

**Economic Development and Industrial  
Corporation of Boston**

Financial Statements  
and  
Auditors' Report

June 30, 2010 and 2009



**Daniel Dennis & Company LLP**  
*Certified Public Accountants*

116 Huntington Avenue  
Boston, MA 02116  
(617) 262-9898  
FAX: (617) 437-9937

Web Site: <http://www.danieldennis.com>

# Daniel Dennis & Company LLP

*Certified Public Accountants*

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

## *Independent Auditors' Report*

We have audited the accompanying balance sheets 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, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying combining schedule of revenues and expenses for the year ended June 30, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Daniel Dennis + Company LLP*

*October 25, 2010*

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2010

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, 2010. 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, 2010 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 balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

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

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

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year resulting from operating activities, investing 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 balance sheet. This statement is prepared on a cash basis.

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
**June 30, 2010**

**Financial Highlights**

- Assets exceeded liabilities by \$25,380,283 at the close of the fiscal year.
- Revenues increased by \$36,139 or .001% from the previous fiscal year.
- Expenses decreased by \$2,003,837 or 5.4% from the previous fiscal year.
- Net assets decreased \$2,267,588 from the previous fiscal year.

***Balance Sheet***

The following table shows assets, liabilities and net assets for the years ended June 30, 2010 and 2009, and the related fluctuations in these accounts between these two fiscal years:

	<i>2010</i>	<i>2009</i>	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 9,393,775	\$ 10,173,154	\$ (779,379)
Cash and cash equivalents - restricted	2,168,074	-	2,168,074
Accounts receivable (net)	2,464,699	1,928,103	536,596
Grants/contracts receivable	4,512,561	6,437,930	(1,925,369)
Other current assets	394,363	260,804	133,559
Capital assets	66,069,841	67,671,501	(1,601,660)
Accumulated depreciation	(34,057,872)	(34,369,350)	311,478
Debt issuance costs - net	<u>109,809</u>	<u>232,395</u>	<u>(122,586)</u>
Total assets	<u>\$ 51,055,250</u>	<u>\$ 52,334,537</u>	<u>\$ (1,279,287)</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 2,452,856	\$ 3,576,270	\$ (1,123,414)
Grant/contracts payable	2,109,499	1,911,898	197,601
Long-term debt (inclusive of the related short-term portion)	19,773,364	17,692,299	2,081,065
Deferred revenue	188,543	216,966	(28,423)
Deferred grants/contracts	503,363	502,745	618
Other liabilities	<u>647,342</u>	<u>786,488</u>	<u>(139,146)</u>
Total liabilities	<u>\$ 25,674,967</u>	<u>\$ 24,686,666</u>	<u>\$ 988,301</u>

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
June 30, 2010

	2010	2009	<i>Increase/ (Decrease)</i>
<i>Net Assets</i>			
Invested in capital assets, net of related debt	\$ 14,406,679	\$ 15,609,852	\$ (1,203,173)
Unrestricted	<u>10,973,604</u>	<u>12,038,019</u>	<u>(1,064,415)</u>
Total net assets	<u>25,380,283</u>	<u>27,647,871</u>	<u>(2,267,588)</u>
Total liabilities and net assets	<u>\$ 51,055,250</u>	<u>\$ 52,334,537</u>	<u>\$ (1,279,287)</u>

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

*Cash and Cash Equivalents - Unrestricted*

This decrease is the net result of both increases and decreases in other assets and liabilities and fiscal year 2010's net loss. These fluctuations are highlighted on the statement of cash flows on pages 12 and 13.

*Cash and Cash Equivalents - Restricted*

This increase is due to refinancing bond and mortgage debt in fiscal year 2010 through the issuance of new bond debt. The debt agreement requires that EDIC deposit bond proceeds that are restricted to pay the first three year's interest on the debt in a separate bank account.

*Accounts Receivable - Net*

This net increase is the combined result of an increase in rental activity receivables totaling approximately \$541,000, an increase in related party receivables totaling approximately \$396,000, and an offsetting decrease of \$476,000 recorded in the allowance for doubtful accounts in fiscal year 2010. The increase in the allowance account is primarily the result of delinquent related party receivables, as described in Note 14 to the financial statements.

*Grants/Contracts Receivable*

This decrease is primarily due to a timelier billing and collection effort for both State and Federal awards in fiscal year 2010 as compared to fiscal year 2009.

*Capital Assets*

This decrease is primarily the result of the disposal of fully depreciated fixed assets in fiscal year 2010 totaling approximately \$1,671,000.

*Accumulated Depreciation*

This decrease is the result of the disposal of fully depreciated fixed assets in fiscal year 2010 totaling approximately \$1,671,000, net of normal depreciation of capital assets totaling approximately \$1,360,000 in fiscal year 2010.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2010

*Accounts Payable and Accrued Expenses*

This decrease is primarily the result of management's continued cost reduction initiatives in fiscal year 2010 and their subsequent impact on year-end accounts payable and accrued payroll expense.

*Long-Term Debt*

This increase is primarily the net result of principal payments made throughout the fiscal year totaling approximately \$2.9 million and the issuance of new bond debt in excess of old bond and mortgage debt refinancing totaling approximately \$5,015,000.

