program (see Note 3).

Loan Funds Under Management - Loan Funds Under Management consist of non-recourse loan funds capitalized at CEDAC by various funders. These loan funds are managed by CEDAC under management contracts with the funders, which outline the use of the loan corpus and its accumulated interest. The managed loan funds are reflected in the accompanying general purpose financial statements as non-recourse notes payable (see Note 2). Under these management contracts, CEDAC is allowed to charge certain administrative expenses directly to the loan fund, which are shown as management fees expense in the accompanying statements of revenues, expenses and changes in net position.

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

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts held in banks, the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see Note 7), and certificates of deposit with initial maturities of three months or less. The Federal Deposit Insurance Corporation insures the balances held in banks up to certain amounts. At certain times during the year, the balances exceeded the insured limits. Cash and cash equivalents included in MMDT are not insured. Management manages its risk by monitoring cash balances and periodically evaluating its financial institutions. Included in cash and cash equivalents for the purposes of statements of cash flows is cash and cash equivalents and restricted cash and cash equivalents for the years ended June 30, 2023 and 2022.

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

The MMDT cash portfolio adheres to GASB Statement 79, *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 \$113 million and \$82.1 million as of June 30, 2023 and 2022, 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 or are classified as long-term based on management's intent to hold the investment for long-term purposes.

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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Uncollectible Loans

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

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

Leases

CEDAC accounts for any leases (see Note 10) with a term greater than one year in accordance with GASB 87, *Leases*. Accordingly, the net present value of the estimated future minimum payments is reflected as a right-to-use asset - facility lease and lease liability for the lessee. The right-to-use asset will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period.

Right-To-Use Asset – Facility Lease

Changes in right-to-use asset - facility lease are as follows for the year ended June 30, 2023:

	Balance June 30, 2022	2023 Additions	Balance June 30, 2023
Right-to-use asset - facility lease	\$ 2,298,165	\$ -	\$ 2,298,165
Less - accumulated amortization	<u>689,450</u>	<u>344,725</u>	<u>1,034,175</u>
Right-to-use asset - facility lease, net	<u>\$ 1,608,715</u>	<u>\$ 344,725</u>	<u>\$ 1,263,990</u>

Changes in right-to-use asset - facility lease are as follows for the year ended June 30, 2022:

	Balance June 30, 2021	2022 Additions	Balance June 30, 2022
Right-to-use asset - facility lease	\$ 2,298,165	\$ -	\$ 2,298,165
Less - accumulated amortization	<u>344,725</u>	<u>344,725</u>	<u>689,450</u>
Right-to-use asset - facility lease, net	<u>\$ 1,953,440</u>	<u>\$ 344,725</u>	<u>\$ 1,608,715</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets consist of office equipment and leasehold improvements, which are depreciated on the straight-line method over their estimated useful lives of three to five years or the life of the lease. CEDAC fixed assets are recorded at cost and totaled \$615,661 and \$591,170 at June 30, 2023 and 2022, respectively. Accumulated depreciation at June 30, 2023 and 2022, totaled \$472,006 and \$416,777, respectively.

Deferred Revenue

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

Fair Value Measurements

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

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

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

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

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

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

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Revenue Recognition

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

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 28, 2023, which is the date the general purpose financial statements were available to be issued. See Note 2 for a subsequent event that met the criteria for 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, 2023 and 2022.

Notes payable include:

