

**Economic Development and Industrial
Corporation of Boston**

As of October 20, 2016, D/B/A

Boston Planning & Development Agency
(A Component Unit of the City of Boston)

Financial Statements,
Required Supplementary Information
and Independent Auditors' Report

June 30, 2019 and 2018

**Economic Development and Industrial
Corporation of Boston**

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
**Economic Development and
Industrial Corporation of Boston**

We have audited the accompanying statements of net position of Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation and component unit of the City of Boston, as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EDIC as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audits of the basic 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedule of revenues and expenses for the year ended June 30, 2019 on page 28 is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining schedule of revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues and expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Daniel Dennis & Company LLP

October 23, 2019

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis
(Unaudited)
June 30, 2019

The following is the management's discussion and analysis of the financial performance of the Economic Development and Industrial Corporation of Boston (EDIC) for the fiscal year ended June 30, 2019. This discussion is a narrative overview and analysis of EDIC's financial operations and should be read in conjunction with the accompanying financial statements, which begin on page 11.

The Corporation as a Whole

EDIC, a quasi-public corporation, is a component unit of the City of Boston and an instrumentality of the Commonwealth of Massachusetts. The purpose of EDIC is to create and retain industrial companies and jobs in Boston's neighborhoods for Boston residents, including minorities and women, through economic development, industrial real estate management, financing and job training. EDIC is exempt from federal income taxes as a political subdivision under Section 115 of the Internal Revenue Code.

EDIC's Office of Workforce Development (OWD) is a multi-service agency that receives federal, state and city funds to run a comprehensive system of education, job training, job placement, counseling, human services and other support services for Boston residents.

EDIC's major sources of revenue during the year ended June 30, 2019, include funds generated from lease operations at its Raymond L. Flynn Marine Park and grants/contracts with governmental agencies for OWD activities.

Basic Financial Statements

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's requirements for a special-purpose government agency engaged solely in business type activities. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statement of net position presents information on the assets and liabilities of EDIC. The difference between the two is net position. Over time, increases and decreases in net position may be an indicator of the financial stability of EDIC.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses of EDIC for the fiscal year. The difference (increase or decrease in net position) determines the net change in net position for the fiscal year. This change in net position added to last year's net position will reconcile to the total net position reported at year-end on the statement of net position.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year resulting from operating activities, investing, and capital and related financing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at year-end on the statement of net position. This statement is prepared on a cash basis.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Financial Highlights

- Assets exceeded liabilities by approximately \$56.9 million at the close of the fiscal year.
- Revenues increased by approximately \$6.8 million or 17% from the previous fiscal year.
- Expenses decreased by approximately \$7.3 million or 18% from the previous fiscal year.
- Net position increased approximately \$14.4 million from the previous fiscal year.

Statement of Net Position

The following table shows assets, liabilities and net position for the years ended June 30, 2019 and 2018, and the related fluctuations in these accounts between these two fiscal years:

	2019	2018	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 16,186,357	\$ 16,417,268	\$ (230,911)
Accounts receivable (net)	1,265,319	891,866	373,453
Grants/contracts receivable	4,880,529	3,259,444	1,621,085
Other current assets	416,293	389,066	27,227
Investments	8,950,560	-	8,950,560
Security deposits	1,167,384	1,070,395	96,989
Restricted cash and cash equivalents	703,671	703,601	70
Capital assets	89,608,967	87,802,688	1,806,279
Accumulated depreciation	<u>(48,532,246)</u>	<u>(46,334,807)</u>	<u>(2,197,439)</u>
Total assets	<u>\$ 74,646,834</u>	<u>\$ 64,199,521</u>	<u>\$ 10,447,313</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 2,278,253	\$ 3,082,163	\$ (803,910)
Grants/contracts payable	3,019,166	5,368,780	(2,349,614)
Bonds payable	10,589,057	11,396,665	(807,608)
Other liabilities	<u>1,837,076</u>	<u>1,797,287</u>	<u>39,789</u>
Total liabilities	<u>17,723,552</u>	<u>21,644,895</u>	<u>(3,921,343)</u>
<i>Net Position</i>			
Net investment in capital assets	30,487,664	30,071,216	416,448
Restricted for grant programs	703,671	703,601	70
Unrestricted	<u>25,731,947</u>	<u>11,779,809</u>	<u>13,952,138</u>
Total net position	<u>56,923,282</u>	<u>42,554,626</u>	<u>14,368,656</u>
Total liabilities and net position	<u>\$ 74,646,834</u>	<u>\$ 64,199,521</u>	<u>\$ 10,447,313</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Explanations for significant fluctuations noted in the above table are as follows:

Accounts Receivable (net)

This increase is primarily the result of a back charge from one tenant's lease of approximately \$400,000 at the end of fiscal year 2019.

Grants/Contracts Receivable

This increase is primarily the result of an increase in Federal and state grant receivables totaling approximately \$1 million and an increase in inter agency receivables totaling approximately \$600,000.

Investments

This increase of approximately \$9 million is the result of management establishing new investments from operations to fund future capital projects.

Capital Assets

This increase is primarily related to significant environmental, engineering, and other projects that were capitalized during fiscal year 2019.

Accumulated Depreciation

This increase is the result of normal depreciation of capital assets, taking into consideration additional capital assets being placed in service each fiscal year.

Accounts Payable and Accrued Expenses

This decrease is the result of more timely vendor payments made at the end of fiscal year 2019 as compared to fiscal year 2018.

Grants/Contracts Payable

This decrease is the result of more timely disbursements at the end of fiscal year 2019 as compared to fiscal year 2018.

Bonds Payable

This decrease is the result of normal principal payments on debt.

