

**Economic Development and Industrial
Corporation of Boston**

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

Boston Planning & Development Agency

Financial Statements
and Independent Auditors' Report

June 30, 2016 and 2015

**Economic Development and Industrial
Corporation of Boston**

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Daniel Dennis & Company LLP

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, 2016 and 2015, 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 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, 2016 and 2015, 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 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, 2016 on page 24 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 LPA

November 4, 2016

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis
(Unaudited)
June 30, 2016

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, 2016. 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 9.

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 Workforce Development (OWD), formerly Office of Jobs and Community Services, 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, 2016 include funds generated from lease operations at its Boston Marine Industrial Park (BMIP) 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) 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, 2016

Financial Highlights

- Assets exceeded liabilities by approximately \$36,200,000 at the close of the fiscal year.
- Revenues increased by approximately \$480,000 or 1.2% from the previous fiscal year.
- Expenses increased by approximately \$2,061,000 or 5.6% from the previous fiscal year.
- Net position increased approximately \$44,000 from the previous fiscal year.

Statement of Net Position

The following table shows assets, liabilities and net position for the years ended June 30, 2016 and 2015, and the related fluctuations in these accounts between these two fiscal years:

	<i>2016</i>	<i>2015</i>	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 8,990,305	\$11,965,026	\$ (2,974,721)
Accounts receivable (net)	948,043	1,537,829	(589,786)
Grants/contracts receivable	7,029,716	6,346,490	683,226
Advance to related parties	500,000	-	500,000
Other current assets	348,944	434,276	(85,332)
Security eposits	682,189	674,641	7,548
Capital assets	80,138,948	79,035,019	1,103,929
Accumulated depreciation	<u>(42,736,398)</u>	<u>(40,907,040)</u>	<u>(1,829,358)</u>
Total assets	<u>\$55,901,747</u>	<u>\$59,086,241</u>	<u>\$ (3,184,494)</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 2,965,303	\$ 3,482,832	\$ (517,529)
Grant/contracts payable	2,696,263	4,847,013	(2,150,750)
Long-term debt (inclusive of the related short-term portion)	12,959,059	13,862,101	(903,042)
Other liabilities	<u>1,122,466</u>	<u>780,012</u>	<u>342,454</u>
Total liabilities	<u>19,743,091</u>	<u>22,971,958</u>	<u>(3,228,867)</u>
<i>Net Position</i>			
Net investment in capital assets	24,443,491	24,265,878	177,613
Restricted for grant programs	703,526	703,526	-
Unrestricted	<u>11,011,639</u>	<u>11,144,879</u>	<u>(133,240)</u>
Total net position	<u>36,158,656</u>	<u>36,114,283</u>	<u>44,373</u>
Total liabilities and net position	<u>\$55,901,747</u>	<u>\$59,086,241</u>	<u>\$ (3,184,494)</u>

Economic Development and Industrial Corporation of Boston

Management's Discussion and Analysis - *Continued*

June 30, 2016

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

Cash and Cash Equivalents

This decrease is the result of significant decreases in year end grants/contracts payables, a decrease in grant funding, increases in salaries and fringe benefits payments, and an increase in payments to related parties. These fluctuations are highlighted on the statement of cash flows on page 11.

Accounts Receivable

This decrease resulted from more timely collections at the end of fiscal year 2016 as compared to fiscal year 2015.

Grants/Contracts Receivable

This increase is primarily the result of an increase in capital improvement grants receivable from the City of Boston at the end of fiscal year 2016 totaling approximately \$408,000.

Advance to Related Parties

This increase is the result of providing advance funding to the Boston Redevelopment Authority for fiscal year 2017 projects throughout the City of Boston.

Capital Assets

This increase is primarily related to significant environmental, engineering, and other projects that were capitalized during fiscal year 2016.

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

This decrease is the result of more timely vendor payments made at the end of fiscal year 2016 as compared to fiscal year 2015.

Grants/Contracts Payable

This decrease is the combined result of a \$1,125,000 reduction in related party grants payable and more timely OWD disbursements at the end of fiscal year 2016 as compared to fiscal year 2015.

Long-Term Debt

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

Other Liabilities

This increase is the primarily the result of an increase in grant advances recorded as unearned revenue at the end of fiscal year 2016 as compared to fiscal year 2015.