- **The Massachusetts Life Insurance Community Investment Initiative (Life Initiative) Loan Fund** is used to provide predevelopment loans to nonprofit organizations to construct or rehabilitate affordable housing. Interest is paid on a quarterly basis. Effective June 1 2023, the line of credit was increased to \$3,000,000, and the maturity date is June 30, 2026. The loan is generally reviewed and renewed every three years.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **Home Funders Collaborative Loan Fund** - The Home Funders Collaborative, LLC (Home Funders) capitalized a fund of up to \$10 million to fund primarily acquisition, predevelopment, 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 the terms of the underlying 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 current borrowing authority of \$5.55 million. As of June 30, 2023, CEDAC has a commitment with Home Funders for extension through June 2033. Interest is payable semi-annually. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreement.
- **The City of Boston Mayor's Office of Housing (MOH) (formerly, Department of Neighborhood Development) 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 MOH Loan Fund, and the maturity of the loan renews annually on June 30.
- **The Housing Stabilization Fund (HSF) Acquisition Loan Fund** - The Executive Office of Housing and Livable Communities (EOHLC) 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 commitment made by CEDAC and all principal and interest accrue to the loan fund. The last loan commitment from this fund was made by CEDAC on September 29, 2022.
- **The Affordable Housing Trust (AHT) Predevelopment Loan Fund** - The Massachusetts Housing Finance Agency (MassHousing) capitalized a \$2.5 million AHT Predevelopment Loan Fund from the Commonwealth's Affordable Housing Trust Fund to fund predevelopment 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 Silicon Valley Bank (formerly, Boston Private Bank) Acquisition/Bridge and Predevelopments Lines of Credit** were executed in 2013 to provide capital to finance acquisition and predevelopment loans to nonprofit organizations to construct or rehabilitate affordable housing. In fiscal year 2018, the agreements were amended to increase the available capital and extend the maturity date five more years. The total commitment under these lines of credit was \$3 million, with \$1.5 million available for acquisition/bridge loans and \$1.5 million available for predevelopment loans. Acquisition loans are secured by first mortgages. Interest was payable quarterly. The lines of credit were unsecured revolving lines of credit and matured in January 2023. The agreements contained various covenants, including a covenant to maintain a minimum loss reserve on loans in the CEDAC Loan Funds. As of maturity and at June 30, 2022, CEDAC was in compliance with all covenants of the agreements.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The Eastern Bank Predevelopment Loan Line of Credit** was executed during fiscal year 2015 to provide capital to finance predevelopment loans to nonprofit organizations to construct or rehabilitate affordable housing. The total commitment under this line of credit is \$2.5 million. The line of credit is an unsecured revolving line of credit maturing in November 2024, with an automatic one-year extension on principal outstanding to November 2025. No additional drawdowns on the line of credit can be made after November 2024. Interest is payable quarterly. As of June 30, 2023 and 2022, 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 2024, with an automatic one-year extension on principal outstanding to November 2025. No additional drawdowns on the line of credit can be made after November 2024. Interest is payable quarterly. The agreement contains various covenants. As of June 30, 2023 and 2022, CEDAC was in compliance will all covenants of the agreement.
- **The Eastern Bank Bridge Loan Line of Credit** was executed during fiscal year 2015 to provide capital to finance bridge loans to nonprofit organizations to move into construction where the nonprofit organization has a commitment from state funding sources for disbursement in future years. The total commitment under this line of credit is \$2 million. Bridge loans to nonprofit organizations are secured by an assignment and pledge by the state source being financed (see Note 4). The line of credit is an unsecured revolving line of credit maturing in November 2024, with an automatic one-year extension on principal outstanding to November 2025. No additional drawdowns on the line of credit can be made after November 2024. Interest is payable quarterly. As of June 30, 2023 and 2022, 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 matures on March 31, 2025. Interest is payable quarterly. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreement.
- **The Bank of America Acquisition Line of Credit**, a Program-Related Investment (PRI) of Bank of America Community Development Corporation, was executed during fiscal year 2017 to provide capital to finance acquisition loans to nonprofit organizations to construct or rehabilitate affordable housing. The original commitment under this line of credit was \$5 million, with a two-year draw period that ended in March 2019. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit, maturing at various dates through March 21, 2022. CEDAC repaid \$2.5 million as required in March 2021 and the remaining balance of \$2.5 million in March 2022. In September 2021, CEDAC closed on a new \$2.5 million PRI with Bank of America Community Development Corporation to be used for the same purpose as the original PRI. The new PRI is an unsecured facility with \$1,250,000 due on September 17, 2025, and the remaining balance of \$1,250,000 due on September 17, 2026. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreement.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

