

**Economic Development and Industrial  
Corporation of Boston**

Financial Statements  
and  
Auditors' Report

June 30, 2014 and 2013

**Economic Development and Industrial  
Corporation of Boston**

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## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

### *Independent Auditors' Report*

The Board of Directors  
**Economic Development and  
Industrial Corporation of Boston**

We have audited the accompanying financial statements of Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation and component unit of the City of Boston, which comprise the statements of net position as of June 30, 2014 and 2013, 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.

#### ***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.

#### ***Auditor's 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 auditor's 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 EDIC'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 EDIC'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, 2014 and 2013, and the results of its operations 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 9 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 audit 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, 2014 on page 27 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining schedule of revenues and expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Daniel Dennis + Company LLP*

October 27, 2014

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2014

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, 2014. 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 10.

**The Corporation as a Whole**

The Economic Development and Industrial Corporation of Boston (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 Jobs and Community Services (JCS) 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, 2014 include funds generated from lease operations at its Boston Marine Industrial Park (BMIP) and grants/contracts with governmental agencies for JCS activities.

**Basic Financial Statements**

The basic financial statements are prepared using proprietary fund accounting, which is the same basis of accounting used by private-sector business enterprises. Under this method of accounting, the accrual basis of accounting is used. 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 deferred outflow of resources, and the liabilities and deferred inflow of resources 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) then 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, 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*  
June 30, 2014

**Financial Highlights**

- Assets exceeded liabilities by \$34,491,683 at the close of the fiscal year.
- Revenues increased by \$1,022,027 or 3% from the previous fiscal year.
- Expenses increased by \$511,143 or 1.7% from the previous fiscal year.
- Net position increased \$4,081,551 from the previous fiscal year.

**Statement of Net Position**

The following table shows assets, liabilities and net position for the years ended June 30, 2014 and 2013, and the related fluctuations in these accounts between these two fiscal years:

	2014	2013	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$15,246,587	\$13,551,515	\$1,695,072
Accounts receivable (net)	889,833	1,366,937	(477,104)
Grants/contracts receivable	6,403,881	4,383,295	2,020,586
Other current assets	263,840	420,799	(156,959)
Capital assets	75,441,350	70,824,717	4,616,633
Accumulated depreciation	<u>(39,265,237)</u>	<u>(37,862,088)</u>	<u>(1,403,149)</u>
Total assets	<u>\$58,980,254</u>	<u>\$52,685,175</u>	<u>\$6,295,079</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 3,585,231	\$ 2,809,207	\$ 776,024
Grant/contracts payable	5,054,096	2,622,721	2,431,375
Long-term debt (inclusive of the related short-term portion)	14,882,600	15,808,803	(926,203)
Other liabilities	<u>966,644</u>	<u>1,034,312</u>	<u>(67,668)</u>
Total liabilities	<u>\$24,488,571</u>	<u>\$22,275,043</u>	<u>\$2,213,528</u>
<i>Net Position</i>			
Net investment in capital assets	\$21,293,513	\$17,153,826	\$4,139,687
Restricted for grant programs	703,526	703,526	-
Unrestricted	<u>12,494,644</u>	<u>12,552,780</u>	<u>(58,136)</u>
Total net position	<u>34,491,683</u>	<u>30,410,132</u>	<u>4,081,551</u>
Total liabilities and net position	<u>\$58,980,254</u>	<u>\$52,685,175</u>	<u>\$6,295,079</u>

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2014

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

*Cash and Cash Equivalents*

This decrease is the net result fiscal year 2014 net income, and increases in capital asset acquisitions and principal payments on debt. These fluctuations are highlighted on the statement of cash flows on page 12.

*Accounts Receivable*

This decrease is the result of better collection efforts in fiscal year 2014 in regards to collection of delinquent receivables as compared to fiscal year 2013.

*Grants/Contracts Receivable*

This increase is the result of an increase in year-end receivables relating to grants from the City of Boston for reimbursement of a portion of capital improvement activity at the BMIP and the Boston Redevelopment Authority (BRA)'s Charlestown Navy Yard totaling approximately \$527,000. Further, Federal and state grants receivable increased by approximately \$1,473,000 as a result of year end timing of related billings.

*Capital Assets*

This increase is primarily related to significant environmental, engineering, and security projects that were capitalized during fiscal year 2014.

*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 Expense*

This increase is primarily the result of the timing of payments at the respective year-ends.

*Grants/ Contracts Payable*

This increase is the combined result of a related party grant to the BRA totaling \$1,793,000 awarded in fiscal year 2014 and paid in fiscal year 2015, and an increase in other grants/contracts payable totaling approximately \$638,000 as a result of year end timing of payments.

*Long-Term Debt*

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

*Net Investment in Capital Assets*

This increase is the result of a net increase in capital assets after depreciation totaling approximately \$3.2 million and a decrease of outstanding debt related to capital assets totaling approximately \$926,000.