Net Investment in Capital Assets

This increase is the result of a net decrease in capital assets after depreciation totaling approximately \$1.9 million and a decrease of outstanding debt related to capital assets totaling approximately \$800,000.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – Continued
(Unaudited)
June 30, 2019

Unrestricted Net Position

This increase is the net result of the fiscal year 2019 net income totaling approximately \$14 million.

Statement of Revenues, Expenses and Changes in Net Position

The following table shows revenues and expenses for the years ended June 30, 2019 and 2018, and the related fluctuations in these accounts between these two fiscal years:

	2019	2018	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$ 11,504,099	\$ 12,259,657	\$ (755,558)
Rental income	29,192,264	26,474,795	2,717,469
Lease fees and related income	4,422,896	486,625	3,936,271
Contributions	859,795	653,810	205,985
Investment income	224,209	26,031	198,178
Other income	521,747	25,428	496,319
	<u>46,725,010</u>	<u>39,926,346</u>	<u>6,798,664</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	14,908,115	14,679,620	\$ 228,495
Grants/contracts to related parties and community based organizations	9,049,210	15,912,560	(6,863,350)
Security and maintenance	1,467,340	1,593,631	(126,291)
Professional fees	2,436,220	2,590,061	(153,841)
Lease commissions	-	76,849	(76,849)
Bad debt expense	55,204	695,634	(640,430)
Depreciation	2,197,439	1,816,817	380,622
Supplies and services	1,642,448	1,678,020	(35,572)
Rental expense	148,689	140,358	8,331
Interest expense	312,211	334,710	(22,499)
Other expenses	139,478	154,927	(15,449)
	<u>32,356,354</u>	<u>39,673,187</u>	<u>(7,316,833)</u>
Change in net position	14,368,656	253,159	14,115,497
Net position at beginning of year	42,554,626	42,301,467	253,159
Net position at end of year	<u>\$ 56,923,282</u>	<u>\$ 42,554,626</u>	<u>\$ 14,368,656</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Explanations for significant fluctuations noted in the above table are as follows:

Grant/Contract Income

This decrease is the result of a reduction in grants from the U.S. Department of Housing and Urban Development and U.S. Department of Elementary and Secondary Education of approximately \$850,000.

Rental Income

This increase is the result of an increase in lease income of approximately \$1.3 million due to additional leases and restructuring current leases, an increase in parking revenue totaling approximately \$650,000 primarily due to increased event parking and an increase in pilot revenue of approximately \$1 million.

Lease Fees and Related Income

This increase is the result of fees earned from both the restructuring of a lease agreement and a one-time event in accordance with this same lease agreement that occurred in 2019 totaling approximately \$3.7 million and a settlement received from one tenant of approximately \$650,000.

Other Income

This increase is the result of back charges earned from one lease agreement of approximately \$400,000.

Grant/Contracts to Related Parties and Community Based Organizations

This decrease is the result of a decrease in grants to related parties totaling approximately \$6.5 million and grants to community based organizations of approximately \$660,000.

Bad Debt

This decrease is the result of a decrease in uncollectible receivables at the end of fiscal year 2019.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Analysis of Significant Variations between Budget Amounts

The following table shows a comparison of revenues and expenses for the year ended June 30, 2019, budgeted revenue and expenses and the related fluctuations:

	<i>2019</i>	<i>Budget</i>	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$ 11,504,099	\$ 11,663,233	\$ (159,134)
Rental income	29,192,264	26,723,279	2,468,985
Lease fees and related income	4,422,896	-	4,422,896
Contributions	859,795	450,739	409,056
Investment income	224,209	22,000	202,209
Other income	521,747	-	521,747
	<u>46,725,010</u>	<u>38,859,251</u>	<u>7,865,759</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	14,908,115	16,576,153	\$ (1,668,038)
Grants/contracts to related parties and community based organizations	9,049,210	13,910,451	(4,861,241)
Security and maintenance	1,467,340	1,532,090	(64,750)
Professional fees	2,436,220	2,425,348	10,872
Lease commissions	-	400,000	(400,000)
Bad debt expense	55,204	186,000	(130,796)
Depreciation	2,197,439	1,939,761	257,678
Supplies and services	1,642,448	1,701,263	(58,815)
Rental expense	148,689	177,710	(29,021)
Interest expense	312,211	340,000	(27,789)
Other expenses	139,478	547,617	(408,139)
	<u>32,356,354</u>	<u>39,736,393</u>	<u>(7,380,039)</u>
Change in net position	14,368,656	(877,142)	15,245,798
Net position at beginning of year	<u>42,554,626</u>	<u>42,554,626</u>	<u>-</u>
Net position at end of year	<u>\$ 56,923,282</u>	<u>\$ 41,677,484</u>	<u>\$ 15,245,798</u>

Explanations for significant fluctuations noted in the above table are as follows:

Grant/Contract Income

This decrease totaling approximately \$380,000 is primarily the result of a decrease in grants from federal agencies which is partially offset by a reduction in budgeted program costs.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Rental Income

This increase totaling approximately \$2,400,000 is the combined result of an increase in percentage rent income and leasing activity and a decrease in anticipated parking income.

Lease Fees and Related Income

This increase of totaling approximately \$4.4 million is the combined result of one tenant exercising a lease extension and a settlement from one tenant lease.

Contributions

This increase totaling approximately \$400,000 is the result of more than anticipated grant funding received.

Other Income

This increase is the result of back charges earned from one lease agreement of approximately \$400,000.

Salaries and Fringe Benefits

This decrease totaling approximately \$1.6 million from unfilled positions and agency turnover.

Grants/Contracts to Related Parties and Community Based Organizations

This decrease totaling approximately \$4.8 million is the combined result of intercompany grants totaling approximately \$5.2 million lower than anticipated and a decrease of approximately \$400,000 in community based expenditures primarily resulting from less than anticipated contributions and grand awards.

Lease Commissions

This decrease totaling approximately \$400,000 is the result of not incurring any commission fees during the year.