- **The City of Boston Mayor's Office of Housing (MOH) Vacant Site Acquisition Loan Fund** was created in fiscal year 2017 and funded in fiscal year 2018 to assist nonprofit developers to buy vacant or underutilized land in Boston and hold this land for up to five years before developing affordable housing. This Loan Fund was capitalized with a \$2.8 million grant from MOH. Effective July 1, 2023, CEDAC and MOH executed an amendment to the original agreement. MOH is increasing the capital with a grant of \$1,467,500. This program will continue indefinitely until either party terminates the agreement and at that point, grant funds will be due back to MOH.
- **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 initial commitment under this revolving line of credit was \$3 million. On July 28, 2022, CEDAC executed an amendment to the agreement which increased the line of credit by \$2 million to \$5 million. Acquisition loans are secured by first mortgages. The line of credit is an unsecured revolving line of credit with a current maturity of June 30, 2026. This date reflects the final date that CEDAC can draw down on the line of credit. Each draw is for three years with two optional one-year extensions to correspond with the CEDAC's loan to the borrower. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreement.
- **The Easthampton Savings Bank Acquisition and Bridge Lines of Credit** were executed in fiscal year 2022 to provide capital to finance acquisition and bridge loans to nonprofit organizations. The total commitment under these lines of credit is \$5 million, with \$3 million available for acquisition loans and \$2 million available for bridge loans. Acquisition loans made by CEDAC are secured by first mortgages. Interest is payable quarterly. The lines of credit are unsecured revolving lines of credit, with maturity in August 2023. An agreement for extension is in process as of June 30, 2023. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreements.
- **Massachusetts Housing Partnership (MHP) Predevelopment and Acquisition Line of Credit** was executed in fiscal year 2023 to provide CEDAC with capital to finance predevelopment and acquisition loans. The term of the \$10 million line of credit is eight years, maturing February 10, 2031. As of June 30, 2023 and 2022, CEDAC was in compliance with all covenants of the agreements.

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

	<u>2023</u>	<u>2022</u>
CEDAC Loan Funds (see Note 1):		
Life Initiative Loan Fund	\$ 2,000,000	\$ 2,000,000
Eastern Bank Lines	5,982,350	7,231,345
Silicon Valley Bank (formerly, Boston Private) Lines	-	458,295
Rockland Trust Acquisition Line	587,613	587,613
Bank of America Acquisition Line	2,500,000	2,500,000
Citizens Bank Acquisition Line	3,522,000	2,291,625
Easthampton Savings Bank Lines	1,645,750	1,300,000
MHP Line	<u>10,000,000</u>	<u>-</u>
Total CEDAC Loan Funds	26,237,713	16,368,878
Less - current portion	<u>5,350,338</u>	<u>8,926,143</u>
	<u>\$ 20,887,375</u>	<u>\$ 7,442,735</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

	<u>2023</u>	<u>2022</u>
Loan Funds Under Management:		
Home Funders Collaborative Loan Fund	\$ 5,700,000	\$ 8,350,179
DND Loan Fund	896,509	865,213
DND Vacant Site Acquisition Loan Fund	3,000,905	2,877,805
HSF Acquisition Loan Fund	1,688,686	1,753,055
AHT Predevelopment Loan Fund	3,272,421	3,028,041
Net DMH (see Note 3)	645,666	629,181
AAHG (see Note 3)	10,976,271	9,518,993
AIHC BMC (see Note 3)	1,350,000	1,353,231
Net ARPA SH (see Note 3)	29,576,186	-
Net HIF/FCF/CBH/HPSTF (see Note 3)	<u>46,355,009</u>	<u>44,434,448</u>
Total Loan Funds Under Management	103,461,653	72,810,146
Less - current portion	<u>2,546,509</u>	<u>9,215,392</u>
	<u>\$ 100,915,144</u>	<u>\$ 63,594,754</u>

CEDAC may also seek to negotiate extensions of lending arrangements that have funded underlying loans receivable (see Note 4) to CEDAC which may be extended in the ordinary course of business, and for any agreements that are not renewed, CEDAC has one year to pay the outstanding loan fund. The schedule below 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>
2024	\$ 5,350,338	\$ 2,546,509	\$ 932,026	\$ 8,828,873
2025	6,387,375	4,961,107	721,711	12,070,193
2026	3,250,000	-	468,007	3,718,007
2027	1,250,000	-	356,757	1,606,757
2028	-	-	348,945	348,945
2029 - 2033	<u>10,000,000</u>	<u>4,050,000</u>	<u>348,945</u>	<u>14,398,945</u>
	26,237,713	11,557,616	3,176,391	40,971,720
Net DMH	-	645,666	-	645,666
DND Vacant Site Acquisition	-	3,000,905	-	3,000,905
AAHG	-	10,976,271	-	10,976,271
AIHC BMC	-	1,350,000	-	1,350,000
Net ARPA SH	-	29,576,186	-	29,576,186
Deferred payment loans	<u>-</u>	<u>46,355,009</u>	<u>-</u>	<u>46,355,009</u>
	<u>\$ 26,237,713</u>	<u>\$ 103,461,653</u>	<u>\$ 3,176,391</u>	<u>\$ 132,875,757</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

2. NOTES PAYABLE TO FUNDING SOURCES (Continued)

The net note payable balances for DMH Trust, AAHG, ARPA SH and HIF/FCF/CBH/HPSTF are expected to be loaned in perpetuity (see Note 3). The note payable for DND Vacant Site Acquisition loan fund does not have a specified maturity date.