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - Continued**  
**June 30, 2014**

***Statement of Revenues, Expenses, and Changes in Net Position***

The following table shows revenues and expenses for the years ended June 30, 2014 and 2013, and the related fluctuations in these accounts between these two fiscal years:

	2014	2013	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$15,120,441	\$12,462,982	\$ 2,657,459
Contributions	1,336,128	1,152,052	184,076
Rental income	18,724,609	19,048,717	(324,108)
Other income	<u>1,523</u>	<u>1,496,923</u>	<u>(1,495,400)</u>
Total revenues	<u>35,182,701</u>	<u>34,160,674</u>	<u>1,022,027</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,496,501	12,193,353	303,148
Grants/contracts to related parties and community based organizations	11,206,202	7,485,307	3,720,895
Security and maintenance	1,452,845	1,092,541	360,304
Professional fees	2,428,720	3,161,296	(732,576)
Bad debt expense	-	693,422	(693,422)
Depreciation	1,403,149	1,320,273	82,876
Supplies and services	1,292,577	3,745,527	(2,452,950)
Rental expense	364,472	421,753	(57,281)
Interest expense	371,661	411,975	(40,314)
Other expenses	<u>85,023</u>	<u>64,560</u>	<u>20,463</u>
Total expenses	<u>31,101,150</u>	<u>30,590,007</u>	<u>511,143</u>
Change in net position	<u>4,081,551</u>	<u>3,570,667</u>	<u>510,884</u>
Net position at beginning of year, as previously reported	31,349,298	27,745,091	3,604,207
Prior period adjustment - correction of error	(867,375)	(833,835)	(33,540)
Prior period adjustment - change in accounting principle	<u>(71,791)</u>	<u>(71,791)</u>	<u>-</u>
Net position at beginning of year, as adjusted	<u>30,410,132</u>	<u>26,839,465</u>	<u>3,570,667</u>
Net position at end of year	<u>\$34,491,683</u>	<u>\$30,410,132</u>	<u>\$ 4,081,551</u>

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

***Rental Income***

This decrease is the result of a reduction of water and sewer charged back to tenants totaling approximately \$2.8 million. Boston Water and Sewer began charging tenants directly for water and sewer charges in fiscal year 2014, whereas tenant billings for these charges went through EDIC in prior years. This decrease was offset by an increase in lease income totaling approximately \$652,000 due to additional leases, an increase in percentage rent totaling approximately \$1,159,000 as a result of one time settlement payments due to related tenants achieving certain benchmarks, and an increase in parking revenue totaling approximately \$616,000 due to more events being held at the BMIP in fiscal year 2014 as compared to fiscal year 2013.



**Economic Development and Industrial Corporation of Boston**

Management's Discussion and Analysis - *Continued*

June 30, 2014

*Grant/Contract Income*

This increase is primarily the result of an increase in grant funding from the City of Boston in fiscal year 2014 and 2013 totaling approximately \$2.8 million for reimbursement of a portion of capital improvement activity at the BMIP and the BRA's Charlestown Navy Yard.

*Other Income*

This decrease is primarily the result of the sale of a parcel of land in the BMIP in Fiscal year 2013, which resulted in a gain on sale totaling approximately \$1.3 million.

*Salaries and Fringe Benefits*

This increase is primarily the result of a full year effect of a salary increase that occurred halfway through fiscal year 2013.

*Grants/Contracts to Related Parties and Community Based Organizations*

This increase is primarily the net result of providing grants to related parties for the balance of year-end receivables owed to EDIC, totaling approximately \$561,000. In fiscal year 2013, this forgiveness of debt was classified as bad debt expense. In addition, EDIC provided a grant to the BRA in fiscal year 2014 totaling \$1,793,000 for various redevelopment projects within the City of Boston. Further, EDIC has made capital improvements to BRA real property at the Charlestown Navy Yard totaling approximately \$996,000 for the year ended June 30, 2014. This BRA funding was not provided in fiscal year 2013.

*Security and Maintenance*

This increase is the combined result of increased BMIP operating costs due to more tenants in fiscal year 2014 and increased security relating to additional BMIP event activity in fiscal year 2014, as compared to fiscal year 2013.

*Professional Services*

This decrease is primarily the combined result of a BMIP engineering feasibility expense totaling approximately \$420,000 in fiscal year 2013 that did not occur in fiscal year 2014, and a reduction in grant awards in fiscal year 2014 that fund JCS professional services totaling approximately \$392,000.

*Bad Debt Expense*

This net decrease is primarily due to write-offs of related party receivables during fiscal year 2013. In fiscal year 2014, EDIC provided grants to related parties for the balance of the related party receivables, recorded as grants/contracts to related parties and community based organizations.

*Prior Period Adjustment*

Net position at the beginning of fiscal years 2014 and 2013, together with accounts receivable, have been restated to correct an accounting error related to year end assets, rental income recognition, and unrestricted net position.

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
June 30, 2014

*Supplies and Services*

This decrease is primarily the result of a reduction of water and sewer charges billed to EDIC for tenants totaling approximately \$2.6 million. Boston Water and Sewer began charging tenants directly for water and sewer charges in fiscal year 2014, whereas tenant billings for these charges went through EDIC in prior years.