Other Expenses

This decrease totaling approximately \$400,000 is the result of recording activity in their natural accounts.

Current Know Facts, Decisions, and Conditions

There are no currently known facts, decisions or conditions that are expected to have a significant effect on EDIC's net position or results operations.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis – *Continued*
(Unaudited)
June 30, 2019

Request for Information

This financial report is designed to provide a general overview of EDIC's finances and to demonstrate its accountability for the money it receives to carry out both economic development activities and fiscal agent responsibilities to the City of Boston for its Office of Workforce Development grant programs. If you have any questions about this report, contact the Secretary's Office, 9th Floor, Boston City Hall.

Economic Development and Industrial Corporation of Boston
Statements of Net Position
June 30, 2019 and 2018

<i>Assets</i>	<i>2019</i>	<i>2018</i>
Current assets:		
Cash and cash equivalents	\$ 16,186,357	\$ 16,417,268
Investments	5,955,000	-
Accounts receivable (net of allowance for doubtful accounts)	1,265,319	891,866
Grants/contracts receivable	4,880,529	3,259,444
Prepaid assets and deposits	<u>416,293</u>	<u>389,066</u>
Total current assets	<u>28,703,498</u>	<u>20,957,644</u>
Noncurrent assets:		
Restricted cash and cash equivalents	703,671	703,601
Security deposits	1,167,384	1,070,395
Long-term investments	<u>2,995,560</u>	<u>-</u>
Total noncurrent assets	<u>4,866,615</u>	<u>1,773,996</u>
Capital assets:		
Nondepreciable	4,022,321	10,146,677
Depreciable	85,586,646	77,656,011
Less accumulated depreciation	<u>(48,532,246)</u>	<u>(46,334,807)</u>
Total capital assets - net	<u>41,076,721</u>	<u>41,467,881</u>
Total Assets	<u><u>\$ 74,646,834</u></u>	<u><u>\$ 64,199,521</u></u>
<i>Liabilities</i>		
Current liabilities:		
Accounts payable	\$ 666,211	\$ 1,513,968
Grants/contracts payable	3,019,166	5,368,780
Accrued expenses	1,612,042	1,568,195
Unearned revenue	669,692	726,892
Current portion of long-term debt	<u>835,235</u>	<u>812,239</u>
Total current liabilities	<u>6,802,346</u>	<u>9,990,074</u>
Noncurrent liabilities:		
Security deposits	<u>1,167,384</u>	<u>1,070,395</u>
Long-term debt:		
Bonds payable	<u>9,753,822</u>	<u>10,584,426</u>
Total long-term debt	<u>9,753,822</u>	<u>10,584,426</u>
Total liabilities	<u>17,723,552</u>	<u>21,644,895</u>
<i>Net Position</i>		
Net investment in capital assets	30,487,664	30,071,216
Restricted for grant programs	703,671	703,601
Unrestricted	<u>25,731,947</u>	<u>11,779,809</u>
Total net position	<u>56,923,282</u>	<u>42,554,626</u>
Total Liabilities and Net Position	<u><u>\$ 74,646,834</u></u>	<u><u>\$ 64,199,521</u></u>

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of Boston
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	<i>2019</i>	<i>2018</i>
<i>Revenues</i>		
Grant/contract income	\$ 11,504,099	\$ 12,259,657
Rental income	29,192,264	26,474,795
Lease fees and related income	4,422,896	486,625
Contributions	859,795	653,810
Interest income	150,938	26,031
Unrealized gain	73,271	-
Miscellaneous income	<u>521,747</u>	<u>25,428</u>
Total revenues	<u>46,725,010</u>	<u>39,926,346</u>
<i>Expenses</i>		
Salaries	11,245,789	10,903,427
Fringe benefits	3,662,326	3,776,193
Grants/contracts to related parties and community based organizations	9,049,210	15,912,560
Utilities	605,371	718,407
Security and maintenance	1,467,340	1,593,631
Travel and transportation	100,728	69,104
Insurance	395,228	398,426
Professional fees	2,436,220	2,590,061
Lease commissions	-	76,849
Printing	9,364	22,840
Bad debt expense	55,204	695,634
Depreciation	2,197,439	1,816,817
Supplies	79,415	59,699
Rental expense	148,689	140,358
Telecommunications	76,492	66,794
Professional development	98,210	59,183
Data processing	203,945	182,589
Marketing	70,681	76,582
Educational supplies	3,014	24,396
Interest expense	312,211	334,710
Other expense	<u>139,478</u>	<u>154,927</u>
Total expenses	<u>32,356,354</u>	<u>39,673,187</u>
Change in net position	14,368,656	253,159
Net position at beginning of year	<u>42,554,626</u>	<u>42,301,467</u>
Net position at end of year	<u>\$ 56,923,282</u>	<u>\$ 42,554,626</u>

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of Boston

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 10,685,609	\$ 17,495,848
Receipts from tenants	33,755,217	26,110,283
Receipts from interest	103,520	26,031
Payments to employees	(11,219,606)	(10,950,653)
Payments for employee benefits	(3,649,172)	(3,762,246)
Payments to community based organizations	(11,398,824)	(12,638,515)
Payments to related parties	(3,059,703)	(3,442,961)
Payments to vendors and suppliers	(3,644,945)	(3,417,749)
Payments for interest	<u>(312,211)</u>	<u>(334,710)</u>
Net cash provided by operating activities	<u>11,259,885</u>	<u>9,085,328</u>
<i>Cash Flows from Investing Activities</i>		
Interest on investments	22,418	-
Sale of investments	3,000,000	-
Purchase of investments	<u>(11,899,257)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,876,839)</u>	<u>-</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(1,806,279)	(3,080,716)
Principal payments on debt	<u>(807,608)</u>	<u>(785,110)</u>
Net cash used in capital and related financing activities	<u>(2,613,887)</u>	<u>(3,865,826)</u>
Net (decrease)/increase in cash and cash equivalents	(230,841)	5,219,502
Cash and cash equivalents - beginning of year	<u>17,120,869</u>	<u>11,901,367</u>
Cash and cash equivalents - end of year	<u>\$ 16,890,028</u>	<u>\$ 17,120,869</u>