The schedule above has been prepared based on the currently stated maturities of notes payable and related agreements with funding sources. Many of the lenders associated with these notes payable have provided capital to support CEDAC's lending programs for the long-term and have historically renewed notes payable to them upon satisfactory periodic review.

3. UNDERWRITING, FISCAL AGENT SERVICES AND LOANS PAYABLE

Executive Office of Housing and Livable Communities (EOHLC), formerly 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 EOHLC. Before closing of each loan, EOHLC 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 \$192,090 and \$168,481 of legal fees during fiscal years 2023 and 2022, 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 EOHLC for any losses on loans not repaid or otherwise recovered. EOHLC 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.

Beginning in fiscal year 2023 and continuing through fiscal year 2025, as a contractor for EOHLC, CEDAC is assisting EOHLC in the underwriting, closing, and disbursement of \$107 million of American Rescue Plan Act of 2021 (ARPA) funds designated by the Commonwealth to support the production of permanent supportive housing for individuals and families. This program is referred to as ARPA SH. The funds are structured as long-term deferred payment loans and, in some cases, can be used early in acquisition loans for eligible supportive housing projects.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

3. UNDERWRITING, FISCAL AGENT SERVICES AND LOANS PAYABLE (Continued)**Executive Office of Housing and Livable Communities (EOHLC), formerly Department of Housing and Community Development (DHCD) (Continued)**

By agreement with EOHLC, a fee is paid to CEDAC to cover the administrative costs of underwriting these mortgages. The revenue is presented as management fees - underwriting in the accompanying statements of revenues, expenses and changes in net position. Interest earnings on these funds are added to the note payable balance until returned to the funding source. HIF, FCF, CBH, and HPSTF notes payable are presented in the accompanying general purpose financial statements net of loans receivable at June 30, 2023 and 2022.

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

2023	HIF	FCF	CBH	HPSTF	Total
Note payable	\$ 322,306,113	\$ 203,701,401	\$ 84,265,592	\$ 29,106,246	\$ 639,379,352
Less - loans receivable	<u>306,252,736</u>	<u>184,194,277</u>	<u>74,317,441</u>	<u>28,259,889</u>	<u>593,024,343</u>
Net note payable	<u>\$ 16,053,377</u>	<u>\$ 19,507,124</u>	<u>\$ 9,948,151</u>	<u>\$ 846,357</u>	<u>\$ 46,355,009</u>
2022	HIF	FCF	CBH	HPSTF	Total
Note payable	\$ 306,332,402	\$ 192,668,742	\$ 78,647,370	\$ 29,072,060	\$ 606,720,574
Less - loans receivable	<u>288,254,799</u>	<u>178,037,620</u>	<u>67,689,651</u>	<u>28,304,056</u>	<u>562,286,126</u>
Net note payable	<u>\$ 18,077,603</u>	<u>\$ 14,631,122</u>	<u>\$ 10,957,719</u>	<u>\$ 768,004</u>	<u>\$ 44,434,448</u>

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

ARPA SH

The ARPA SH funds are structured as long-term deferred payment loans and, in some cases, can be used early in acquisition loans for eligible supportive housing projects. Gross loan receivable and note payable are as follows as of June 30, 2023:

Deferred payment loans payable	\$ 23,736,848
Less - loans receivable	<u>2,353,850</u>
Net deferred payment loans payable	21,382,998
Acquisition loans payable	<u>8,193,188</u>
Net note payable	<u>\$ 29,576,186</u>

Accessible Affordable Housing Grant (AAHG)

In fiscal years 2019, 2021, 2022, and 2023, EOHLC awarded CEDAC the administration of the Accessible Affordable Housing Grant (AAHG) program. The AAHG program, funded as an annual line item in EOHLC's operating budget, provides grants to landlords to improve or create accessible affordable housing units for persons with disabilities, with a priority given to units that accommodate voucher recipients under the alternative housing voucher program. By agreement with EOHLC, a fee is paid to CEDAC to cover the administrative costs of underwriting these grants. The revenue is presented as management fees - underwriting in the accompanying statements of revenues, expenses and changes in net position. Interest earnings on these funds are added to the note payable balance until returned to the funding source.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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