Economic Development and Industrial Corporation of Boston

Management's Discussion and Analysis - *Continued*

June 30, 2016

Unrestricted Net Position

This increase is the combined result of the fiscal year 2016 net income totaling \$44,373 and the increase in net position/net investments in capital assets totaling \$177,613.

Statement of Revenues, Expenses, and Changes in Net Position

The following table shows revenues and expenses for the years ended June 30, 2016 and 2015, and the related fluctuations in these accounts between these two fiscal years:

	2016	2015	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$ 16,502,695	\$ 17,753,282	\$ (1,250,587)
Contributions	531,896	364,127	167,769
Rental income	21,541,287	19,990,760	1,550,527
Other income	<u>32,331</u>	<u>17,674</u>	<u>14,657</u>
Total revenues	<u>38,608,209</u>	<u>38,125,843</u>	<u>482,366</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	14,592,802	12,486,159	2,106,643
Grants/contracts to related parties and community based organizations	15,402,628	15,207,200	195,428
Security and maintenance	1,226,494	1,313,067	(86,573)
Professional fees	3,038,938	3,137,622	(98,684)
Bad debt expense	176,824	311,417	(134,593)
Depreciation	1,829,358	1,641,803	187,555
Supplies and services	1,690,533	1,601,359	89,174
Rental expense	137,716	351,967	(214,251)
Interest expense	338,524	361,117	(22,593)
Other expenses	<u>130,019</u>	<u>91,532</u>	<u>38,487</u>
Total expenses	<u>38,563,836</u>	<u>36,503,243</u>	<u>2,060,593</u>
Change in net position	44,373	1,622,600	(1,578,227)
Net position at beginning of year	<u>36,114,283</u>	<u>34,491,683</u>	<u>1,622,600</u>
Net position at end of year	<u>\$ 36,158,656</u>	<u>\$ 36,114,283</u>	<u>\$ 44,373</u>

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

Grant/Contract Income

This decrease is the net result of a decrease in capital grant funding from the City of Boston in fiscal year 2016 totaling approximately \$1.5 million, and an increase in OWD grant funding totaling approximately \$350,000.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2016

Rental Income

This increase is the result of an increase in lease income of approximately \$1 million due to additional leases and restructuring current leases, and an increase in parking revenue totaling approximately \$550,000 primarily due to increased event parking.

Salaries and Fringe Benefits

This increase is the combined result of a 3% cost of living increase totaling approximately \$210,000, a net staff increase totaling approximately \$1,200,000, an increase in accrued severance at year end totaling approximately \$182,000, and a increase in related fringe benefit costs totaling approximately \$460,000.

Analysis of Significant Variations between Budget Amounts

The following table shows a comparison of revenues and expenses for the year ended June 30, 2016 and budgeted revenue and expenses, and the related fluctuations:

	<i>2016</i>	<i>Budget</i>	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$ 16,502,695	\$ 15,797,783	\$ 704,912
Rental income	21,541,287	20,480,168	1,061,119
Contributions	531,896	913,416	(381,520)
Other income	32,331	141,459	(109,128)
	<u>38,608,209</u>	<u>37,332,826</u>	<u>1,275,383</u>
<i>Expenses</i>			
Salaries and fringe benefits	14,592,802	14,500,285	92,517
Grants/contracts to related party and community based organizations	15,402,628	13,430,052	1,972,576
Security and maintenance	1,226,494	1,095,000	131,494
Professional fees	3,038,938	3,326,455	(287,517)
Bad debt expense	176,824	250,000	(73,176)
Depreciation	1,829,358	1,400,000	429,358
Supplies and services	1,690,533	1,659,054	31,479
Rental expense	137,716	232,612	(94,896)
Interest expense	338,524	400,000	(61,476)
Other expenses	130,019	135,198	(5,179)
	<u>38,563,836</u>	<u>36,428,656</u>	<u>2,135,180</u>
Change in net position	<u>\$ 44,373</u>	<u>\$ 904,170</u>	<u>\$ (859,797)</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2016

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

Grant/Contract Income

This increase is the net result of an increase of \$450,000 from Department of Labor Grants and an increase of approximately \$600,000 for Financial Empowerment Grants, offset by decreases in Workforce Investment Grants, as compared to anticipated levels of grant funding.