*Net Assets Invested in Capital Assets, Net of Related Debt*

This net decrease is the result of a decrease in capital assets after depreciation totaling approximately \$1,290,000, an increase in outstanding bond debt related to capital assets totaling approximately \$2,081,000, and an increase in bond proceeds restricted for paying the first three year's interest on the debt totaling approximately \$2,168,000.

*Net Assets Unrestricted*

This net decrease is the net result of the decrease in net assets invested in capital assets, net of related debt, as noted above, and a decrease in net assets totaling approximately \$2.3 million for the year ended June 30, 2010.

**Economic Development and Industrial Corporation of Boston**  
 Management's Discussion and Analysis - *Continued*  
 June 30, 2010

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

The following table shows revenues and expenses for the years ended June 30, 2010 and 2009, and the related fluctuations in these accounts between these two fiscal years:

	2010	2009	<i>Increase/ (Decrease)</i>
<i>Operating Revenue</i>			
Grant/contract income	\$15,155,681	\$15,906,448	\$ (750,767)
Contributions	1,426,888	1,861,853	(434,965)
Rental income	15,369,328	14,710,063	659,265
Other income	16,272,149 <u>902,821</u>	<u>340,215</u>	<u>562,606</u>
Total operating revenues	<u>32,854,718</u>	<u>32,818,579</u>	<u>36,139</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,544,321 ✓	14,895,432	(2,351,111)
Grants/contracts to related party and community based organizations	11,116,523	9,293,552	1,822,971
Security and maintenance	933,432	974,054	(40,622)
Professional fees	3,642,495	4,707,339	(1,064,844)
Bad debt expense	476,463	661,061	(184,598)
Depreciation	1,359,924	1,269,502	90,422
Supplies and services	3,600,212	3,901,813	(301,601)
Rental expense	265,360	346,214	(80,854)
Interest expense/bank service costs	1,085,496	924,750	160,746
Other expenses	<u>98,080</u>	<u>152,426</u>	<u>(54,346)</u>
Total operating expenses	<u>35,122,306</u>	<u>37,126,143</u>	<u>(2,003,837)</u>
Change in net assets	(2,267,588)	(4,307,564)	2,039,976
Net assets at beginning of year	<u>27,647,871</u>	<u>31,955,435</u>	<u>(4,307,564)</u>
Net assets at end of year	<u>\$25,380,283</u>	<u>\$27,647,871</u>	<u>\$ (2,267,588)</u>

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

***Grant/Contract Income***

This decrease is primarily the result of a decrease of approximately \$525,000 in US Department of Housing and Urban Development Empowerment Zone grant funding due to fiscal year 2010 being the close-out year for this grant.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2010

*Contributions*

Contributions consist of foundation grants and other donation income received for JCS programs. Related receipts are initially recorded as deferred revenue, and recognized as revenue as program expenses are incurred. The decrease in fiscal year 2010 revenue is the combined result of a decrease in contributions received in fiscal year 2010 and a decrease in program expenses funded through donation income, primarily under the Read Boston, Earned Income Tax Credit, and Youth Opportunity programs.

*Rental Income*

This increase is the combined result of an increase in parking revenue totaling approximately \$354,000 due to increased activity in fiscal year 2010, an increase in tenant rental income totaling approximately \$133,000, and an increase in tenant expense reimbursements totaling approximately \$129,000.

*Other Income*

This increase is primarily the result of an increase in related party expense reimbursement as highlighted in Note 14 to the financial statements.

*Salaries and Fringe Benefits*

This decrease is primarily the result of a planned reduction of EDIC personnel at the end of fiscal year 2009.

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

This increase is the combined result of a \$1 million grant to a related party and an increase in Community Based awards due to stimulus funding and its prompt spending criteria.

*Professional Fees*

This planned decrease is the combined result of a decrease in jobs and community service (JCS) activity totaling approximately \$340,000 as a result of the reduction of EDIC's workforce, and approximately \$750,000 in decreased JCS retraining services.

*Supplies and Services*

This decrease is primarily the result of funding a portion of the City of Boston's *Hub On Wheels* cycling event in fiscal year 2009. EDIC no longer provides funding for this event beginning in fiscal year 2010.



**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
June 30, 2010

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

The following table shows a comparison of revenues and expenses for the year ended June 30, 2010 and budgeted revenue and expenses, and the related fluctuations:

	<i>2010</i>	<i>Budget</i>	<i>Increase/ (Decrease)</i>
<i>Operating Revenue</i>			
Grant/contract income	\$ 15,155,681	\$ 16,058,681	\$ (903,000)
Rental income	15,369,328	15,597,483	(228,155)
Contributions	1,426,888	1,688,862	(261,974)
Other income	<u>902,821</u>	<u>533,250</u>	<u>369,571</u>
Total operating revenues	<u>32,854,718</u>	<u>33,878,276</u>	<u>(1,023,558)</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,544,321	12,543,411	910
Grants/contracts to related party and community based organizations	11,116,523	10,013,363	1,103,160
Security and maintenance	933,432	936,000	(2,568)
Professional fees	3,642,495	3,755,775	(113,280)
Bad debt expense	476,463	500,000	(23,537)
Depreciation	1,359,924	1,200,000	159,924
Supplies and services	3,600,212	3,521,000	79,212
Rental expense	265,360	257,500	7,860
Interest expense/bank service costs	1,085,496	922,000	163,496
Other expenses	<u>98,080</u>	<u>122,500</u>	<u>(24,420)</u>
Total operating expenses	<u>35,122,306</u>	<u>33,771,549</u>	<u>1,350,757</u>
Change in net assets	<u>\$ (2,267,588)</u>	<u>\$ 106,727</u>	<u>\$ (2,374,315)</u>

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

***Grant/Contract Income***

This decrease is primarily the result of a state grant renewal totaling approximately \$604,000 less than the anticipated budgeted amount. Additionally, a decrease in budgeted contract revenue accounted for the additional \$300,000 shortfall.