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of BostonStatements of Cash Flows – *continued*

For the Years Ended June 30, 2019 and 2018

	2019	2018
<i>Reconciliation of Change in Net Position to Net Cash</i>		
<i>Provided by Operating Activities</i>		
Change in net position	\$ 14,368,656	\$ 253,159
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	2,197,439	1,816,817
Unrealized gain	(73,271)	-
Bad debt expense	55,204	695,634
Changes in operating assets and liabilities:		
Increase in accounts receivable	(428,657)	(876,524)
(Increase)/decrease in grants/contracts receivable	(1,621,085)	4,151,276
(Increase)/decrease in other assets	(27,677)	36,957
(Decrease)/increase in accounts payable	(847,757)	404,558
(Decrease)/increase in grants/contracts payable	(2,349,614)	3,274,006
Increase/(decrease) in accrued expenses	43,847	(1,101,660)
(Decrease)/increase in unearned revenue	(57,200)	431,105
Net cash provided by operating activities	<u>\$ 11,259,885</u>	<u>\$ 9,085,328</u>

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements

June 30, 2019 and 2018

1. *Financial Reporting Entity*

Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation, is a component unit of the City of Boston (the City) and an instrumentality of the Commonwealth of Massachusetts. The purpose of EDIC is to create and retain industrial companies and jobs in Boston's neighborhoods for Boston residents, including minorities and women, through economic development, industrial real estate management, financing, and job training. EDIC is exempt from federal income taxes as a political subdivision under Section 115 of the Internal Revenue Code.

EDIC owns and operates the Raymond L. Flynn Marine Park (RFMP), which is leased out to manufacturing, industrial and light industrial business tenants. Further, EDIC's Office of Workforce Development (OWD), is a multi-service agency that receives federal, state and city funds to run a comprehensive system of education, job training, job placement, counseling, human services and other support services for Boston residents.

On October 20, 2016, the board approved the renaming of EDIC d/b/a the Boston Planning & Development Agency. For all legal documents and as a legal entity, EDIC shall remain the same.

2. *Summary of Significant Accounting Policies*

Basis of Accounting - EDIC's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special-purpose government agency engaged solely in business type activities. Accordingly, revenue is recognized when earned and expenses are recorded when incurred.

Funding under cost reimbursement grants/contracts and contribution revenue are recognized as unearned revenue when received and recorded as income when all eligibility requirements are met. Funding received for the improvement of depreciable capital assets is considered to be nonexchange transactions and is recorded as revenue when the related cost is incurred.

Cash and Cash Equivalents - Cash and cash equivalents consist of funds in EDIC's cash accounts, certificates of deposit and all highly liquid investments with an initial maturity of three months or less to be cash equivalents, other than cash collected for security deposits.

Investments - Investments are presented in the accompanying basic financial statements at fair value, which is determined by reference to published market data for publicly traded securities.

Grants/Contracts and Accounts Receivable - Grants/contracts receivable represent amounts due from funding sources for capital improvements funded by the City of Boston (Note 13) and for OWD grant activity. Accounts receivable represent amounts due from tenants and related parties. Receivables are presented net of allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and receivables are charged off when deemed uncollectible. Allowance for doubtful accounts receivable totaled \$73,948 and \$659,846 at June 30, 2019 and 2018, respectively. Management has determined that all grants/contracts receivable are collectible for the years then ended; therefore, no related allowance has been recorded.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

2. ***Summary of Significant Accounting Policies - Continued***

Grants/Contracts and Accounts Payable - Grants/contracts payable represent grant funding amounts due to related parties (Note 13), and for community based organizations for OWD activities that are funded through grants/contracts with Federal, state and other agencies. Accounts payable represent operational amounts due to vendors and related parties.

Capital Assets - Capital assets in excess of \$10,000 are recorded on the statement of net position at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method over the following useful lives:

<i>Capital Asset Category</i>	<i>Life</i>
Land Improvements	5-50 Years
Maritime Assets	10-50 Years
Buildings and Improvements	10-50 Years
Machinery and Equipment	3-5 Years
Other Assets	5 Years

All real estate and tangible personal property of EDIC is deemed to be public property used for essentially public and governmental purposes and is exempt from taxation, except that the City and EDIC may determine an amount to be paid annually in lieu of taxes. No such payments were made to the City for the years ended June 30, 2019 and 2018.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Interest Cost - EDIC follows a policy of capitalizing interest as a component of construction in progress, where applicable. Interest incurred for the years ending June 30, 2019 and 2018 totaled \$312,211 and \$334,710, respectively, all of which was expensed.

Planned Major Maintenance - EDIC uses the direct expensing method to account for planned major maintenance activities, under which actual costs incurred are expensed directly when maintenance is performed.