Rental Income

This increase is primarily the result of restructuring current leases which generated more income than anticipated.

Contributions

This decrease is the result of less donations received as compared to the anticipated level.

Grants/Contracts to Related Parties and Community Based Organizations

This increase is primarily the combined result of intercompany grants totaling approximately \$900,000 higher than anticipated, and higher expenses associated with new unanticipated OWD grants totaling approximately \$1,000,000.

Depreciation

Depreciation expense exceeded budget by approximately \$429,000 due to timing issues resulting from closing out capital projects earlier than anticipated.

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, 9th Floor, Boston City Hall.

Economic Development and Industrial Corporation of Boston
Statements of Net Position
June 30, 2016 and 2015

<i>Assets</i>	<i>2016</i>	<i>2015</i>
Current assets:		
Cash and cash equivalents	\$ 8,990,305	\$ 11,965,026
Accounts receivable (net of allowance for doubtful accounts)	948,043	1,537,829
Grants/contracts receivable	7,029,716	6,346,490
Advance to related parties	500,000	-
Prepaid assets and deposits	<u>348,944</u>	<u>434,276</u>
Total current assets	<u>17,817,008</u>	<u>20,283,621</u>
Noncurrent assets:		
Security deposits	<u>682,189</u>	<u>674,641</u>
Capital assets:		
Nondepreciable	3,093,647	2,184,211
Depreciable	77,045,301	76,850,808
Less accumulated depreciation	<u>(42,736,398)</u>	<u>(40,907,040)</u>
Total capital assets - net	<u>37,402,550</u>	<u>38,127,979</u>
<i>Total Assets</i>	<u>\$ 55,901,747</u>	<u>\$ 59,086,241</u>
<i>Liabilities</i>		
Current liabilities:		
Accounts payable	\$ 1,006,320	\$ 1,816,910
Grants/contracts payable	2,696,263	4,847,013
Accrued expenses	1,958,983	1,665,922
Unearned revenue	440,277	105,371
Current portion of long-term debt	<u>781,696</u>	<u>903,002</u>
Total current liabilities	<u>6,883,539</u>	<u>9,338,218</u>
Noncurrent liabilities:		
Security deposits	<u>682,189</u>	<u>674,641</u>
Long-term debt:		
Bonds payable	<u>12,177,363</u>	<u>12,959,099</u>
Total long-term debt	<u>12,177,363</u>	<u>12,959,099</u>
Total liabilities	<u>19,743,091</u>	<u>22,971,958</u>
<i>Net Position</i>		
Net investment in capital assets	24,443,491	24,265,878
Restricted for grant programs	703,526	703,526
Unrestricted	<u>11,011,639</u>	<u>11,144,879</u>
Total net position	<u>36,158,656</u>	<u>36,114,283</u>
<i>Total Liabilities and Net Position</i>	<u>\$ 55,901,747</u>	<u>\$ 59,086,241</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, 2016 and 2015

	2016	2015
<i>Revenues</i>		
Grant/contract income	\$ 16,502,695	\$ 17,753,282
Contributions	531,896	364,127
Rental income	21,541,287	19,990,760
Interest income	1,414	2,830
Miscellaneous income	30,917	14,844
Total revenues	38,608,209	38,125,843
<i>Expenses</i>		
Salaries	11,151,453	9,504,557
Fringe benefits	3,441,349	2,981,602
Grants/contracts to related parties and community based organizations	15,402,628	15,207,200
Utilities	609,944	551,175
Security and maintenance	1,226,494	1,313,067
Travel and transportation	79,697	109,932
Insurance	358,677	309,585
Professional fees	3,038,938	3,137,622
Printing	47,058	43,620
Bad debt expense	176,824	311,417
Depreciation	1,829,358	1,641,803
Supplies	86,650	93,830
Rental expense	137,716	351,967
Telecommunications	89,787	77,386
Professional development	31,744	53,497
Data processing	245,693	148,061
Marketing	31,108	51,581
Educational supplies	110,175	162,692
Interest expense	338,524	361,117
Other expense	130,019	91,532
Total expenses	38,563,836	36,503,243
Change in net position	44,373	1,622,600
Net position at beginning of year	36,114,283	34,491,683
Net position at end of year	\$ 36,158,656	\$ 36,114,283