***Other Income***

This increase is primarily the result of an unbudgeted increase in related party expense reimbursement as highlighted in Note 14 to the financial statements.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2010

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

This increase resulted from an unbudgeted \$1,000,000 related party grant award and other unbudgeted awards to Community Based Organizations.

*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 assets 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**  
 Balance Sheets  
 June 30, 2010 and 2009

<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash and cash equivalents - unrestricted	\$ 9,393,775 ✓	Accounts payable	\$ 533,128
Cash and cash equivalents - restricted	747,311	Grants/contracts payable	2,109,499
Accounts receivable (net of allowance for doubtful accounts)	2,357,330	Accrued expenses	1,919,728
Grants/contracts receivable	4,512,561	Deferred revenue	188,543
Accrued interest receivable	-	Current portion of long-term liabilities	<u>1,141,774</u>
Other assets	<u>394,363</u>	Total current liabilities	<u>5,892,672</u>
Total current assets	<u>17,405,340</u>		<u>6,906,149</u>
<i>Capital Assets</i>		<i>Long-Term Liabilities</i>	
Land	1,419,682	Notes payables	564,559
Land improvements	12,235,873	Mortgage payable	1,034,591
Maritime assets	12,561,630	Bonds payable	<u>17,032,440</u>
Buildings and improvements	38,359,372	Total long-term liabilities	<u>18,631,590</u>
Machinery and equipment	817,941		
Other assets	118,603	<i>Other Liabilities</i>	
Construction in progress	556,740	Security deposits	647,342
Less accumulated depreciation	<u>(34,057,872)</u>	Deferred grants/contracts	<u>503,363</u>
Capital assets - net	<u>32,011,969</u>	Total other liabilities	<u>1,150,705</u>
		Total liabilities	<u>25,674,967</u>
<i>Other Assets</i>			
Debt issuance costs - net	109,809	<i>Net Assets</i>	
Cash and cash equivalents - restricted	1,420,763	Invested in capital assets, net of related debt	14,406,679
Long-term related party receivables	<u>107,369</u>	Unrestricted	<u>10,973,604</u>
Total other assets	<u>1,637,941</u>	Total net assets	<u>25,380,283</u>
Total assets	<u>\$ 51,055,250</u>	Total liabilities and net assets	<u>\$ 51,055,250</u>

See accompanying notes to financial statements

**Economic Development and Industrial Corporation of Boston**  
**Statements of Revenues, Expenses,**  
**and Changes in Net Assets**  
**For the Years Ended June 30, 2010 and 2009**

	2010	2009
<i>Operating Revenues</i>		
Grant/contract income	\$15,155,681	\$ 15,906,448
Contributions	1,426,888	1,861,853
Rental income	15,369,328	14,710,063
Interest income	74,765	129,154
Miscellaneous income	<u>828,056</u>	<u>211,061</u>
Total operating revenues	<u>32,854,718</u>	<u>32,818,579</u>
<i>Operating Expenses</i>		
Salaries	9,211,352	10,903,753
Fringe benefits	3,332,969	3,991,679
Grants/contracts to related party and community based organizations	11,116,523	9,293,552
Utilities	2,569,466	2,490,963
Security and maintenance	933,432	974,054
Travel and transportation	89,697	162,745
Insurance	286,573	301,949
Professional fees	3,642,495	4,707,339
Printing	43,259	62,366
Provision for uncollectible accounts/ bad debt expense	476,463	661,061
Depreciation	1,359,924	1,269,502
Supplies	71,046	96,324
Rental expense	265,360	346,214
Telecommunications	112,873	101,494
Professional development	66,664	104,777
Data processing	147,891	132,359
Marketing	64,126	310,252
Educational supplies	148,617	138,584
Interest expense	976,184	806,314
Bank service costs	109,312	118,436
Other expense	<u>98,080</u>	<u>152,426</u>
Total operating expenses	<u>35,122,306</u>	<u>37,126,143</u>
Change in net assets	(2,267,588)	(4,307,564)
Net assets at beginning of year	<u>27,647,871</u>	<u>31,955,435</u>
Net assets at end of year	<u>\$25,380,283</u>	<u>\$ 27,647,871</u>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**