Adoption of Accounting Pronouncements - EDIC adopted GASB No. 88 *Certain Disclosure Related to Debt*. The primary objective of this statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

3. *Net Investment in Capital Assets*

Net investment in capital assets consisted of the following:

	<i>2019</i>	<i>2018</i>
Cost of capital assets acquired	\$ 89,608,967	\$ 87,802,688
Less accumulated depreciation	(48,532,246)	(46,334,807)
Less outstanding debt related to capital assets	<u>(10,589,057)</u>	<u>(11,396,665)</u>
Net investment in capital assets	<u>\$ 30,487,664</u>	<u>\$ 30,071,216</u>

4. *Cash and Cash Equivalents*

Cash and cash equivalents as of June 30, 2019 and 2018 consisted of the following:

<i>Description</i>	<i>2019</i>	<i>2018</i>
Federally insured deposits	\$ 500,000	\$ 500,000
Securities Investor Protection Corporation deposits	164,312	-
Collateralized with Securities held by the Pledging Financial Institution's Trust Department or Agent, but not in EDIC's Name	16,740,260	17,034,088
Uncollateralized/unsecured deposits	<u>1,120,554</u>	<u>1,530,217</u>
Total	<u>\$ 18,525,126</u>	<u>\$ 19,064,305</u>

EDIC maintains its cash accounts at three financial institutions. Balances in two institutions are fully insured or collateralized. The balances in the other institution, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor. As of June 30, 2019, included in cash is \$164,312 that is held in an investment account which the Securities Investor Program Corporation (SIPC) insures balances up to \$500,000. Also included in cash is a non-negotiable certificate of deposit with a balance of \$2,500,000 as of June 30, 2019, recorded at cost. EDIC has not experienced any losses in this uncollateralized/unsecured account. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk.

5. *Investments*

EDIC's investments are governed by state and local statutes. EDIC's investment instruments include United States treasury notes and United States treasury bills. EDIC does not have a formal investment policy. EDIC's investments were established in fiscal year 2019.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

5. *Investments - Continued*

Custodial Credit Risk – Custodial credit risk for investments occurs when the securities are uninsured, are not registered in the name of the government and are held by the counterparty or the counterparty’s trust department. All of EDIC’s investments are held by third parties in EDIC’s name.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The following is a listing of EDIC’s investments and related maturity (in years) as of June 30, 2019:

<i>Description</i>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 2</u>
U.S. Treasury Notes	\$ 5,981,730	\$ 2,986,170	\$ 2,995,560
U.S. Treasury Bill	<u>2,968,830</u>	<u>2,968,830</u>	<u>-</u>
Total	<u>\$ 8,950,560</u>	<u>\$ 5,955,000</u>	<u>\$ 2,995,560</u>

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. EDIC does not have a formal policy on managing credit risk. The following is a listing of EDIC’s investments and related credit risk rating as of June 30, 2019:

<i>Description</i>	<u>Fair Value</u>	<u>Moody's Rating</u>
U.S. Treasury Notes	\$ 2,986,170	Aaa
U.S. Treasury Bill	<u>2,968,830</u>	Unrated
Total	<u>\$ 5,955,000</u>	

Fair Value Hierarchy – EDIC categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. EDIC does not have any investments that are measured using Level 2 or Level 3 inputs. EDIC’s U.S. Treasury securities issued by the U.S. Government are valued using quoted prices. The following is a summary of EDIC’s investments as of June 30, 2019:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
U.S. Treasury Notes	\$ 5,981,730	\$ 5,981,730
U.S. Treasury Bill	<u>2,968,830</u>	<u>2,968,830</u>
Total investments	<u>\$ 8,950,560</u>	<u>\$ 8,950,560</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

6. *Fair Value of Financial Instruments*

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those financial instruments. The carrying value of accounts receivable, grants/contracts receivable and long-term receivables approximate fair value.

The carrying amounts of accounts payable, grants/contracts payable and accrued expenses approximate fair value. The carrying amounts of bonds payable approximates fair value because those financial instruments bear interest at variable rates that approximate current market rates for debt of similar maturities and credit quality. The carrying amount of bonds payable is based on the current traded value.

7. *Lease Commitments*

EDIC has entered into a five year operating lease agreement for office space used for OWD programs that expired on December 31, 2017. During fiscal year 2018, EDIC executed its option to extend the lease for one year through December 31, 2018. During fiscal year 2019, the lease terms were amended extending the lease period for an additional ten years through December 31, 2028 and increasing the basic rent. EDIC is also responsible for additional rent for increases in real estate tax and building operating expenses over the base years of this lease. Rental expense on operating leases totaled \$148,689 and \$140,358 for the years ended June 30, 2019 and 2018, respectively. Future minimum rental expense on noncancelable operating leases over the next five years is as follows:

<i>June 30,</i>	<i>Amount</i>
2020	\$ 210,000
2021	\$ 220,000
2022	\$ 220,000
2023	\$ 230,000
2024	\$ 240,000

8. *Leasing Activities*

EDIC has numerous operating leases with tenants for space at the RFMP. Rental income totaled \$19,799,661 and \$17,430,947, for the years ended June 30, 2019 and 2018, respectively, inclusive of in lieu of tax payments received from certain tenants under agreements with the City of Boston. Parking income from a garage and other spaces at the RFMP, totaling \$7,923,990 and \$7,605,592, respectively, for the years then ended, is included in rental income on the statement of revenue, expenses and changes in net position. In addition, tenant reimbursements for utilities and maintenance totaling \$1,468,613 and \$1,438,256, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$1,167,384 and \$1,070,395 at June 30, 2019 and 2018, respectively. Other lease fees and related income totaled \$4,422,896 and \$486,625, for the years ended June 30, 2019 and 2018, respectively, were received from one-time events in accordance with the lease agreements.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

8. ***Leasing Activities – Continued***

Future minimum rental income on noncancelable operating leases over the next five years is as follows:

<i>June 30,</i>	<i>Amount</i>
2020	\$ 14,142,352
2021	\$ 13,781,474
2022	\$ 14,279,668
2023	\$ 13,455,663
2024	\$ 12,836,316

The above amounts do not include in lieu of tax payments and percentage rent for those tenants where related lease amounts are based on a percentage of gross receipts collected by the tenants from sublease agreements. In lieu of tax payments and percentage rent for such tenants totaled \$5,221,583 and \$4,226,039 for the years ended June 30, 2019 and 2018, respectively.