Department of Mental Health (DMH)

CEDAC was selected by the Department of Mental Health (DMH) to administer a MetState Housing Creation Trust Fund (the MetState Fund) and received a capitalization of \$3.74 million in fiscal year 2010. The MetState Fund was established in 2006 with the purpose of financing the acquisition of ten units of off-site housing in the DMH metro Suburban Area for occupancy by DMH clients. Under the terms of the agreement executed between CEDAC and DMH, CEDAC selected a nonprofit service provider, and has entered into long-term loan and use agreements for each of the ten units procured. CEDAC oversaw the development of the ten units jointly with DMH and is responsible for loan monitoring over the loan term. Under the terms of the agreement, CEDAC received fees for program start-up, site selection, and on-going administration, which are funded from the loan fund. As of June 30, 2023 and 2022, CEDAC held \$105,675 for administration and compliance. These funds are included in deferred revenue in the accompanying general purpose financial statements (see Note 9). Interest accrues to the loan fund, which can be used to fund additional program costs as may be mutually agreed between DMH and CEDAC.

Gross loan receivable and note payable are as follows:

	<u>2023</u>	<u>2022</u>
Note payable	\$ 3,636,608	\$ 3,608,515
Less - loans receivable	<u>2,990,942</u>	<u>2,979,334</u>
Net note payable	<u>\$ 645,666</u>	<u>\$ 629,181</u>

Accelerating Investments for Healthy Communities (AIHC)

In fiscal year 2021, CEDAC was chosen to be the financial intermediary for the first phase of the Boston Accelerating Investments for Healthy Communities (AIHC), part of a national initiative to deepen the investment of hospitals and health systems in affordable housing. CEDAC assembled \$2.7 million, evenly split between the Boston Medical Center (BMC) and the Robert Wood Johnson Foundation (RWJF), to finance twenty-year subordinate debt for three Boston affordable housing projects. The BMC capital is a twenty-year non-recourse loan to CEDAC, and the RWJF capital is a grant to CEDAC, which is included in the restricted program funds' net position (see Note 1). At June 30, 2023 and 2022, CEDAC has a note payable to BMC with balances of \$1,350,000 and \$1,353,231, respectively. The grant from RWJF of \$1,350,000 is included in restricted net position in the restricted program funds (see Note 2).

4. LOANS RECEIVABLE

Predevelopment, Acquisition and Bridge Loans

CEDAC's loans receivable primarily consist of amounts advanced on predevelopment, acquisition, and bridge loan commitments at June 30, 2023 and 2022. CEDAC classifies all loans as long-term, except in cases where the funding source stipulates a maximum loan term. CEDAC's predevelopment 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.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

4. LOANS RECEIVABLE (Continued)**Predevelopment, Acquisition and Bridge Loans (Continued)**

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

<u>2023</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Predevelopment loans	57	\$ 19,048,891	\$ (2,130,326)	\$ 16,918,565
Acquisition loans	18	33,608,199	(956,871)	32,651,328
Total	75	52,657,090	(3,087,197)	49,569,893
Less - current portion		13,720,365	(198,086)	13,522,279
Long-term portion		\$ 38,936,725	\$ (2,889,111)	\$ 36,047,614
<u>2022</u>	<u>Number of Loans</u>	<u>Loan Balance</u>	<u>Allowance (see Note 5)</u>	<u>Net Loan Receivable</u>
Predevelopment loans	56	\$ 15,456,636	\$ (1,802,123)	\$ 13,654,513
Acquisition loans	16	25,870,959	(775,878)	25,095,081
Total	72	41,327,595	(2,578,001)	38,749,594
Less - current portion		18,718,947	(280,515)	18,438,432
Long-term portion		\$ 22,608,648	\$ (2,297,486)	\$ 20,311,162

Loans Receivable - AIHC

During fiscal year 2022, CEDAC made three loan commitments from the AIHC loan fund, totaling \$2,700,000 (see Note 3). The loans receivable - AIHC balance was \$2,040,932 and \$1,090,932 at June 30, 2023 and June 30, 2022, respectively. Any reserve on the loans receivable is deemed immaterial.

See Note 10 for disclosure of loan commitments.