***Analysis of Significant Variations between Budget Amounts***

The following table shows a comparison of revenues and expenses for the year ended June 30, 2014 and budgeted revenue and expenses, and the related fluctuations:

	2014	Budget	Increase/ (Decrease)
<i>Revenue</i>			
Grant/contract income	\$ 15,120,441	\$ 15,658,499	\$ (538,058)
Rental income	18,724,609	16,814,960	1,909,649
Contributions	1,336,128	1,689,583	(353,455)
Other income	<u>1,523</u>	<u>3,950</u>	<u>(2,427)</u>
Total revenues	<u>35,182,701</u>	<u>34,166,992</u>	<u>1,015,709</u>
<i>Expenses</i>			
Salaries and fringe benefits	12,496,501	13,578,043	(1,081,542)
Grants/contracts to related party and community based organizations	11,206,202	9,273,427	1,932,775
Security and maintenance	1,452,845	1,130,000	322,845
Professional fees	2,428,720	2,253,301	175,419
Bad debt expense	-	240,000	(240,000)
Depreciation	1,403,149	1,350,000	53,149
Supplies and services	1,292,577	1,403,000	(110,423)
Rental expense	364,472	420,000	(55,528)
Interest expense	371,661	500,000	(128,339)
Other expenses	<u>85,023</u>	<u>10,614</u>	<u>74,409</u>
Total expenses	<u>31,101,150</u>	<u>30,158,385</u>	<u>942,765</u>
Change in net position	<u>\$ 4,081,551</u>	<u>\$ 4,008,607</u>	<u>\$ 72,944</u>

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

*Rental Income*

This increase is the result of increases in lease income totaling approximately \$360,000, parking revenue totaling approximately \$500,000, percentage rent totaling approximately \$900,000, tenant reimbursements totaling approximately \$150,000 that were not anticipated in the budget.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2014

*Grant/Contract Income*

This decrease is the primarily the net result of unanticipated decreases in the Skilled Careers in Life Sciences and the Community Development Block Grant funding totaling \$760,000 and \$2,337,000, respectively, offset by unanticipated increases in the Workforce Investment Act and the YouthWorks 2013 Summer funding totaling approximately \$517,000 and \$1,980,000, respectively.

*Contributions*

This decrease is the result of less than anticipated donations received for JCS programs.

*Salaries and Fringe Benefits*

This decrease is the result of an unanticipated decrease in staffing in fiscal year 2014.

*Grants/Contracts to Related Parties and Community Based Organizations*

This decrease is the primarily the result of an unanticipated increase in YouthWorks 2013 summer funding totaling approximately \$1,980,000.

*Security and Maintenance*

This increase is the result of additional security expenses incurred due to more BMIP event activity than what was anticipated in the budget.

***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.

***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 Jobs and Community Services grant programs. If you have any questions about this report, contact the Secretary's Office, 9<sup>th</sup> Floor, Boston City Hall.