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of Boston

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	2016	2015
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 16,686,271	\$ 18,258,323
Receipts from tenants	21,985,166	18,927,395
Receipts from interest	1,414	2,830
Payments to employees	(10,813,454)	(9,414,317)
Payments for employee benefits	(3,452,399)	(2,884,922)
Payments to community based organizations	(11,561,547)	(12,076,392)
Payments to related parties	(6,491,831)	(3,337,891)
Payments to vendors and suppliers	(6,982,846)	(6,832,301)
Payments for interest	<u>(338,524)</u>	<u>(365,322)</u>
Net cash (used in)/provided by operating activities	<u>(967,750)</u>	<u>2,277,403</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(1,103,929)	(3,593,669)
Principal payments on debt	<u>(903,042)</u>	<u>(1,020,499)</u>
Net cash used in capital and related financing activities	<u>(2,006,971)</u>	<u>(4,614,168)</u>
Net decrease in cash and cash equivalents	(2,974,721)	(2,336,765)
Cash and cash equivalents - beginning of year	<u>11,965,026</u>	<u>14,301,791</u>
Cash and cash equivalents - end of year	<u>\$ 8,990,305</u>	<u>\$ 11,965,026</u>
<i>Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities</i>		
Change in net position	\$ 44,373	\$ 1,622,600
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Depreciation	1,829,358	1,641,803
Bad debt expense	176,824	311,417
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	412,962	(959,413)
(Increase)/decrease in grants/contracts receivable	(683,226)	57,391
(Increase)/decrease in other assets	85,332	(170,436)
Increase in advance to related parties	(500,000)	-
Decrease in accounts payable	(810,590)	(170,443)
Decrease in grants/contracts payable	(2,150,750)	(207,083)
Increase in accrued expenses	293,061	68,044
Increase in unearned revenue	<u>334,906</u>	<u>83,523</u>
Net cash (used in)/provided by operating activities	<u>\$ (967,750)</u>	<u>\$ 2,277,403</u>

See accompanying notes to basic financial statements.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements

June 30, 2016 and 2015

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 Workforce Development (OWD), formerly the Office of Jobs and Community Services, 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, and 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 and all highly liquid investments, other than cash collected for security deposits. EDIC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 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 \$485,222 and \$424,724 at June 30, 2016 and 2015, respectively. Management has determined that all grants/contracts receivable are collectible for the years then ended; therefore, no related allowance has been recorded.

Reclassifications - Certain reclassifications have been made to the fiscal year 2015 amounts to conform with the fiscal year 2016 presentation.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

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 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 \$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
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, 2016 and 2015.

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, 2016 and 2015 totaled \$338,524 and \$361,117, 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:

	<i>2016</i>	<i>2015</i>
Cost of capital assets acquired	\$ 80,138,948	\$79,035,019
Less accumulated depreciation	(42,736,398)	(40,907,040)
Less outstanding debt related to capital assets	<u>(12,959,059)</u>	<u>(13,862,101)</u>
Net investment in capital assets	<u>\$ 24,443,491</u>	<u>\$24,265,878</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

4. *Cash and Cash Equivalents*

Cash and cash equivalents as of June 30, 2016 and 2015 consisted of the following:

<i>Description</i>	<i>2016</i>	<i>2015</i>
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	6,885,645	5,787,999
Uncollateralized/unsecured deposits	<u>3,532,013</u>	<u>6,343,066</u>
Total	<u>\$ 10,917,658</u>	<u>\$ 12,631,065</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.

5. *Lease Commitments*

EDIC has entered into a five year operating lease agreement for office space used for OWD 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 \$137,716 and \$351,967 for the years ended June 30, 2016 and 2015, respectively. Future minimum payments for these lease commitments total \$199,468 and \$95,000, for the years ended June 30, 2017 and 2018, respectively.

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 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.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

7. Leasing Activities

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$14,743,335 and \$13,544,492, for the years ended June 30, 2016 and 2015, 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 \$5,683,584 and \$5,130,545 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 \$1,150,591 and \$1,196,927, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$682,189 and \$674,641 at June 30, 2016 and 2015, respectively.