Impaired Loans and Troubled Debt Restructurings

There were no loans that were deemed to be impaired as of June 30, 2023 or 2022. There have been no loan modifications classified as troubled debt restructurings as of June 30, 2023 or 2022. There were no loans receivable on non-accrual status as of June 30, 2023 or 2022.

Loan Receivable Aging Analysis

There were no past due loans as of June 30, 2023 or 2022.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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, 2021	\$ 2,743,103	\$ 148,292	\$ 2,891,395
Changes to allowance	(124,209)	61,265	(62,944)
Loans and interest forgiven	<u>(40,893)</u>	<u>(9,579)</u>	<u>(50,472)</u>
Balance, June 30, 2022	2,578,001	199,978	2,777,979
Changes to allowance	<u>509,196</u>	<u>641</u>	<u>509,837</u>
Balance, June 30, 2023	<u>\$ 3,087,197</u>	<u>\$ 200,619</u>	<u>\$ 3,287,816</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, 2023 and 2022.

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, 2023:

<u>2023</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	\$ 112,368,029	\$ 112,368,029	\$ 112,368,029	\$ -
Other cash	741,582	741,582	741,582	-
U.S. Treasury Bills	<u>2,082,837</u>	<u>2,082,837</u>	<u>2,082,837</u>	<u>-</u>
Total	<u>\$ 115,192,448</u>	<u>\$ 115,192,448</u>	<u>\$ 115,192,448</u>	<u>\$ -</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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, 2022:

<u>2022</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	\$ 79,589,954	\$ 79,589,954	\$ 79,589,954	\$ -
Other cash	4,493,324	4,493,324	4,493,324	-
Certificates of deposit	<u>2,081,866</u>	<u>2,081,866</u>	<u>2,081,866</u>	<u>-</u>
Total	<u>\$ 86,165,144</u>	<u>\$ 86,165,144</u>	<u>\$ 86,165,144</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</u> <u>Effective Maturity of:</u>	<u>Percentage of</u> <u>Total Net Position</u>	
	<u>2023</u>	<u>2022</u>
1 - 30 Days	77.2%	72.7%
31 - 90 Days	10.3	21.2
91 - 180 Days	8.4	3.6
181 - 365 Days	<u>4.1</u>	<u>2.5</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>2023</u>	<u>Fair Value</u>	<u>Credit</u> <u>Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 112,368,029	See below	
Other cash	741,582	\$ -	\$ 741,582
Certificates of deposit	<u>2,082,837</u>	<u>-</u>	<u>2,082,837</u>
Total	<u>\$ 115,192,448</u>	<u>\$ -</u>	<u>\$ 2,824,419</u>

<u>2022</u>	<u>Fair Value</u>	<u>Credit</u> <u>Quality Ratings</u>	
		<u>AAA</u>	<u>Unrated</u>
Massachusetts Municipal Depository Trust	\$ 79,589,954	See below	
Other cash	4,493,324	\$ -	\$ 4,493,324
Certificates of deposit	<u>2,081,866</u>	<u>-</u>	<u>2,081,866</u>
Total	<u>\$ 86,165,144</u>	<u>\$ -</u>	<u>\$ 6,575,190</u>

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

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
2023	100.0%	- %
2022	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, 2023 and 2022, were \$128,693 and \$118,373, 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 \$135,354 and \$129,960 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022.

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 EOHLC.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

9. DEFERRED REVENUE (Continued)

CEDAC was selected by the Commonwealth's Department of Early Education and Care (EEC) to administer an Early Education and Out of School Time (EEOST) Capital Fund, which was authorized as part of the Community Development Bond Bill passed by the Massachusetts Legislature in November 2013. The Legislature authorized up to \$45 million to support nonprofit center-based early education and out-of-school time programs. In May 2018, as part of the 2018 Community Development Bond Bill passed by the Massachusetts Legislature, the program was re-authorized at \$45 million. With the EEOST Capital Funds, EEC may award grants to childcare providers to support acquisition, design, construction and/or renovation of the centers funded.