Statements of Cash Flows

For the Years Ended June 30, 2010 and 2009

	2010	2009
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 18,480,133	\$ 16,314,032
Receipts from tenants	14,956,961	14,820,746
Receipts from interest	78,476	108,221
Receipts from affiliates	88,219	1,988,218
Payments to employees	(9,498,976)	(10,712,937)
Payments for employee benefits	(3,502,192)	(3,917,673)
Payments to community based organizations	(11,918,923)	(9,687,158)
Payments to vendors and suppliers	(9,392,506)	(10,829,346)
Payments to affiliates	1,000,000	-
Payments for interest	<u>(923,263)</u>	<u>(941,011)</u>
Net cash used in operating activities	<u>(632,071)</u>	<u>(2,856,908)</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(69,740)	(897,497)
Proceeds from bond issuance	5,014,676	-
Principal payments on debt	(2,924,170)	(1,158,999)
Increase in restricted cash escrows	<u>-</u>	<u>1,511,958</u>
Net cash provided by/(used in) capital and related financing activities	<u>2,020,766</u>	<u>(544,538)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from investment maturities	-	2,533,021
Proceeds from investment income	<u>-</u>	<u>20,933</u>
Net cash provided by investing activities	<u>-</u>	<u>2,553,954</u>
Net increase/(decrease) in cash and cash equivalents	1,388,695	(847,492)
Cash and cash equivalents - beginning of year	<u>10,173,154</u>	<u>11,020,646</u>
Cash and cash equivalents - end of year	<u>\$ 11,561,849</u>	<u>\$ 10,173,154</u>
<i>Reconciliation to Cash and Cash Equivalents on the Balance Sheet</i>		
	2010	2009
Cash and cash equivalents - unrestricted	\$ 9,393,775	\$ 10,173,154
Cash and cash equivalents - restricted, current	747,311	-
Cash and cash equivalents - restricted, noncurrent	<u>1,420,763</u>	<u>-</u>
Total	<u>\$ 11,561,849</u>	<u>\$ 10,173,154</u>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**  
**Statements of Cash Flows - *Continued***  
For the Years Ended June 30, 2010 and 2009

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

	2010	2009
Change in net assets	\$ (2,267,588)	\$ (4,307,564)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,359,924	1,269,502
Provision for uncollectible accounts	476,463	661,061
Amortization of debt issuance costs	232,395	10,711
Amortization of bond premium	(119,252)	(132,492)
Investment income	-	(20,933)
(Increase) in accounts receivable	(1,101,277)	(109,257)
(Increase)/decrease in grants/contracts receivable	1,925,369	(1,288,492)
Decrease in accrued interest receivable	3,711	-
(Increase)/decrease in other assets	(137,270)	14,989
Decrease in long-term related party receivables	88,219	1,988,218
(Decrease) in accounts payable	(962,573)	(284,437)
Increase/(decrease) in grants/contracts payable	197,601	(393,606)
(Decrease) in accrued expenses	(160,841)	(107,710)
Increase/(decrease) in security deposits	(139,146)	8,879
(Decrease) in deferred revenue	(28,423)	(167,144)
Increase in deferred grants	<u>617</u>	<u>1,367</u>
Net cash used in operating activities	<u>\$ (632,071)</u>	<u>\$ (2,856,908)</u>

***Noncash Capital and Related Financing Activities***

Fixed asset disposals	<u>\$ 1,671,400</u>	<u>\$ -</u>
Bonds payable refinance	\$ 11,095,139	\$ -
Mortgage payable refinance	<u>1,490,185</u>	<u>-</u>
Total debt refinance	<u>\$ 12,585,324</u>	<u>\$ -</u>

*See accompanying notes to financial statements.*

# Economic Development and Industrial Corporation of Boston

## Notes to Financial Statements

June 30, 2010 and 2009

### 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 (Boston, or 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 deferred 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.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, EDIC has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict with GASB pronouncements.

*Operating Revenue and Expenses* - Operating revenue generally result from funds generated from lease operations at the BMIP, grants/contracts with governmental agencies, and contributions for JCS activities. Operating expenses include all costs associated with these activities and depreciation on capital assets.

*Grants/Contracts and Accounts Receivable* - Grants/contracts receivable represent amounts due from funding sources for JCS activities. 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 \$2,287,377 and \$1,810,915 at June 30, 2010 and 2009, 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 2009 amounts to conform with the fiscal year 2010 presentation.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

2. *Summary of Significant Accounting Policies - Continued*

*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.

*Debt Issuance Costs* - Financing fees are being amortized using the straight-line method over the life of the respective debt instruments.

*Capital Assets* - Capital assets in excess of \$5,000 are recorded on the balance sheet 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, 2010 and 2009.

*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, 2010 and 2009 totaled \$976,184, and \$806,314, respectively, all of which was expensed.

*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.

*Derivatives* - The interest rate swap agreement attached to EDIC mortgage debt is recorded at fair value, which is the estimated amount that EDIC would receive/(pay) to terminate the agreement at the reporting date, taking into account current interest rates and other factors as determined by the financial institution.