The cost of property held for leasing and total accumulated depreciation thereon is as follows:

	<i>2019</i>	<i>2018</i>
Land	\$ 2,080,941	\$ 2,080,941
Land improvements	18,573,155	18,573,155
Maritime assets	19,335,550	15,126,493
Buildings and improvements	<u>44,864,173</u>	<u>41,429,304</u>
Total	84,853,819	77,209,893
Less accumulated depreciation	<u>(46,714,907)</u>	<u>(44,734,055)</u>
Book value	<u>\$ 38,138,912</u>	<u>\$ 32,475,838</u>

9. ***Revolving Loan Fund and Restricted Cash***

EDIC received a grant from the U.S. Environmental Protection Agency (EPA) in fiscal year 2011 to establish a revolving loan fund (RLF) that provides funding for cleanup of contaminated Brownsfield properties in the City of Boston. An intercompany loan to EDIC's Economic Development Division totaling \$703,531 was made from the RLF to fund the cleanup and remediate the vacant building located at 6 Tide Street within the RFMP, which was completed as of June 30, 2011.

The intercompany loan was noninterest bearing and was repaid to the RLF in a lump sum at the end of a five year period, fiscal year 2017. EDIC anticipates that it will use the RLF to fund other qualified Brownsfield properties during the life of the fund. Funding for the RLF and interest earned thereon has been classified as restricted cash and net position restricted for grant purposes on the statement of net position.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

10. *Capital Assets*

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	<i>Balance at</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance at</i>
	<i>June 30, 2018</i>			<i>June 30, 2019</i>
Nondepreciable assets:				
Land	\$ 2,080,941	\$ -	\$ -	\$ 2,080,941
Construction in progress	<u>8,065,736</u>	<u>1,449,193</u>	<u>(7,573,549)</u>	<u>1,941,380</u>
Total nondepreciable assets	<u>10,146,677</u>	<u>1,449,193</u>	<u>(7,573,549)</u>	<u>4,022,321</u>
Depreciable assets:				
Land improvements	18,573,155	-	-	18,573,155
Maritime assets	15,126,493	4,209,057	-	19,335,550
Buildings and improvements	41,429,304	3,434,869	-	44,864,173
Machinery and equipment	2,382,436	286,709	-	2,669,145
Other assets	<u>144,623</u>	<u>-</u>	<u>-</u>	<u>144,623</u>
Total depreciable assets	<u>77,656,011</u>	<u>7,930,635</u>	<u>-</u>	<u>85,586,646</u>
Totals at historical cost	<u>87,802,688</u>	<u>9,379,828</u>	<u>(7,573,549)</u>	<u>89,608,967</u>
Less accumulated depreciation for:				
Land improvements	(11,703,945)	(442,293)	-	(12,146,238)
Maritime assets	(10,186,629)	(442,601)	-	(10,629,230)
Buildings and improvements	(22,843,481)	(1,095,958)	-	(23,939,439)
Machinery and equipment	(1,456,129)	(216,587)	-	(1,672,716)
Other assets	<u>(144,623)</u>	<u>-</u>	<u>-</u>	<u>(144,623)</u>
Total accumulated depreciation	<u>(46,334,807)</u>	<u>(2,197,439)</u>	<u>-</u>	<u>(48,532,246)</u>
Capital assets, net	<u>\$ 41,467,881</u>	<u>\$ 7,182,389</u>	<u>\$ (7,573,549)</u>	<u>\$ 41,076,721</u>
	<i>Balance at</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance at</i>
	<i>June 30, 2017</i>			<i>June 30, 2018</i>
Nondepreciable assets:				
Land	\$ 2,080,941	\$ -	\$ -	\$ 2,080,941
Construction in progress	<u>5,104,655</u>	<u>2,961,081</u>	<u>-</u>	<u>8,065,736</u>
Total nondepreciable assets	<u>7,185,596</u>	<u>2,961,081</u>	<u>-</u>	<u>10,146,677</u>
Depreciable assets:				
Land improvements	18,573,155	-	-	18,573,155
Maritime assets	15,126,493	-	-	15,126,493
Buildings and improvements	41,429,304	-	-	41,429,304
Machinery and equipment	2,262,801	119,635	-	2,382,436
Other assets	<u>144,623</u>	<u>-</u>	<u>-</u>	<u>144,623</u>
Total depreciable assets	<u>77,536,376</u>	<u>119,635</u>	<u>-</u>	<u>77,656,011</u>
Totals at historical cost	<u>84,721,972</u>	<u>3,080,716</u>	<u>-</u>	<u>87,802,688</u>
Less accumulated depreciation for:				
Land improvements	(11,268,662)	(435,283)	-	(11,703,945)
Maritime assets	(9,937,145)	(249,484)	-	(10,186,629)
Buildings and improvements	(21,898,116)	(945,365)	-	(22,843,481)
Machinery and equipment	(1,269,444)	(186,685)	-	(1,456,129)
Other assets	<u>(144,623)</u>	<u>-</u>	<u>-</u>	<u>(144,623)</u>
Total accumulated depreciation	<u>(44,517,990)</u>	<u>(1,816,817)</u>	<u>-</u>	<u>(46,334,807)</u>
Capital assets, net	<u>\$ 40,203,982</u>	<u>\$ 1,263,899</u>	<u>\$ -</u>	<u>\$ 41,467,881</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

10. ***Capital Assets - Continued***

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$2,197,439 and \$1,816,817, respectively.