**Economic Development and Industrial Corporation of Boston**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

<i>Assets</i>	<i>2014</i>	<i>2013</i>
Current assets:		
Cash and cash equivalents	\$15,246,587	\$13,551,515
Accounts receivable (net of allowance for doubtful accounts)	889,833	1,366,937
Grants/contracts receivable	6,403,881	4,383,295
Prepaid assets and deposits	<u>263,840</u>	<u>420,799</u>
Total current assets	<u>22,804,141</u>	<u>19,722,546</u>
Capital assets:		
Nondepreciable	3,096,667	5,025,155
Depreciable	72,344,683	65,799,562
Less accumulated depreciation	<u>(39,265,237)</u>	<u>(37,862,088)</u>
Total capital assets - net	<u>36,176,113</u>	<u>32,962,629</u>
<i>Deferred Outflow of Resources</i>	<u>-</u>	<u>-</u>
<b><i>Total Assets and Deferred Outflow of Resources</i></b>	<b><u>\$58,980,254</u></b>	<b><u>\$52,685,175</u></b>
<i>Liabilities</i>		
Current liabilities:		
Accounts payable	\$ 1,987,353	\$ 1,076,667
Grants/contracts payable	5,054,096	2,622,721
Accrued expenses	1,597,878	1,732,540
Unearned revenue	21,848	107,523
Current portion of long-term debt	<u>1,162,828</u>	<u>908,231</u>
Total current liabilities	<u>9,824,003</u>	<u>6,447,682</u>
Noncurrent liabilities:		
Security deposits	<u>944,796</u>	<u>926,789</u>
Long-term debt:		
Notes payables	-	437,500
Bonds payable	<u>13,719,772</u>	<u>14,463,072</u>
Total long-term debt	<u>13,719,772</u>	<u>14,900,572</u>
Total liabilities	<u>24,488,571</u>	<u>22,275,043</u>
<i>Deferred Inflow of Resources</i>	<u>-</u>	<u>-</u>
<b><i>Total Liabilities and Deferred Inflow of Resources</i></b>	<b><u>24,488,571</u></b>	<b><u>22,275,043</u></b>
<i>Net Position</i>		
Net investment in capital assets	21,293,513	17,153,826
Restricted for grant programs	703,526	703,526
Unrestricted	<u>12,494,644</u>	<u>12,552,780</u>
Total net position	<u>34,491,683</u>	<u>30,410,132</u>
<b><i>Total Liabilities, Deferred Inflow of Resources and Net Position</i></b>	<b><u>\$58,980,254</u></b>	<b><u>\$52,685,175</u></b>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
<i>Revenues</i>		
Grant/contract income	\$15,120,441	\$ 12,462,982
Contributions	1,336,128	1,152,052
Rental income	18,724,609	19,048,717
Gain on sale of land	-	1,309,562
Interest income	1,523	4,584
Miscellaneous income	-	182,777
	<u>35,182,701</u>	<u>34,160,674</u>
<i>Expenses</i>		
Salaries	9,448,967	8,999,304
Fringe benefits	3,047,534	3,194,049
Grants/contracts to related parties and community based organizations	11,206,202	7,485,307
Utilities	341,857	2,931,901
Security and maintenance	1,452,845	1,092,541
Travel and transportation	89,264	87,081
Insurance	346,039	341,617
Professional fees	2,428,720	3,161,296
Printing	36,786	27,927
Bad debt expense	-	693,422
Depreciation	1,403,149	1,320,273
Supplies	53,062	54,864
Rental expense	364,472	421,753
Telecommunications	57,712	55,923
Professional development	29,113	40,064
Data processing	195,294	84,412
Marketing	44,383	28,432
Educational supplies	99,067	93,306
Interest expense	371,661	411,975
Other expense	85,023	64,560
	<u>31,101,150</u>	<u>30,590,007</u>
Change in net position	<u>4,081,551</u>	<u>3,570,667</u>
Net position at beginning of year, as previously reported	31,349,298	27,745,091
Prior period adjustment - correction of error	(867,375)	(833,835)
Prior period adjustment - change in accounting principle	(71,791)	(71,791)
	<u>30,410,132</u>	<u>26,839,465</u>
Net position at beginning of year, as adjusted	<u>30,410,132</u>	<u>26,839,465</u>
Net position at end of year	<u>\$34,491,683</u>	<u>\$ 30,410,132</u>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 14,350,308	\$ 12,490,359
Receipts from tenants	19,219,701	18,761,784
Receipts from land sale	-	1,309,562
Receipts from interest	1,523	4,584
Payments to employees	(9,461,123)	(9,275,309)
Payments for employee benefits	(3,034,139)	(3,162,921)
Payments to community based organizations	(8,774,827)	(6,800,243)
Payments to vendors and suppliers	(4,685,193)	(8,430,356)
Payments for interest	<u>(378,342)</u>	<u>(426,998)</u>
Net cash provided by operating activities	<u>7,237,908</u>	<u>4,470,462</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(4,616,633)	(949,682)
Principal payments on debt	<u>(926,203)</u>	<u>(1,110,852)</u>
Net cash used in capital and related financing activities	<u>(5,542,836)</u>	<u>(2,060,534)</u>
Net increase in cash and cash equivalents	1,695,072	2,424,970
Cash and cash equivalents - beginning of year	<u>13,551,515</u>	<u>11,126,545</u>
Cash and cash equivalents - end of year	<u>\$ 15,246,587</u>	<u>\$ 13,551,515</u>

***Reconciliation of Change in Net Position to Net Cash Used in Operating Activities***

	2014	2013
Change in net position	\$ 4,081,551	\$ 3,570,667
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,403,149	1,320,273
Bad debt expense	-	693,422
(Increase)/decrease in accounts receivable	477,104	(1,057,716)
(Increase) in grants/contracts receivable	(2,020,586)	(1,097,304)
(Increase)/decrease in other assets	156,959	(43,483)
Decrease in related party receivables	-	335,821
Increase in accounts payable	910,686	740,027
Increase in grants/contracts payable	2,431,375	685,064
Decrease in accrued expenses	(134,662)	(875,100)
Increase in security deposits	18,007	226,162
(Decrease) in unearned revenue	<u>(85,675)</u>	<u>(27,371)</u>
Net cash provided by operating activities	<u>\$ 7,237,908</u>	<u>\$ 4,470,462</u>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements  
June 30, 2014 and 2013

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 the 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 Boston Marine Industrial Park (BMIP), which is leased out to manufacturing, industrial and light industrial business tenants. Further, EDIC's Office of Jobs and Community Services (JCS) 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.

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

*Basis of Accounting*

The accompanying financial statements are presented in accordance with the accrual method of accounting, as EDIC operates as a business type entity. 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 are considered to be nonexchange transactions and are recorded as revenue when the related cost is incurred.

*New Accounting Pronouncements* - During fiscal year 2013, EDIC adopted the following Government Accounting Standards Board (GASB) Statements:

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* - the objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations; Accounting Principles Board Opinions; Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - the objective of this Statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

2. *Summary of Significant Accounting Policies - Continued*

During fiscal year 2014, EDIC adopted the following GASB Statement:

Statement No. 65, *Items Previously Reported as Assets and Liabilities* - the objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The adoption of this standard resulted in a prior period adjustment, reducing previously reported unrestricted net position by \$71,791 as of July 1, 2012 (Note 12). This amount represents bond issuance fees paid in a prior year that had been recorded as an asset and amortized over the life of the bond debt.