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



**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

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

*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 Assets***

Net assets invested in capital assets, net of related debt, consisted of the following:

	2010	2009
Cost of capital assets acquired	\$ 66,069,841	\$67,671,501
Less accumulated depreciation	(34,057,872)	(34,369,350)
Less outstanding debt related to capital assets	(19,773,364)	(17,692,299)
Add restricted debt proceeds	<u>2,168,074</u>	<u>-</u>
Net assets invested in capital assets	<u>\$ 14,406,679</u>	<u>\$15,609,852</u>

4. ***Cash and Cash Equivalents***

Cash and cash equivalents as of June 30, 2010 and 2009 consisted of the following:

<i>Description</i>	2010	2009
U.S. Government Securities	\$ -	\$ 1,853,880
Federally insured (FDIC) deposits	283,388	506,637
MA Depositor's Insurance Fund (DIF) insured deposits	5,055,289	-
Collateralized with Securities held by the Pledging Financial Institution in EDIC's name	-	-
Collateralized with Securities held by the Pledging Financial Institution's Trust Department or Agent, but not in EDIC's Name	5,936,667	6,122,950
Uncollateralized/unsecured deposits	<u>922,964</u>	<u>2,026,249</u>
Sub-total	12,198,308	10,509,716
Less net outstanding transactions	<u>(636,459)</u>	<u>(336,562)</u>
Total cash and cash equivalents	<u>\$11,561,849</u>	<u>\$10,173,154</u>

5. ***Deferred Revenue and Deferred Grants/Contracts***

Deferred revenue at June 30, 2010 and 2009 totaling \$188,543 and \$216,966, respectively, consisted primarily of foundation grants and other donation income in excess of related program expenses incurred at year-end for various JCS programs. Deferred grants/contracts at June 30, 2010 and 2009 totaling \$503,363 and \$502,744 represents a grant received in advance, and interest earned there on, which will be used in future years in accordance with the grant/contract agreement.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

6. *Leasing Activities*

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$9,631,424 and \$9,455,364, for the year ended June 30, 2010 and 2009, 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 \$2,967,994 and \$2,614,150 for the years then ended, respectively, is included in rental income on the statement of revenue, expenses and changes in net assets. In addition, tenant reimbursements for utilities and maintenance totaling \$2,769,910 and \$2,640,549, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$647,342 and \$786,488 at June 30, 2010 and 2009, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
6/30/11	\$ 6,824,988
6/30/12	\$ 7,291,738
6/30/13	\$ 7,687,264
6/30/14	\$ 7,307,088
6/30/15	\$ 7,330,993

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 \$1,483,600 and \$1,441,988 for the years ended June 30, 2010 and 2009, respectively.

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

Land	\$ 1,419,682	\$ 1,419,682
Land improvements	12,235,873	12,142,254
Maritime assets	12,561,630	12,561,630
Buildings and improvements	<u>38,359,372</u>	<u>38,295,282</u>
Total	64,576,557	64,418,848
Less accumulated depreciation	<u>(33,544,080)</u>	<u>(32,339,731)</u>
Book value	<u>\$ 31,032,477</u>	<u>\$32,079,117</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

**7. Capital Assets**

Capital asset activity for the years ended June 30, 2010 and 2009 was as follows:

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2009</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2010</i>
Land	\$ 1,419,682	\$ -	\$ -	\$ 1,419,682
Land improvements	12,142,254	93,619	-	12,235,873
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,295,282	64,090	-	38,359,372
Machinery and equipment	2,086,229	11,573	(1,279,861)	817,941
Other assets	510,142	-	(391,539)	118,603
Construction in progress	<u>656,282</u>	<u>(99,542)</u>	<u>-</u>	<u>556,740</u>
Totals at historical cost	<u>67,671,501</u>	<u>69,740</u>	<u>(1,671,400)</u>	<u>66,069,841</u>
Less accumulated depreciation for:				
Land improvements	(9,088,999)	(166,221)	-	(9,255,220)
Maritime assets	(8,535,611)	(188,940)	-	(8,724,551)
Buildings and improvements	(14,715,121)	(849,188)	-	(15,564,309)
Machinery and equipment	(1,538,592)	(151,971)	1,279,861	(410,702)
Other assets	<u>(491,027)</u>	<u>(3,602)</u>	<u>391,539</u>	<u>(103,090)</u>
Capital assets, net	<u>\$ 33,302,151</u>	<u>\$ (1,290,182)</u>	<u>\$ -</u>	<u>\$ 32,011,969</u>

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2008</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2009</i>
Land	\$ 1,419,682	\$ -	\$ -	\$ 1,419,682
Land improvements	12,039,161	103,093	-	12,142,254
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	30,635,918	7,659,364	-	38,295,282
Machinery and equipment	2,021,302	64,927	-	2,086,229
Other assets	499,146	10,996	-	510,142
Construction in progress	<u>7,597,165</u>	<u>(6,940,883)</u>	<u>-</u>	<u>656,282</u>
Totals at historical cost	<u>66,774,004</u>	<u>897,497</u>	<u>-</u>	<u>67,671,501</u>
Less accumulated depreciation for:				
Land improvements	(8,927,123)	(161,876)	-	(9,088,999)
Maritime assets	(8,346,671)	(188,940)	-	(8,535,611)
Buildings and improvements	(13,948,609)	(766,512)	-	(14,715,121)
Machinery and equipment	(1,396,750)	(141,842)	-	(1,538,592)
Other assets	<u>(480,695)</u>	<u>(10,332)</u>	<u>-</u>	<u>(491,027)</u>
Capital assets, net	<u>\$ 33,674,156</u>	<u>\$ (372,005)</u>	<u>\$ -</u>	<u>\$ 33,302,151</u>