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

<i>June 30,</i>	<i>Amount</i>
2017	\$ 14,618,534
2018	\$ 17,920,782
2019	\$ 11,857,157
2020	\$ 11,541,944
2021	\$ 11,506,154

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 \$2,705,419 and \$2,401,771 for the years ended June 30, 2016 and 2015, respectively.

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

	<i>2016</i>	<i>2015</i>
Land	\$ 2,080,941	\$ 2,080,941
Land improvements	18,573,155	18,521,655
Maritime assets	15,126,493	15,126,493
Buildings and improvements	<u>41,105,205</u>	<u>41,018,632</u>
Total	76,885,794	76,747,721
Less accumulated depreciation	<u>(41,475,622)</u>	<u>(39,820,265)</u>
Book value	<u>\$ 35,410,172</u>	<u>\$ 36,927,456</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

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.

9. *Capital Assets*

Capital asset activity for the years ended June 30, 2016 was as follows:

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2015</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2016</i>
Nondepreciable assets:				
Land	\$ 2,080,941	\$ -	\$ -	\$ 2,080,941
Construction in progress	103,270	909,436	-	1,012,706
Total nondepreciable assets	<u>2,184,211</u>	<u>909,436</u>	<u>-</u>	<u>3,093,647</u>
Depreciable assets:				
Land improvements	18,521,655	51,500	-	18,573,155
Maritime assets	15,126,493	-	-	15,126,493
Buildings and improvements	41,018,632	86,573	-	41,105,205
Machinery and equipment	2,056,749	56,420	-	2,113,169
Other assets	127,279	-	-	127,279
Total depreciable assets	<u>76,850,808</u>	<u>194,493</u>	<u>-</u>	<u>77,045,301</u>
Totals at historical cost	<u>79,035,019</u>	<u>1,103,929</u>	<u>-</u>	<u>80,138,948</u>
Less accumulated depreciation for:				
Land improvements	(10,364,604)	(451,295)	-	(10,815,899)
Maritime assets	(9,439,095)	(248,566)	-	(9,687,661)
Buildings and improvements	(20,016,566)	(955,496)	-	(20,972,062)
Machinery and equipment	(969,093)	(170,602)	-	(1,139,695)
Other assets	(117,682)	(3,399)	-	(121,081)
Total accumulated depreciation	<u>(40,907,040)</u>	<u>(1,829,358)</u>	<u>-</u>	<u>(42,736,398)</u>
Capital assets, net	<u>\$ 38,127,979</u>	<u>\$ (725,429)</u>	<u>\$ -</u>	<u>\$ 37,402,550</u>

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2016 and 2015

9. **Capital Assets - Continued**

Capital asset activity for the years ended June 30, 2015 was as follows:

	<i>Balance at</i> <i>June 30, 2014</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance at</i> <i>June 30, 2015</i>
Nondepreciable assets:				
Land	\$ 2,080,941	\$ -	\$ -	\$ 2,080,941
Construction in progress	<u>1,365,726</u>	<u>-</u>	<u>(1,262,456)</u>	<u>103,270</u>
Total nondepreciable assets	<u>3,446,667</u>	<u>-</u>	<u>(1,262,456)</u>	<u>2,184,211</u>
Depreciable assets:				
Land improvements	16,736,877	1,784,778	-	18,521,655
Maritime assets	12,561,630	2,564,863	-	15,126,493
Buildings and improvements	40,647,312	371,320	-	41,018,632
Machinery and equipment	1,921,585	135,164	-	2,056,749
Other assets	<u>127,279</u>	<u>-</u>	<u>-</u>	<u>127,279</u>
Total depreciable assets	<u>71,994,683</u>	<u>4,856,125</u>	<u>-</u>	<u>76,850,808</u>
Totals at historical cost	<u>75,441,350</u>	<u>4,856,125</u>	<u>(1,262,456)</u>	<u>79,035,019</u>
Less accumulated depreciation for:				
Land improvements	(9,996,086)	(368,518)	-	(10,364,604)
Maritime assets	(9,282,089)	(157,006)	-	(9,439,095)
Buildings and improvements	(19,059,208)	(957,358)	-	(20,016,566)
Machinery and equipment	(814,112)	(154,981)	-	(969,093)
Other assets	<u>(113,742)</u>	<u>(3,940)</u>	<u>-</u>	<u>(117,682)</u>
Total accumulated depreciation	<u>(39,265,237)</u>	<u>(1,641,803)</u>	<u>-</u>	<u>(40,907,040)</u>
Capital assets, net	<u>\$ 36,176,113</u>	<u>\$ 3,214,322</u>	<u>\$ (1,262,456)</u>	<u>\$ 38,127,979</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$1,829,358 and \$1,641,803, respectively.