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

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

The amount captured in deferred revenue represents the EEOST Capital Fund allotted to date, net of grant awards disbursed, fees paid for administration services, and other third-party expenses incurred in the administration of the program. The net amount of cash on-hand at CEDAC for future disbursements for grantees and related fees was \$7,280,690 and \$10,351,495 at June 30, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Operating and CEDAC Loan Funds:		
Unearned underwriting fees and grants	\$ 642,486	\$ 1,005,452
Unearned underwriting fees and monitoring		
DMH MetState Trust Loan Program	<u>105,675</u>	<u>105,675</u>
Total Operating and CEDAC Loan Funds	748,161	1,111,127
Restricted Program Funds:		
EEOST contract	7,280,690	10,351,495
Deferred legal fees	<u>1,835,396</u>	<u>1,794,237</u>
Total deferred revenue	<u>\$ 9,864,247</u>	<u>\$ 13,256,859</u>

10. COMMITMENTS

Facility and Other Leases

CEDAC maintains a ten-year operating lease for office space which runs through February 2027, with monthly lease payments ranging from \$29,993 to \$34,037. For the period from March 1, 2023 through February 28, 2024, CEDAC received a \$10 per square foot credit against their contractual lease payment resulting in monthly payments of \$27,297 for this period. 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 \$59,986. Rental payments may be adjusted for increases in taxes and operating costs above specific amounts.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

10. COMMITMENTS (Continued)

Facility and Other Leases (Continued)

On July 1, 2020, upon adoption of GASB 87, CEDAC recognized a lease liability of \$2,298,164 and a right-to-use asset - facility lease of \$2,298,164. During each of the fiscal years 2023 and 2022, CEDAC recognized \$344,725 of amortization of right-to-use asset expense in the accompanying statements of revenues, expenses and changes in net position. Amortization of the right-to-use asset is expected to be approximately \$345,000 through fiscal year 2026 and approximately \$230,000 in fiscal year 2027. Lease interest expense was \$52,659 and \$64,537 for the years ended June 30, 2023 and 2022, respectively.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 311,655	\$ 42,869	\$ 354,524
2025	377,852	30,592	408,444
2026	391,291	17,153	408,444
2027	<u>277,002</u>	<u>3,734</u>	<u>280,736</u>
Total	<u>\$ 1,357,800</u>	<u>\$ 94,348</u>	<u>\$ 1,452,148</u>

CEDAC rents additional office space in Northampton, Massachusetts as a tenant-at-will. In addition, CEDAC leases various equipment for their offices. Rental payments under these lease agreements were \$56,924 and \$37,672 for the years ended June 30, 2023 and 2022, respectively.

Loan and Grant Commitments

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

	<u>2023</u>	<u>2022</u>
Subordinated deferred payment loans	\$ 78,499,513	\$ 47,898,584
Predevelopment, acquisition and bridge loans	92,350,630	63,956,429
AIHC loans	659,068	2,700,000
EEOST grant program	7,268,027	10,366,073
Predevelopment grants	<u>75,265</u>	<u>63,089</u>
Total commitments	178,852,503	124,984,175
Less - loans receivable	<u>(52,657,092)</u>	<u>(42,418,527)</u>
Total outstanding commitments	126,195,411	82,565,648
Less - commitments to be drawn under credit lines	<u>(18,446,327)</u>	<u>(10,083,306)</u>
Total outstanding commitments held in cash	<u>\$ 107,749,084</u>	<u>\$ 72,482,342</u>

11. RELATED PARTY TRANSACTIONS

CEDAC has a contract with CIF to provide administrative and management services to CIF. CEDAC invoices for direct staff time. CIF also provides underwriting and other services for CEDAC to qualified recipients for awards under the EEOST Capital Fund Program.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Notes to General Purpose Financial Statements
June 30, 2023 and 2022

11. RELATED PARTY TRANSACTIONS (Continued)

A summary of activity with CIF is as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Contracted staffing:		
Services provided to CIF during fiscal year	<u>\$ 923,254</u>	<u>\$ 724,908</u>
Accounts receivable from CIF at end of fiscal year	<u>\$ 80,357</u>	<u>\$ 129,925</u>
EEOST grants provided by CEDAC to CIF:		
Grants provided to CIF during the fiscal year	<u>\$ 430,120</u>	<u>\$ 454,620</u>
Accounts payable to CIF at end of fiscal year	<u>\$ -</u>	<u>\$ 27,240</u>

CEDAC has a contract with CIF to provide the contracted staffing services noted during fiscal year 2024.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2023 and 2022, the carrying amounts and approximate fair value of CEDAC's financial instruments are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 4,871,585	\$ 4,871,585	\$ 3,056,173	\$ 3,056,173
Restricted cash and cash equivalents	\$ 108,238,026	\$ 108,238,026	\$ 81,027,105	\$ 81,027,105
Investments	\$ 2,082,837	\$ 2,082,837	\$ 2,081,866	\$ 2,081,866
Loans receivable, net	\$ 51,610,825	See below	\$ 39,840,526	See below
Notes payable to funding sources	\$ 129,699,366	See below	\$ 89,179,024	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, 2023 and 2022.