*Grants/Contracts and Accounts Receivable* - Grants/contracts receivable represent amounts due from funding sources for capital improvements funded by the City of Boston (Note 11) and for grant JCS activity at June 30, 2014 and 2013. 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 \$180,069 and \$694,932 at June 30, 2014 and 2013, respectively. Management has determined that all grants/contracts receivable are collectible for the years then ended; therefore, no related allowance has been recorded.

*Cash and Cash Equivalents* - Cash and cash equivalents consist of funds in EDIC's cash accounts and all highly liquid investments. EDIC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Capital Assets* - Capital assets in excess of \$5,000 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
Furniture and Fixtures	5 Years
Other Assets	5 Years

All real estate and tangible personal property of EDIC are deemed to be public property used for essentially public and governmental purposes and are 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, 2014 and 2013.

*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.



## Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

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

*Grants/Contracts and Accounts Payable* - Grants/contracts payable represent grant funding amounts due to related parties (Note 11), and for community based organizations for JCS activities that are funded through grants/contracts with Federal, state and other agencies. Accounts payable represent operational amounts due to vendors and related parties.

*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, 2014 and 2013 totaled \$371,661 and \$411,975, 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.

### 3. *Net Investment in Capital Assets*

Net investment in capital assets consisted of the following:

	2014	2013
Cost of capital assets acquired	\$ 75,441,350	\$70,824,717
Less accumulated depreciation	(39,265,237)	(37,862,088)
Less outstanding debt related to capital assets	<u>(14,882,600)</u>	<u>(15,808,803)</u>
Net investment in capital assets	<u>\$ 21,293,513</u>	<u>\$17,153,826</u>

### 4. *Cash and Cash Equivalents*

Cash and cash equivalents as of June 30, 2014 and 2013 consisted of the following:

<i>Description</i>	2014	2013
Federally insured (FDIC) deposits	\$ 500,000	\$ 500,000
Collateralized with Securities held by the Pledging Financial Institution's Trust Department or Agent, but not in EDIC's Name	4,944,820	4,344,569
Uncollateralized/unsecured deposits	<u>10,327,467</u>	<u>9,583,028</u>
Sub-total	15,772,287	14,427,597
Less net outstanding transactions	<u>(525,700)</u>	<u>(876,082)</u>
Total cash and cash equivalents	<u>\$15,246,587</u>	<u>\$13,551,515</u>

EDIC maintains its cash accounts at three financial institutions. Balances in one institution are fully insured or collateralized. The balances in the other three institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor. EDIC has not experienced any losses in uncollateralized/unsecured accounts. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

5. ***Leasing Activities***

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$13,004,993 and \$11,169,912, for the year ended June 30, 2014 and 2013, 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 BMIP, totaling \$4,742,814 and \$4,126,388 for the years then ended, respectively, 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 \$976,802 and \$3,752,417, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$944,796 and \$926,789 at June 30, 2014 and 2013, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
6/30/15	\$ 9,132,225
6/30/16	\$ 9,188,438
6/30/17	\$ 8,714,932
6/30/18	\$ 8,468,738
6/30/19	\$ 7,951,397

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 \$2,869,190 and \$1,686,559 for the years ended June 30, 2014 and 2013, respectively.

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

	<i>2014</i>	<i>2013</i>
Land	\$ 2,080,941	\$ 2,080,941
Land improvements	17,086,877	12,742,090
Maritime assets	12,561,630	12,561,630
Buildings and improvements	<u>40,647,312</u>	<u>38,453,939</u>
Total	72,376,760	65,838,600
Less accumulated depreciation	<u>(38,337,383)</u>	<u>(37,062,970)</u>
Book value	<u>\$ 34,039,377</u>	<u>\$ 28,775,630</u>

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

6. **Lease Commitments**

EDIC has entered into a five year operating lease agreement for office space used for JCS programs that expires on December 31, 2017. EDIC is also responsible for additional rent for increases in real estate tax and building operating expenses over the base years of this lease. In addition, EDIC has several operating leases for office equipment that expire on various dates through fiscal year 2017. Rental expense on operating leases totaled \$364,472 and \$421,753 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments for these lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/15	\$ 206,383
6/30/16	200,875
6/30/17	<u>104,468</u>
<b>Total</b>	<b><u>\$ 511,726</u></b>

7. **Capital Assets**

Capital asset activity for the years ended June 30, 2014 was as follows:

	<i>Balance at June 30, 2013</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance at June 30, 2014</i>
<b>Nondepreciable assets:</b>				
Land	\$ 2,080,941	\$ -	\$ -	\$ 2,080,941
Construction in progress	<u>2,944,214</u>	<u>-</u>	<u>(1,928,488)</u>	<u>1,015,726</u>
<b>Total nondepreciable assets</b>	<b><u>5,025,155</u></b>	<b><u>-</u></b>	<b><u>(1,928,488)</u></b>	<b><u>3,096,667</u></b>
<b>Depreciable assets:</b>				
Land improvements	12,742,090	4,344,787	-	17,086,877
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,453,939	2,193,373	-	40,647,312
Machinery and equipment	1,923,300	(1,715)	-	1,921,585
Other assets	<u>118,603</u>	<u>8,676</u>	<u>-</u>	<u>127,279</u>
<b>Total depreciable assets</b>	<b><u>65,799,562</u></b>	<b><u>6,545,121</u></b>	<b><u>-</u></b>	<b><u>72,344,683</u></b>
<b>Totals at historical cost</b>	<b><u>70,824,717</u></b>	<b><u>6,545,121</u></b>	<b><u>(1,928,488)</u></b>	<b><u>75,441,350</u></b>
<b>Less accumulated depreciation for:</b>				
Land improvements	(9,690,308)	(305,778)	-	(9,996,086)
Maritime assets	(9,135,198)	(146,891)	-	(9,282,089)
Buildings and improvements	(18,237,464)	(821,744)	-	(19,059,208)
Machinery and equipment	(688,075)	(126,037)	-	(814,112)
Other assets	<u>(111,043)</u>	<u>(2,699)</u>	<u>-</u>	<u>(113,742)</u>
<b>Capital assets, net</b>	<b><u>\$ 32,962,629</u></b>	<b><u>\$ 5,141,972</u></b>	<b><u>\$ (1,928,488)</u></b>	<b><u>\$ 36,176,113</u></b>

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

7. **Capital Assets - Continued**

Capital asset activity for the years ended June 30, 2013 was as follows:

	<i>Balance at June 30, 2012</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance at June 30, 2013</i>
Nondepreciable assets:				
Land	\$ 2,100,909	\$ -	\$ (19,968)	\$ 2,080,941
Construction in progress	<u>2,907,312</u>	<u>36,902</u>	<u>-</u>	<u>2,944,214</u>
Total nondepreciable assets	<u>5,008,221</u>	<u>36,902</u>	<u>(19,968)</u>	<u>5,025,155</u>
Depreciable assets:				
Land improvements	12,742,090	-	-	12,742,090
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,453,939	-	-	38,453,939
Machinery and equipment	990,552	932,748	-	1,923,300
Other assets	<u>118,603</u>	<u>-</u>	<u>-</u>	<u>118,603</u>
Total depreciable assets	<u>64,866,814</u>	<u>932,748</u>	<u>-</u>	<u>65,799,562</u>
Totals at historical cost	<u>69,875,035</u>	<u>969,650</u>	<u>(19,968)</u>	<u>70,824,717</u>
Less accumulated depreciation for:				
Land improvements	(9,537,439)	(152,869)	-	(9,690,308)
Maritime assets	(8,988,792)	(146,406)	-	(9,135,198)
Buildings and improvements	(17,295,941)	(941,523)	-	(18,237,464)
Machinery and equipment	(611,250)	(76,825)	-	(688,075)
Other assets	<u>(108,392)</u>	<u>(2,651)</u>	<u>-</u>	<u>(111,043)</u>
Capital assets, net	<u>\$ 33,333,221</u>	<u>\$ (350,624)</u>	<u>\$ (19,968)</u>	<u>\$ 32,962,629</u>

Depreciation expense for the years ended June 30, 2014 and 2013 totaled \$1,403,149 and \$1,320,273, respectively.

8. **Revolving Loan Fund**

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 \$703,526 was made from the RLF to fund the cleanup and remediate the vacant building located at 6 Tide Street within the BMIP, which was completed as of June 30, 2011.

The intercompany loan is noninterest bearing and will be paid to the RLF in a lump sum at the end of a five year period. EDIC anticipates that it will use the RLF to fund other qualified Brownsfield properties during the life of the fund. Funding for the RLF has been classified as 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, 2014 and 2013

9. **Long Term Debt**

<i>Bonds Payable</i>	2014	2013
Public Parking Facility Bond, 2010 Series issued for construction additions and refinancing of the existing parking garage in the BMIP, and additional mortgage refinancing in June 2010. The term bond's 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%. This fixed rate will be readjusted after a subsequent ten year period based on the Federal Home Loan Bank plus 1.02%. The bond matures on July 21, 2030; however, the bond owner has the right to accelerate the maturity date to December 31, 2021.	\$14,463,041	\$15,187,831
Less current portion	<u>(743,269)</u>	<u>(724,759)</u>
Total long-term portion	<u>\$13,719,772</u>	<u>\$14,463,072</u>

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.