Depreciation expense for the years ended June 30, 2010 and 2009 totaled \$1,359,924 and \$1,269,502, respectively.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

8. ***Mortgage Payable***

Mortgage payable consisted of the following:

	2010	2009
Massachusetts Development Finance Agency (MDFA) - mortgage note bearing interest at 5% through February 28, 2010, and 5.83% thereafter, due in June, 2017.	\$ -	\$1,644,200
City of Boston - Urban Development Action Grant (UDAG) loan bearing interest at 3% beginning in June 1990, due in June, 2012.	363,343	543,809
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 was 1.9% at June 30, 2010 and 2009.	<u>1,215,462</u>	<u>1,545,479</u>
Total mortgage payable	1,578,805	3,733,488
Less current portion	<u>(544,214)</u>	<u>(681,015)</u>
Total long-term portion	<u>\$1,034,591</u>	<u>\$3,052,473</u>

The MDFA note is secured by a mortgage on land and buildings located at the BMIP. This note was paid off in June 2010 from the proceeds of the Public Parking Facilities Bond 2010 Series (Note 10). The UDAG loan is secured by a second mortgage on the Boston Army Base property and improvements financed with the proceeds of the loan.

The Citizens Bank note is secured by a mortgage on 23-25 Drydock Ave. EDIC entered into an interest rate swap agreement with Citizens Bank to limit the effect of increases in interest rates on its mortgage note payable. The notional principal amount of the swap agreement is \$2,970,000. The effect of the agreement is to limit the interest rate expense to 4.49% on the original \$2,970,000 principal through the term of the swap agreement, which expires on December 19, 2013. EDIC holds the interest rate swap agreement for the purpose of hedging the risk of the variability of cash flow caused by the movement of the interest rate on its note payable, and not for speculation purposes.

The fair value of the swap agreement at June 30, 2010 is an \$81,274 and \$93,513 liability at June 30, 2010 and 2009. The change in the fair value of the swap agreement was a gain of \$12,239 and a loss of \$59,084 for the years ended June 30, 2010 and 2009, respectively, which is recorded in the statements of revenue, expenses, and changes in net assets as a component of the change in net assets.

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2010 and 2009

8. *Mortgage Payable - Continued*

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2011	\$ 544,214	\$ 55,985	\$ 600,199
6/30/2012	533,810	33,934	567,744
6/30/2013	383,112	14,257	397,369
6/30/2014	<u>117,669</u>	<u>930</u>	<u>118,599</u>
Total	<u>\$1,578,805</u>	<u>\$ 105,106</u>	<u>\$1,683,911</u>

9. *Notes Payable*

Notes payable consisted of the following:

	<i>2010</i>	<i>2009</i>
US Housing and Urban Development Section 108 loan due in March, 2015, bearing a variable interest rate, which was 6.4% at June 30, 2010 and 2009.	\$ 594,559	\$ 634,559
Less current portion	<u>(30,000)</u>	<u>(30,000)</u>
Total long-term portion	<u>\$ 564,559</u>	<u>\$ 604,559</u>

The above 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 are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2011	\$ 30,000	\$ 37,679	\$ 67,679
6/30/2012	40,000	35,364	75,364
6/30/2013	43,750	32,984	76,734
6/30/2014	48,750	30,332	79,082
6/30/2015	<u>432,059</u>	<u>33,974</u>	<u>466,033</u>
Total	<u>\$ 594,559</u>	<u>\$170,333</u>	<u>\$ 764,892</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

10. ***Bonds Payable***

Bonds payable consisted of the following:	2010	2009
<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. This term bond, totaling \$17,600,000 at June 30, 2010 bears interest at 4.5% per annum for a period of ten years. This fixed rate of interest will be readjusted for the subsequent ten year period based on the Federal Home Loan Bank plus 1.02%. The bond matures on July 21, 2030.	\$17,600,000	\$ -
<i>Public Parking Facility Bonds, 2005 Series</i>		
Issued for construction addition and refinancing of the existing parking garage in the BMIP in May, 2005. Term bonds totaling \$13,205,000 at June 30, 2009 bear interest at 4.5% for the first five years, after which time the rate may be adjusted to a two-year, five-year, or fixed rate. The bonds mature on June 1, 2034.	-	13,205,000
Add unamortized bond premium	<u>-</u>	<u>119,252</u>
Total bonds payable	17,600,000	13,324,252
Less current portion	<u>(567,560)</u>	<u>(490,000)</u>
Total long-term portion	<u>\$17,032,440</u>	<u>\$12,834,252</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, Danversbank. This fund also holds bond proceeds that are restricted to pay the first three year's interest on the debt, classified as restricted cash and cash equivalents on the balance sheet. Amounts will be reimbursed to EDIC from this fund on a quarterly basis for interest payments paid by EDIC as part of the monthly debt service.