11. ***Contingencies***

EDIC contracts with governmental agencies and third party payers. The contracts are subject to audit by the respective funding source and could result in the recapture of revenue previously reported by EDIC. Management does not believe that any such disallowance, if found, would be material to EDIC's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

12. ***Long-Term Debt***

Public Parking Facility Bond, 2010 Series was issued for construction additions and refinancing of the existing parking garage in the RLMP and additional mortgage refinancing in June 2010. The initial interest rate was 4.5% per annum for a period of ten years. The bond was refinanced in December 2011, to a fixed interest rate of 2.49%. The bond was refinanced again in March 2017 to a fixed rate of 2.795%. The bond matures on July 21, 2030; however, the bond owner has the right to accelerate the maturity date to December 31, 2021. The outstanding bond from direct borrowings contain a provision that in an event of default, as defined by the agreement, the timing of repayment of outstanding amounts become immediately due if the debt service coverage ratio is less than 120 percent with respect to the parking garage operation or if the issuer is unable to make a payment within ten days of written notice. At June 30 2019 and 2018 the outstanding principal balance was \$10,589,057 and \$11,396,665, respectively.

The Public Parking Facility Bond Series 2010 was issued in June, 2010 and is secured by all income and receipts of the parking garage. Debt service payments are deposited into a Bond Fund account held by the Trustee, Peoples United Bank, and the Trustee makes the bond payments from this account.

Future maturities of principal and interest on bonds payable are as follows:

<i>June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2020	\$ 835,235	\$ 284,581	\$ 1,119,816
2021	858,880	260,936	1,119,816
2022	883,194	236,622	1,119,816
2023	908,199	211,617	1,119,816
2024	933,910	185,906	1,119,816
2025 - 2029	5,081,443	517,637	5,599,080
2030 - 2031	<u>1,088,196</u>	<u>15,606</u>	<u>1,103,802</u>
Total	<u>\$ 10,589,057</u>	<u>\$ 1,712,905</u>	<u>\$ 12,301,962</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

12. ***Long-Term Debt – Continued***

Long-term debt activity for the year ended June 30, 2019, was as follows:

	<i>Balance at June 30, 2018</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2019</i>	<i>Amounts Due Within One Year</i>
Bonds	<u>\$ 11,396,665</u>	<u>\$ -</u>	<u>\$ (807,608)</u>	<u>\$ 10,589,057</u>	<u>\$ 835,235</u>

Long-term debt activity for the year ended June 30, 2018 was as follows:

	<i>Balance at June 30, 2017</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2018</i>	<i>Amounts Due Within One Year</i>
Bonds	<u>\$ 12,181,775</u>	<u>\$ -</u>	<u>\$ (785,110)</u>	<u>\$ 11,396,665</u>	<u>\$ 812,239</u>

13. ***Related Party Transactions***

Affiliated Nonprofit Organizations

Boston Local Development Corporation (BLDC) is a nonprofit corporation, established to provide long-term, low interest financing to firms and companies located in the City of Boston, Massachusetts in order to maintain and expand employment opportunities. Friends of Youth Opportunity Boston, Inc. (FYOB) is a nonprofit organization created to support the activities of Youth Opportunity Boston, an OWD program. Boston Industrial Development Financing Authority (BIDFA) was established as an industrial development financing authority, pursuant to Massachusetts General Laws Chapter 40D, acting by and on behalf of the City of Boston as its instrumentality. EDIC acts as fiscal agent for these entities.

For the years ended June 30, 2019 and 2018, EDIC has provided grants to BLDC totaling \$43,000 and \$82,000, respectively. For the years ended June 30, 2019 and 2018, EDIC has provided grants to BIDFA totaling \$64,192 and \$65,000, respectively. For the years ended June 30, 2019 and 2018, EDIC has provided grants to FYOB totaling \$574,886 and \$305,410, respectively. These transactions are recorded as grants/contracts to related parties and community based organization on the statement of revenues, expenses and changes in net position.

BLDC, FYOB and BIDFA, employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit policies. Related party transactions concerning these agencies are summarized as follows:

	<i>Payroll and Fringe Benefits</i>		<i>EDIC Receivable</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
BLDC	\$ 136,100	\$ 81,918	\$ 153,805	\$ 11,180
FYOB	\$ 350,512	\$ 260,071	\$ -	\$ -
BIDFA	\$ 64,191	\$ 92,300	\$ -	\$ 27,300

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

13. *Related Party Transactions - Continued*

The City of Boston

The City of Boston's Property Management Department provided security services to EDIC, totaling \$635,319 and \$682,453 for the years ended June 30, 2019 and 2018, respectively. Amounts payable to the City of Boston at June 30, 2019 and 2018 for these services totaled \$53,042 and \$160,759, respectively.

EDIC received grants totaling and \$223,800 and \$99,732 from the City of Boston for the years ended June 30, 2019 and 2018, respectively, for reimbursement of a portion of capital improvement activity at the RFMP. Amounts receivable from the City of Boston at June 30, 2018 for this activity totaled \$331,379. For the year ended June 30, 2018, EDIC wrote off a portion of the receivable balance due from the City of Boston totaling \$145,625 and recorded related bad debt expense on the statement of revenues, expenses and changes in net position.

EDIC received grants totaling approximately \$2.2 million and \$2.9 million from various departments of the City of Boston for the years ended June 30, 2019 and 2018, respectively, for OWD activity.

Boston Redevelopment Authority

Commonwealth of Massachusetts legislation Chapter 341 named the Boston Redevelopment Authority (BRA) Board of Directors as the sole members of EDIC's Board of Directors. However, under the terms of Chapter 341, actions taken by the BRA Board of Directors on behalf of BRA are not binding on EDIC and actions taken by the EDIC Board of Directors on behalf of EDIC are not binding on BRA.

The cost of BRA employees working on EDIC projects and/or OWD grants were billed to EDIC for the years ended June 30, 2019 and 2018, and totaled \$188,122 and \$183,067, respectively. Further, EDIC paid operating costs for the benefit of BRA and subsequently billed BRA for these costs totaling \$337,395 and \$271,686 for the years ended June 30, 2019 and 2018, respectively. EDIC has recorded a net receivable from BRA for this activity totaling \$498,517 and \$180,153, at June 30, 2019 and 2018, respectively.