10. **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.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

11. Long Term Debt

<i>Bonds Payable</i>	2016	2015
<i>Public Parking Facility Bond, 2010 Series</i>		
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.		
	\$12,959,059	\$13,720,431
Less current portion	<u>(781,696)</u>	<u>(761,332)</u>
Total long-term portion	<u>\$ 12,177,363</u>	<u>\$ 12,959,099</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.

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>
2017	\$ 781,696	\$ 318,160	\$ 1,099,856
2018	801,661	298,195	1,099,856
2019	822,135	277,721	1,099,856
2020	842,437	257,419	1,099,856
2021	864,649	235,208	1,099,857
2022 - 2026	4,665,517	833,765	5,499,282
2027 - 2031	<u>4,180,964</u>	<u>219,269</u>	<u>4,400,233</u>
Total	<u>\$ 12,959,059</u>	<u>\$ 2,439,737</u>	<u>\$ 15,398,796</u>

<i>Notes Payable</i>	2016	2015
US Housing and Urban Development (HUD) Section 108 loan due in March, 2015, bearing an interest rate of 2% at June 30, 2015. This loan was paid in full in August 2015.		
	\$ -	\$ 141,670
Less current portion	<u>-</u>	<u>(141,670)</u>
Total long-term portion	<u>\$ -</u>	<u>\$ -</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

11. 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 is paid back through rent received from the tenant, and is secured by a mortgage on the property.

Future maturities of principal and interest on notes payable total \$0 and \$141,679, respectively, for the years ended June 30, 2016 and 2015.

Long-term debt activity for the year ended June 30, 2016 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2016</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 141,670	\$ -	\$ (141,670)	\$ -	\$ -
Bonds	<u>13,720,431</u>	<u>-</u>	<u>(761,372)</u>	<u>12,959,059</u>	<u>781,696</u>
Total	<u>\$ 13,862,101</u>	<u>\$ -</u>	<u>\$ (903,042)</u>	<u>\$ 12,959,059</u>	<u>\$ 781,696</u>

Long-term debt activity for the year ended June 30, 2015 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2014</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2015</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 419,559	\$ -	\$ (277,889)	\$ 141,670	\$ 141,670
Bonds	<u>14,463,041</u>	<u>-</u>	<u>(742,610)</u>	<u>13,720,431</u>	<u>761,332</u>
Total	<u>\$ 14,882,600</u>	<u>\$ -</u>	<u>\$ (1,020,499)</u>	<u>\$ 13,862,101</u>	<u>\$ 903,002</u>

12. 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. Write Boston, Inc. (WBI) is a nonprofit corporation that was established in fiscal year 2015 to promote deep learning through writing. EDIC acts as fiscal agent for these entities.

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2016 and 2015

12. *Related Party Transactions - Continued*

BLDC, FYOB, BIDFA, and WBI 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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
BLDC	\$ 191,530	\$ 191,371	\$ 75,000	\$ 13,351
FYOB	\$ 67,804	\$ 194,322	\$ 245,738	\$ 242,258
BIDFA	\$ 63,539	\$ 122,451	\$ -	\$ -
WBI	\$ 666,350	\$ 703,608	\$ 124,204	\$ 158,432

For the years ended June 30, 2016 and 2015, EDIC has provided grants to BLDC totaling \$116,530 and \$191,371, respectively, recorded as grants/contracts to related parties and community based organization on the statement of revenues, expenses and changes in net position. For the years ended June 30, 2016 and 2015, EDIC has provided grants to BIDFA totaling \$63,539 and \$122,451, respectively, recorded as grants/contracts to related parties and community based organization on the statement revenues, expenses and changes in net position

The City of Boston

The City of Boston's Property Management Department provided security services to EDIC, totaling \$683,896 and \$633,246 for the years ended June 30, 2016 and 2015, respectively. Amounts payable to the City of Boston at June 30, 2016 and 2015 for these services totaled \$287,612 and \$383,799, respectively.