The Public Parking Facility Bonds Series 2005 was issued in May, 2005 at a premium totaling \$662,469. These Bonds were secured by a letter of credit issued to EDIC by State Street Financial Services in the amount of \$13,551,631 at June 30, 2009, in addition to all income and receipts of the parking garage. Debt service payments were drawn on this letter of credit and EDIC reimbursed State Street Financial Services on the next business day.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

10. **Bonds Payable - Continued**

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2011	\$ 567,560	\$ 747,311	\$ 1,314,871
6/30/2012	590,518	724,352	1,314,870
6/30/2013	618,459	696,412	1,314,871
6/30/2014	645,641	669,230	1,314,871
6/30/2015	674,018	640,853	1,314,871
6/30/16 - 6/30/20	3,838,099	2,736,285	6,574,384
6/30/21 - 6/30/25	4,761,376	1,812,978	6,574,354
6/30/26 - 6/30/30	<u>5,904,329</u>	<u>669,993</u>	<u>6,574,322</u>
<b>Total</b>	<b><u>\$17,600,000</u></b>	<b><u>\$8,697,414</u></b>	<b><u>\$26,297,414</u></b>

11. **Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2009</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2010</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 634,559	\$ -	\$ (40,000)	\$ 594,559	\$ 30,000
Mortgages	3,733,488	-	(2,154,683)	1,578,805	544,214
Bonds	<u>13,324,252</u>	<u>17,600,000</u>	<u>(13,324,252)</u>	<u>17,600,000</u>	<u>567,560</u>
<b>Total</b>	<b><u>\$ 17,692,299</u></b>	<b><u>\$17,600,000</u></b>	<b><u>\$(15,518,935)</u></b>	<b><u>\$ 19,773,364</u></b>	<b><u>\$ 1,141,774</u></b>

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2008</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2009</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 678,309	\$ -	\$ (43,750)	\$ 634,559	\$ 30,000
Mortgages	4,373,737	-	(640,249)	3,733,488	681,015
Bonds	<u>13,931,744</u>	-	<u>(607,492)</u>	<u>13,324,252</u>	<u>490,000</u>
<b>Total</b>	<b><u>\$ 18,983,790</u></b>	<b><u>\$ -</u></b>	<b><u>\$(1,291,491)</u></b>	<b><u>\$ 17,692,299</u></b>	<b><u>\$ 1,201,015</u></b>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

12. ***Lease Commitments***

EDIC has entered into operating lease agreements for office space, and is responsible for paying monthly rent for office space leased by the City of Boston. These leases are used for JCS programs, and expire between fiscal years 2010 and 2012. EDIC is also responsible for additional rent for increases in real estate tax and building operating expenses over the base years of the leases. In addition, EDIC is committed to pay approximately 65% of the monthly payments for office equipment leased by the Boston Redevelopment Authority (a related party) through fiscal year 2012, totaling \$3,111 per month. Rental expense on operating leases totaled \$265,360 and \$346,214 for the years ended June 30, 2010 and 2009, respectively.

Future minimum payments for these lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/11	353,176
6/30/12	<u>231,836</u>
Total	<u>\$ 585,012</u>

13. ***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents and accrued interest receivable approximate 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.

14. ***Related Party Transactions***

EDIC had zero balancing checking accounts with Citizens Bank during fiscal year 2009, whereby daily transactions were transferred out of/into these accounts to/from a related parent account which invested in U.S. Treasury certificates and repurchase agreements consisting of U.S. Government securities. EDIC shared this parent account with Boston Industrial Development Financing Authority (BIDFA) and Boston Local Development Corporation (BLDC), and interest was allocated to each. EDIC performs financial management services and shares common employees and officers with both BIDFA and BLDC. These accounts were closed during fiscal year 2009.



**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

14. *Related Party Transactions - Continued*

Boston Connects, Inc. (BCI) was organized for the purposes of implementing the City of Boston's strategic plan entitled "Boston Connects People to Economic Opportunity" that was submitted to the Federal government in an application for an Empowerment Zone Planning and Implementation grant. BCI has contracted with EDIC to act as fiscal agent to BCI for purposes of receiving and disbursing all funds for programmatic and administrative uses as directed by BCI. EDIC also provides fiscal, procurement, and monitoring services under the contract. BCI grant funding passed through EDIC for the years ending June 30, 2010 and 2009, totaled approximately \$875,000 and \$1,309,000, respectively.

BLDC, BIDFA, and BCI 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>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
BIDFA	\$ 45,844	\$ 77,415	\$ 334,821	\$ 285,424
BLDC	\$ 257,967	\$ 280,342	\$ 586,835	\$ 433,999
BCI	\$ 357,997	\$ 433,882	\$ (117,616)	\$ (288,391)

EDIC has recorded an allowance for doubtful accounts for the total amounts owed from BIDFA and BLDC at June 30, 2010 and 2009.

The City of Boston's Property Management Department provided security and telephone services to EDIC, totaling \$510,771 and \$550,387 for the years ended June 30, 2010 and 2009, respectively. Amounts payable to the City of Boston at June 30, 2010 and 2009 for these services totaled \$197,731 and \$159,246, respectively.

EDIC received grants from the City of Boston for the year ended June 30, 2010 and 2009 for reimbursement of a portion of capital improvement activity at the BMIP, totaling \$55,400 and \$31,195, respectively. The City has also reimbursed EDIC for costs incurred by EDIC for the City's fiscal year 2010 cycling event, totaling \$155,836 for the year ended June 30, 2010. Amounts receivable from the City of Boston at June 30, 2010 and 2009 for this activity totaled \$8,381 and \$2,000, respectively.