BRA provided funding to EDIC for an architectural contract totaling \$249,920 for the RFMP Master Plan through a grant provided to BRA from the City of Boston's Department of Neighborhood Development. As of June 30, 2019 and 2018, related cumulative costs, incurred by EDIC, totaled \$249,920.

EDIC has provided a grant to BRA totaling \$1,300,000, for the year ended June 30, 2018, for the purpose of funding a portion of BRA's unfunded other postemployment benefits pension liability. EDIC has also provided a grant to BRA totaling \$5,027,000 during the year ended June 30, 2018, to fund various redevelopment projects within the City of Boston. EDIC did not provide any grants to BRA for the year ended June 30, 2019. EDIC has a payable to BRA for this funding totaling \$283,367 and \$3,249,009 at June 30, 2019 and 2018, respectively.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

14. ***Risk Management***

EDIC is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health claims. EDIC carries commercial insurance for general liability, property and casualty, and workers' compensation. Losses are insured to the extent the losses exceed the deductibles. There have been no significant reductions in insurance coverage during fiscal years 2019 and 2018.

15. ***Retirement Plans***

All regular employees of EDIC are eligible to participate in a Thrift Savings Plan (the Plan) after three months of service. The Plan is a defined contribution plan and an eligible tax-deferred plan under Internal Revenue Service (IRS) Code Sections 457 and 401(a). The Plan is serviced by The Great-West Life Assurance Company. Participants can contribute one percent (1%) to twenty-five percent (25%) of their taxable compensation on a pre-tax basis, subject to the maximum deferral limits as set by the Internal Revenue Code. EDIC will match the first six percent (6%) of compensation that is contributed by the participant. Participants can also contribute one percent (1%) to fifteen (15%) of their total compensation on an after-tax basis, also subject to a maximum deferral limit, which is inclusive of EDIC's match amount.

All regular non-union employees of EDIC are also eligible for per diem contributions made to a defined contribution plan, tax deferred under Section 401(a) of the Internal Revenue Code. The per diem amount of \$12.60 is paid by EDIC for all paid days of work, including vacation days, holidays, paid sick days and paid personal days. Participants of this plan, as well as the Thrift Savings Plan, are sixty percent (60%) vested after one year of service and one hundred percent (100%) vested after two years of service.

EDIC also contributes to the I.A.M. Pension Fund National Pension Plan on behalf of their custodial and maintenance workers based on a collective bargaining agreement with the related union. The contribution is calculated at \$12.40 per day per eligible employee.

Retirement plan expense for the years ending June 30, 2019 and 2018, was approximately \$1,061,000 and \$1,058,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$945,000 and \$887,000, respectively.

16. ***Board Designated Capital Reserve Fund***

During 2019, the board of directors of EDIC approved the establishment of a capital reserve fund. The reserve was established to fund future capital needs of EDIC. The capital reserve fund is comprised of cash, cash equivalents and investments (see Note 4 and Note 5).

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

16. ***Board Designated Capital Reserve Fund - Continued***

A summary of EDIC's cash, cash equivalents and investments held as June 30, 2019 is as follows:

Cash and cash equivalents	\$ 16,186,357
Investments	<u>8,950,560</u>
Total	<u>\$ 25,136,917</u>
Cash and cash equivalents for operations	\$ 7,136,917
Board designated capital reserve fund	<u>18,000,000</u>
Total	<u>\$ 25,136,917</u>

17. ***Subsequent Events***

EDIC has evaluated subsequent events through October 23, 2019, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date or non-recognized subsequent events or events that provide evidence about conditions that did not exist at the statement of financial position date, but would be necessary to disclose to keep the financial statements from being misleading.

**COMBINING SCHEDULE OF
REVENUES AND EXPENSES**

Economic Development and Industrial Corporation of Boston
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2019

	<i>EDIC</i> <i>Operations</i>	<i>OWD</i> <i>Operations</i>	<i>Total</i>
<i>Revenues</i>			
Grant/contract income	\$ 223,800	\$ 11,280,299	\$ 11,504,099
Rental income	29,192,264	-	29,192,264
Lease fees and related income	4,422,896	-	4,422,896
Contributions	-	859,795	859,795
Interest income	150,938	-	150,938
Unrealized gain	73,271	-	73,271
Inter-agency grant (expense)/income	(3,850,459)	3,850,459	-
Miscellaneous income	<u>516,216</u>	<u>5,531</u>	<u>521,747</u>
Total revenues	<u>30,728,926</u>	<u>15,996,084</u>	<u>46,725,010</u>
<i>Expenses</i>			
Salaries	7,822,916	3,422,873	11,245,789
Fringe benefits	2,586,212	1,076,114	3,662,326
Grants/contracts to related parties and community based organizations	57,192	8,992,018	9,049,210
Utilities	595,762	9,609	605,371
Security and maintenance	1,466,747	593	1,467,340
Travel and transportation	84,375	16,353	100,728
Insurance	387,628	7,600	395,228
Professional fees	1,112,215	1,324,005	2,436,220
Printing	6,447	2,917	9,364
Bad debt expense	55,204	-	55,204
Depreciation	2,197,439	-	2,197,439
Supplies	74,875	4,540	79,415
Rental expense	35,060	113,629	148,689
Telecommunications	69,136	7,356	76,492
Professional development	98,210	-	98,210
Data processing	184,061	19,884	203,945
Marketing	47,730	22,951	70,681
Educational supplies	-	3,014	3,014
Interest expense	312,211	-	312,211
Other expense	<u>95,113</u>	<u>44,365</u>	<u>139,478</u>
Total expenses	<u>17,288,533</u>	<u>15,067,821</u>	<u>32,356,354</u>
Change in net position	<u>\$ 13,440,393</u>	<u>\$ 928,263</u>	<u>\$ 14,368,656</u>