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Supplementary Statement of Functional Expenses
For the Year Ended June 30, 2023

	Enterprise Funds			
	Program Expenses			
	Housing and Intermediary Program	Child Care Program	Management and General	Total
Employee Compensation:				
Salaries	\$ 1,251,092	\$ 590,789	\$ 855,855	\$ 2,697,736
Fringe benefits and payroll taxes	385,480	182,097	263,915	831,492
Total employee compensation	1,636,572	772,886	1,119,770	3,529,228
Professional Fees:				
Contracted services	128,955	906,822	362,973	1,398,750
Accounting and audit	19,559	19,938	15,353	54,850
Legal	39,186	-	5,254	44,440
Total professional fees	187,700	926,760	383,580	1,498,040
Other:				
Amortization - right of use asset	170,511	70,099	104,115	344,725
Lease expense	28,156	11,575	17,193	56,924
Depreciation	19,695	20,075	15,459	55,229
Lease interest expense	26,047	10,708	15,904	52,659
Equipment	14,081	14,354	11,052	39,487
Supplies and document storage	13,713	13,978	10,763	38,454
Insurance	13,136	13,390	10,310	36,836
Maintenance and repair	12,555	12,797	9,854	35,206
Other expenses	11,900	12,129	9,335	33,364
Printing	5,817	5,929	4,565	16,311
Memberships	4,699	4,790	3,689	13,178
Telephone	9,736	-	137	9,873
Utilities	4,632	1,973	2,930	9,535
Travel	4,461	-	1,206	5,667
Postage and messengers	1,791	1,827	1,407	5,025
Staff development	1,217	1,240	955	3,412
Total other	342,147	194,864	218,874	755,885
Subtotal before grants and related expenses	2,166,419	1,894,510	1,722,224	5,783,153
Grants and Related Expenses	27,665	6,540,467	-	6,568,132
Total expenses	\$ 2,194,084	\$ 8,434,977	\$ 1,722,224	\$ 12,351,285

COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE CORPORATION

Supplementary Statement of Functional Expenses
For the Year Ended June 30, 2022

	Enterprise Funds			
	Program Expenses			
	Housing and Intermediary Program	Child Care Program	Management and General	Total
Employee Compensation:				
Salaries	\$ 1,267,584	\$ 471,891	\$ 788,086	\$ 2,527,561
Fringe benefits and payroll taxes	396,495	147,609	246,516	790,620
Total employee compensation	1,664,079	619,500	1,034,602	3,318,181
Professional Fees:				
Contracted services	73,935	557,169	211,505	842,609
Legal	19,816	14,586	13,848	48,250
Accounting and audit	9,440	-	4,810	14,250
Total professional fees	103,191	571,755	230,163	905,109
Other:				
Amortization - right of use asset	170,866	59,748	114,111	344,725
Lease expense	18,672	6,529	12,471	37,672
Depreciation	26,119	19,226	18,253	63,598
Lease interest expense	31,988	11,186	21,363	64,537
Equipment	12,305	9,058	8,599	29,962
Supplies and document storage	11,354	8,357	7,934	27,645
Insurance	13,246	9,750	9,256	32,252
Maintenance and repair	14,129	10,400	9,874	34,403
Other expenses	13,618	10,023	9,541	33,182
Printing	4,967	3,659	3,474	12,100
Memberships	4,392	3,232	3,069	10,693
Telephone	1,247	-	5,519	6,766
Utilities	3,732	1,353	2,584	7,669
Travel	2,004	-	5,619	7,623
Postage and messengers	2,051	1,510	1,433	4,994
Staff development	1,513	1,114	1,058	3,685
Total other	332,203	155,145	234,158	721,506
Subtotal before grants and related expenses	2,099,473	1,346,400	1,498,923	4,944,796
Grants and Related Expenses	45,434	8,223,738	-	8,269,172
Total expenses	\$ 2,144,907	\$ 9,570,138	\$ 1,498,923	\$ 13,213,968

**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, 2023, 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 28, 2023.

Report 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 the entity'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 or significant deficiencies may exist that have not been identified.

Report on 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "AAFCPA, Inc." The letters are stylized and cursive.

Boston, Massachusetts
September 28, 2023