EDIC received grants totaling and \$716,114 and \$2,378,680 from the City of Boston for the years ended June 30, 2016 and 2015, 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, 2016 and June 30, 2015 for this activity totaled \$764,528 and \$356,412, respectively.

EDIC has received grants totaling approximately \$1.3 million and \$2.4 million from various departments of the City of Boston for the years ended June 30, 2016 and 2015, respectively, for OWD activity.

EDIC has provided a grant to the City of Boston totaling \$500,000 for the year ended June 30, 2016 to fund future activities of the City's Office of Economic Development. EDIC has also committed similar funding for the year ending June 30, 2017; however, this future commitment can be rescinded by EDIC with thirty days' notice.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

12. ***Related Party Transactions - Continued***

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 OWD grants were billed to EDIC for the years ended June 30, 2016 and 2015 totaling \$388,937 and \$218,433, respectively. Further, EDIC paid operating costs for the benefit of BRA and subsequently billed BRA for these costs totaling \$329,610 and \$120,592 for the years ended June 30, 2016 and 2015, respectively. EDIC has recorded a net payable to BRA for this activity totaling \$0 and \$177,110 at June 30, 2016 and 2015, respectively.

BRA is funding EDIC for an architectural contract totaling \$249,920 for the BMIP Master Plan through a grant provided to BRA from the City of Boston's Department of Neighborhood Development. As of June 30, 2016 and 2015, EDIC incurred costs totaling \$248,508 and \$159,833, respectively, relating to the project. EDIC has recorded a receivable from BRA for this project totaling \$159,833 at June 30, 2015.

EDIC has provided a grant to BRA totaling \$1,528,198 and \$2,500,000, respectively, for the years ended June 30, 2016 and 2015, 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 \$2,083,563 and \$1,149,068 for the years ended June 30, 2016 and 2015, respectively, to fund various redevelopment projects within the City of Boston. EDIC has recorded a payable to BRA for this funding totaling \$0 and \$1,125,000 at June 30, 2016 and 2015, respectively. During 2016, EDIC advanced the BRA \$500,000 for future funding of various projects within the City of Boston.

13. ***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 2016.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2016 and 2015

14. ***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, 2016 and 2015 was approximately \$1,007,000 and \$915,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$759,000 and \$648,000, respectively.

15. ***Subsequent Events***

EDIC has evaluated subsequent events through November 4, 2016, 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, 2016

	<i>EDIC</i>	<i>OWD</i>	<i>Total</i>
	<i>Operations</i>	<i>Operations</i>	
<i>Revenues</i>			
Grant/contract income	\$ 945,141	\$15,557,554	\$16,502,695
Contributions	-	531,896	531,896
Rental income	21,541,287	-	21,541,287
Interest income	1,414	-	1,414
Miscellaneous income	30,917	-	30,917
	<u>22,518,759</u>	<u>16,089,450</u>	<u>38,608,209</u>
<i>Expenses</i>			
Salaries	7,422,546	3,728,907	11,151,453
Fringe benefits	2,253,449	1,187,900	3,441,349
Grants/contracts to related parties and community based organizations	4,291,830	11,110,798	15,402,628
Utilities	601,977	7,967	609,944
Security and maintenance	1,221,477	5,017	1,226,494
Travel and transportation	35,618	44,079	79,697
Insurance	358,677	-	358,677
Professional fees	1,378,630	1,660,308	3,038,938
Printing	11,924	35,134	47,058
Bad debt expense	176,824	-	176,824
Depreciation	1,829,358	-	1,829,358
Supplies	66,305	20,345	86,650
Rental expense	18,224	119,492	137,716
Telecommunications	58,518	31,269	89,787
Professional development	26,643	5,101	31,744
Data processing	236,515	9,178	245,693
Marketing	22,228	8,880	31,108
Educational supplies	-	110,175	110,175
Interest expense	338,524	-	338,524
Other expense	95,483	34,536	130,019
	<u>20,444,750</u>	<u>18,119,086</u>	<u>38,563,836</u>
Change in net position	<u>\$ 2,074,009</u>	<u>\$ (2,029,636)</u>	<u>\$ 44,373</u>