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.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

**14. *Related Party Transactions - Continued***

The costs of BRA employees working on EDIC projects and/or JCS grants were billed to EDIC, totaling \$74,977 and \$79,087 for the years ended 2010 and 2009, respectively. In addition, EDIC billed BRA for JCS program costs totaling \$397,177 and \$57,674 for the years ended June 30, 2010 and 2009, respectively. EDIC paid insurance costs for the benefit of BRA totaling \$119,031 and \$223,901 for the years ended June 30, 2010 and 2009, respectively. BRA paid insurance costs for the benefit of EDIC for the year ended June 30, 2010 totaling \$128,019. EDIC has a net receivable for these transactions from BRA totaling \$698,107 and \$213,604 at June 30, 2010 and 2009, respectively.

In fiscal year 2003, EDIC sold the Crosstown Industrial Park (CIP) to BRA for a sales price of \$4,134,695. EDIC received cash totaling \$3,400,000 for the sale, which was used to pay lease termination fees to two EDIC tenants at the CIP. The balance of the sales price, totaling \$734,695, was recorded as an interest-free long term receivable, which will be paid by BRA in future years through rental income collected from the developer of the property. This receivable has an outstanding balance of \$197,369 and \$285,588 for the years ended June 30, 2010 and 2009, respectively. Management has estimated the current portion of this receivable is \$90,000 as of the years then ended, which is classified as accounts receivable on the balance sheet. The balance of this receivable is included in long-term related party receivables on the balance sheet.

In October 2008, the EDIC board of directors approved a \$1.9 million noninterest bearing demand loan to BRA in order to finance BRA's purchase of approximately eight acres of industrial land in East Boston. BRA paid back this loan in fiscal year 2009.

In June 2009, the EDIC board of directors approved a \$1 million noninterest bearing loan to BRA, with principal and interest due in a lump sum after ten years. This loan was disbursed in June 2010. In September 2010, the BRA board of directors voted to reclassify this disbursement as a grant to BRA. This amount is recorded as grants/contracts to related party and community based organizations on the statement of activities for the year ended June 30, 2010.

**15. *Concentrations***

EDIC maintains its cash accounts at five financial institutions. Balances in two institutions 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. The uninsured/unsecured balances at June 30, 2010 and 2009 totaled \$922,964 and \$2,026,249, respectively. EDIC has not experienced any losses in these accounts. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

As of June 30, 2010 and 2009 approximately 36% and 29%, respectively, of EDIC's net accounts receivable are due from BRA.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2010 and 2009

**16. 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, 2010 and 2009 was approximately \$987,000 and \$1,041,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$764,000 and \$840,000, respectively.

**17. 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.

**18. Subsequent Events**

EDIC has evaluated subsequent events through October 25, 2010, which is the date the financial statements were issued. In September 2010, the BRA board of directors voted to reclassify a \$1 million noninterest bearing loan issued to BRA in June 2010 as a grant to BRA (Note 14). There are no other 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, which are necessary to disclose to keep the financial statements from being misleading.

**COMBINING SCHEDULE OF  
REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**Economic Development and Industrial Corporation of Boston**  
Combining Schedule of Revenues and Expenses  
For the Year Ended June 30, 2010

	<i>EDIC</i>	<i>JCS</i>	<i>Total</i>
	<i>Operations</i>	<i>Operations</i>	
<i>Operating Revenues</i>			
Grant/contract income	\$ 200,990	\$14,954,691	\$15,155,681
Contributions	-	1,426,888	1,426,888
Rental income	15,369,328	-	15,369,328
Interest income	74,765	-	74,765
Miscellaneous income	828,056	-	828,056
	<u>16,473,139</u>	<u>16,381,579</u>	<u>32,854,718</u>
<i>Operating Expenses</i>			
Salaries	5,006,961	4,204,391	9,211,352
Fringe benefits	1,832,282	1,500,687	3,332,969
Grants/contracts to related party and community based organizations	1,390,000	9,726,523	11,116,523
Utilities	2,544,300	25,166	2,569,466
Security and maintenance	850,784	82,648	933,432
Travel and transportation	48,766	40,931	89,697
Insurance	286,573	-	286,573
Professional fees	995,435	2,647,060	3,642,495
Printing	16,569	26,690	43,259
Provision for uncollectible accounts/bad debt expense	476,463	-	476,463
Depreciation	1,359,924	-	1,359,924
Supplies	25,869	45,177	71,046
Rental expense	22,260	243,100	265,360
Telecommunications	45,889	66,984	112,873
Professional development	3,507	63,157	66,664
Data processing	42,748	105,143	147,891
Marketing	62,415	1,711	64,126
Educational supplies	-	148,617	148,617
Interest expense	976,184	-	976,184
Bank service costs	109,312	-	109,312
Other expense	81,074	17,006	98,080
	<u>16,177,315</u>	<u>18,944,991</u>	<u>35,122,306</u>
Change in net assets	<u>\$ 295,824</u>	<u>\$ (2,563,412)</u>	<u>\$ (2,267,588)</u>