Maturities of principal and interest on bonds payable are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2015	\$ 743,269	\$ 356,587	\$ 1,099,856
6/30/2016	761,332	338,524	1,099,856
6/30/2017	781,696	318,160	1,099,856
6/30/2018	801,661	298,195	1,099,856
6/30/2019	822,135	277,721	1,099,856
6/30/20 - 6/30/24	4,435,353	1,063,930	5,499,283
6/30/25 - 6/30/29	5,032,466	466,816	5,499,282
6/30/30 - 6/30/34	1,085,129	14,916	1,100,045
Total	<u>\$14,463,041</u>	<u>\$3,134,849</u>	<u>\$17,597,890</u>

<i>Notes Payable</i>	2014	2013
US Housing and Urban Development (HUD) Section 108 loan due in March, 2015, bearing an interest rate of 1% at June 30, 2014 and 2013.	\$ 419,559	\$ 503,309
Less current portion	<u>(419,559)</u>	<u>(65,809)</u>
Total long-term portion	<u>\$ -</u>	<u>\$ 437,500</u>

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

9. ***Long-Term Debt - Continued***

The HUD note was issued through the City of Boston's Department of Neighborhood Development for the purpose of renovating Building No. 54 of the BMIP in order to become the permanent home for an EDIC tenant. The loan will be paid back through rent received from the tenant, and is secured by a mortgage on the property.

Maturities of principal and interest on notes payable total \$437,500 and \$5,025, respectively, for the year ended June 30, 2014.

<i>Mortgage Payable</i>	<i>2014</i>	<i>2013</i>
Citizens Bank - mortgage note due in December, 2013 at a variable interest rate based on 1.5% above the one-month London Interbank Offer Rate (LIBOR), which 1.69% at June 30, 2013.	\$ -	\$ 117,663
Less current portion	<u>-</u>	<u>(117,663)</u>
Total long-term portion	<u>\$ -</u>	<u>\$ -</u>

The Citizens Bank note was secured by a mortgage on real property located at 23-25 Drydock Ave in Boston.

Long-term debt activity for the year ended June 30, 2014 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2013</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2014</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 503,309	\$ -	\$ (83,750)	\$ 419,559	\$ 419,559
Mortgages	117,663	-	(117,663)	-	-
Bonds	<u>15,187,831</u>	<u>-</u>	<u>(724,790)</u>	<u>14,463,041</u>	<u>743,269</u>
Total	<u>\$ 15,808,803</u>	<u>\$ -</u>	<u>\$ (926,203)</u>	<u>\$ 14,882,600</u>	<u>\$ 1,162,828</u>

Long-term debt activity for the year ended June 30, 2013 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2012</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2013</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 524,559	\$ -	\$ (21,250)	\$ 503,309	\$ 65,809
Mortgages	500,775	-	(383,112)	117,663	117,663
Bonds	<u>15,894,321</u>	<u>-</u>	<u>(706,490)</u>	<u>15,187,831</u>	<u>724,759</u>
Total	<u>\$ 16,919,655</u>	<u>\$ -</u>	<u>\$ (1,110,852)</u>	<u>\$ 15,808,803</u>	<u>\$ 908,231</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

10. ***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 and related party receivables, 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 notes and mortgage payable approximates fair value because those financial instruments bear interest at variable rates that approximate current market rates for notes of similar maturities and credit quality. The carrying amount of bonds payable is based on the current traded value.

11. ***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, a JCS 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.

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/(Payable)</i>	
	<i>2014</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>
BLDC	\$ 175,317	\$ 237,245	\$ -	\$ -
FYOB	\$ 115,030	\$ 20,317	\$ (4,733)	\$ (171,896)
BIDFA	\$ 259,414	\$ 265,515	\$ -	\$ -

For the year ended June 30, 2014, EDIC has provided grants to BLDC and BIDFA totaling \$247,228 and \$183,222, respectively, to cover the above costs, recorded as grants/contracts to related parties and community based organization on the statement revenues, expenses and changes in net position. EDIC has written off accounts receivable from BLDC and BIDFA totaling \$252,565 and \$197,602, respectively, for the year ended June 30, 2013, recorded as bad debt expense on the statement revenues, expenses and changes in net position.

The amount payable to FYOB is included in grants/contracts payable on the 2014 and 2013 statement of net position.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

11. *Related Party Transactions - Continued*

*The City of Boston*

The City of Boston's Property Management Department provided security services to EDIC, totaling \$654,776 and \$635,312 for the years ended June 30, 2014 and 2013, respectively. Amounts payable to the City of Boston at June 30, 2014 and 2013 for these services totaled \$180,889 and \$362,111, respectively.

EDIC received grants totaling and \$3,388,082 and \$318,428 from the City of Boston for the years ended June 30, 2014 and 2013, respectively, for reimbursement of a portion of capital improvement activity at the BMIP and the Boston Redevelopment Authority's Charlestown Navy Yard property. Amounts receivable from the City of Boston at June 30, 2014 and June 30, 2013 for this activity totaled \$364,766 and \$19,481, respectively.

EDIC has provided a grant to the City of Boston's Bike Program totaling \$110,000 for the year ended June 30, 2013.

*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 the 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 costs of BRA employees working on EDIC projects and/or JCS grants were billed to EDIC for the years ended June 30, 2014 and 2013 totaling \$30,421 and \$28,399, respectively. The cost of EDIC employees working on BRA projects were billed to BRA for the year ended June 30 2013 totaling \$119,660. Further, EDIC paid other operating costs for the benefit of BRA and subsequently billed BRA for these costs during the years then ended totaling \$161,021 and \$145,395 for the years ended June 30, 2014 and 2013, respectively.

At June 30, 2013, EDIC has written off a receivable from BRA for these transactions totaling \$551,546, recorded as bad debt expense on the statement of revenues, expenses and changes in net position for the year then ended.

EDIC has provided a grant to BRA totaling \$1,923,610 for the year ended June 30, 2014 to fund both the above noted operating costs and various redevelopment projects within the City of Boston. Further, EDIC has made capital improvements to BRA real property at the Charlestown Navy Yard, which are funded through the City of Boston, totaling \$996,475 for the year ended June 30, 2014. This activity is classified as grants/contracts to related parties and community based organizations on the statement of revenues, expenses and changes in net position.



**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

**12. *Prior Period Adjustments***

Net position at the beginning of fiscal years 2014 and 2013, together with accounts receivable, have been restated to correct an accounting error related to year end assets, rental income recognition, and unrestricted net position. Had the errors not been made, changes in net assets for fiscal year 2013 would have decreased by \$33,540. This error had no effect on change in net assets for fiscal year 2014.

Net position at the beginning of fiscal years 2014 and 2013, together with debt issuance costs, have also been restated as a result of a change in accounting principle (Note 2). The following schedule summarizes the effect of restatement on the fiscal year 2013 financial statement accounts:

**Statements of Net Position**

Accounts receivable - net, as previously reported	\$ 2,234,312
Prior period adjustment	<u>(867,375)</u>
Accounts receivable - net, as restated	<u>\$ 1,366,937</u>
Debt issuance costs - net, as previously reported	\$ 71,791
Prior period adjustment	<u>(71,791)</u>
Debt issuance costs - net, as restated	<u>\$ -</u>
Unrestricted net position as previously reported	\$ 13,491,946
Prior period adjustment	<u>(939,166)</u>
Unrestricted net position as restated	<u>\$ 12,552,780</u>

**Statement of Revenue and Expenses and Changes in Net Position**

Rental income, as previously reported	\$ 19,082,257
Prior period adjustment	<u>(33,540)</u>
Rental income, as restated	<u>\$ 19,048,717</u>
Change in net position, as previously reported	\$ 3,604,207
Prior period adjustment	<u>(33,540)</u>
Change in net position as restated	<u>\$ 3,570,667</u>
Net position at beginning of year, as previously reported	27,745,091
Prior period adjustment	<u>(905,626)</u>
Net position at beginning of year, as restated	<u>\$ 26,839,465</u>
Net position at end of year, as previously reported	\$ 31,349,298
Prior period adjustment	<u>(939,166)</u>
Net position at end of year, as restated	<u>\$ 30,410,132</u>

## **Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2014 and 2013

### **13. *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 Service. 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) on the IRS 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 Saving 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, 2014 and 2013 was approximately \$916,871 and \$858,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$737,000 and \$644,000, respectively.

### **14. *Contingencies***

EDIC contracts with governmental agencies and third party payors. 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.

### **15. *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 year 2014.

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

16. ***Subsequent Events***

EDIC has evaluated subsequent events through October 27, 2014, 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  
FOR THE YEAR ENDED JUNE 30, 2014**

**Economic Development and Industrial Corporation of Boston**  
Combining Schedule of Revenues and Expenses  
For the Year Ended June 30, 2014

	<i>EDIC</i>	<i>JCS</i>	<i>Total</i>
	<i>Operations</i>	<i>Operations</i>	
<i>Revenues</i>			
Grant/contract income	\$3,388,082	\$11,732,359	\$15,120,441
Contributions	-	1,336,128	1,336,128
Rental income	18,724,609	-	18,724,609
Interest income	<u>1,523</u>	<u>-</u>	<u>1,523</u>
Total revenues	<u>22,114,214</u>	<u>13,068,487</u>	<u>35,182,701</u>
<i>Expenses</i>			
Salaries	5,263,600	4,185,367	9,448,967
Fringe benefits	1,574,289	1,473,245	3,047,534
Grants/contracts to related parties and community based organizations	3,350,535	7,855,667	11,206,202
Utilities	336,799	5,058	341,857
Security and maintenance	1,442,200	10,645	1,452,845
Travel and transportation	50,002	39,262	89,264
Insurance	346,039	-	346,039
Professional fees	995,362	1,433,358	2,428,720
Printing	21,826	14,960	36,786
Depreciation	1,403,149	-	1,403,149
Supplies	38,926	14,136	53,062
Rental expense	23,702	340,770	364,472
Telecommunications	41,594	16,118	57,712
Professional development	2,426	26,687	29,113
Data processing	160,815	34,479	195,294
Marketing	44,383	-	44,383
Educational supplies	-	99,067	99,067
Interest expense	371,661	-	371,661
Other expense	<u>63,101</u>	<u>21,922</u>	<u>85,023</u>
Total expenses	<u>15,530,409</u>	<u>15,570,741</u>	<u>31,101,150</u>
Change in net position	<u>\$6,583,805</u>	<u>\$ (2,502,254)</u>	<u>\$ 4,081,551</u>