

**Economic Development and Industrial
Corporation of Boston**

Financial Statements
and
Auditors' Reports

June 30, 2011 and 2010



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>

**Economic Development and Industrial
Corporation of Boston**

Contents

Independent Auditors' Report	1
Management Discussion and Analysis	3
Balance Sheets	12
Statements of Revenues, Expenses, and Changes in Net Assets	13
Statements of Cash Flows	14
Notes to Financial Statements	16
Combining Schedule of Revenues and Expenses	30
Independent Auditors' Report on Schedule of Federal Awards	32
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	39
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Audit Findings	46

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, 2011 and 2010, 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, 2011 and 2010, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining schedule of revenues and expenses for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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.

Daniel Dennis + Company LLP

October 27, 2011

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis
(Unaudited)
June 30, 2011

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, 2011. 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 12.

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, 2011 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, 2011

Financial Highlights

- Assets exceeded liabilities by \$24,803,217 at the close of the fiscal year.
- Revenues decreased by \$1,794,704 or 6% from the previous fiscal year.
- Expenses decreased by \$3,485,226 or 10% from the previous fiscal year.
- Net assets decreased \$577,066 from the previous fiscal year.

Balance Sheet

The following table shows assets, liabilities and net assets for the years ended June 30, 2011 and 2010, and the related fluctuations in these accounts between these two fiscal years:

	2011	2010	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 9,204,553	\$ 9,393,775	\$ (189,222)
Cash and cash equivalents - restricted	1,420,764	2,168,074	(747,310)
Accounts receivable (net)	2,307,354	2,464,699	(157,345)
Grants/contracts receivable	2,676,827	4,512,561	(1,835,734)
Other current assets	369,047	394,363	(25,316)
Capital assets	67,825,659	66,069,841	1,755,818
Accumulated depreciation	(35,306,150)	(34,057,872)	(1,248,278)
Debt issuance costs - net	<u>97,813</u>	<u>109,809</u>	<u>(11,996)</u>
Total assets	<u>\$ 48,595,867</u>	<u>\$ 51,055,250</u>	<u>\$ (2,459,383)</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 2,938,818	\$ 2,452,856	\$ 485,962
Grant/contracts payable	1,504,857	2,109,499	(604,642)
Long-term debt (inclusive of the related short-term portion)	18,621,643	19,773,364	(1,151,721)
Deferred revenue	107,298	188,543	(81,245)
Deferred grants/contracts	-	503,363	(503,363)
Other liabilities	<u>620,034</u>	<u>647,342</u>	<u>(27,308)</u>
Total liabilities	<u>\$ 23,792,650</u>	<u>\$ 25,674,967</u>	<u>\$ (1,882,317)</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - Continued
 June 30, 2011

	2011	2010	<i>Increase/ (Decrease)</i>
<i>Net Assets</i>			
Invested in capital assets, net of related debt	\$ 15,318,630	\$ 14,406,679	\$ 911,951
Restricted for grant programs	703,526	-	703,526
Unrestricted	<u>8,781,061</u>	<u>10,973,604</u>	<u>(2,192,543)</u>
Total net assets	<u>24,803,217</u>	<u>25,380,283</u>	<u>(577,066)</u>
Total liabilities and net assets	<u>\$ 48,595,867</u>	<u>\$ 51,055,250</u>	<u>\$ (2,459,383)</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 2011's net loss. These fluctuations are highlighted on the statement of cash flows on pages 14 and 15.

Cash and Cash Equivalents - Restricted

This decrease is a result of the fiscal year 2011 interest payments on the new bond debt. These funds represent bond proceeds restricted to pay the first three year's interest on the fiscal year 2010 bond debt.

Accounts Receivable - Net

This net decrease is a combined result of a decrease in related party receivables totaling approximately \$597,000, an offsetting increase in rental activity (operating) receivables totaling approximately \$1.35 million, and an offsetting increase in the allowance for doubtful operating accounts totaling approximately \$905,000 in fiscal year 2011. The decrease in the related party receivables is the result of a write-off of prior year related party receivables totaling approximately \$698,000.

Grants/Contracts Receivable

This decrease is primarily due a decrease in contract revenue during fiscal year 2011 totaling approximately \$2 million.

Capital Assets

This increase is primarily related to significant environmental, engineering, and security projects that were capitalized during fiscal year 2011.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2011

Accumulated Depreciation

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

Accounts Payable and Accrued Expenses

This increase is the combined result of an increase in vendor payables totaling approximately \$343,000, an increase in accrued payroll for the severance of the former director totaling \$60,000, and an increase in vacation and sick accruals totaling approximately \$82,000 at June 30, 2011.

Grants/ Contracts Payable

This decrease is primarily due to a decrease in accruals to Community Based Organizations totaling approximately \$600,000. This decrease is related to a decrease in grant revenue totaling approximately \$2,000,000 during fiscal year 2011.

Long Term Debt

This decrease is the net result of principal payments made throughout the fiscal year.

Deferred Grants/Contracts

This decrease is the result of advanced grant funding received by EDIC in prior years that was recognized as grant income as a result of incurring related grant costs in fiscal year 2011.

Net Assets Invested in Capital Assets, Net of Related Debt

This increase is the result of a net increase in capital assets after depreciation totaling approximately \$508,000, a decrease in bond proceeds held in escrow totaling approximately \$747,000 and a decrease of outstanding debt related to capital assets totaling approximately \$1,152,000.

Net Assets Restricted for Grant Programs

This increase is the result of receiving a Federal grant in fiscal year 2011 to establish a revolving loan fund for environmental clean-up of City of Boston properties.

Net Assets Unrestricted

This decrease is the combined result of increases in both net assets invested in capital assets, net of related debt, and net assets restricted for grant programs, as noted above, and a decrease in net assets totaling approximately \$577,000 for the year ended June 30, 2011.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - Continued
 June 30, 2011

Statement of Revenues, Expenses, and Changes in Net Assets

The following table shows revenues and expenses for the years ended June 30, 2011 and 2010, and the related fluctuations in these accounts between these two fiscal years:

	2011	2010	<i>Increase/ (Decrease)</i>
<i>Operating Revenue</i>			
Grant/contract income	\$13,061,548	\$15,155,681	\$ (2,094,133)
Contributions	1,589,098	1,426,888	162,210
Rental income	15,959,691	15,369,328	590,363
Other income	<u>449,677</u>	<u>902,821</u>	<u>(453,144)</u>
Total operating revenues	<u>31,060,014</u>	<u>32,854,718</u>	<u>(1,794,704)</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,397,482	12,544,321	(146,839)
Grants/contracts to related party and community based organizations	7,551,003	11,116,523	(3,565,520)
Security and maintenance	1,196,155	933,432	262,723
Professional fees	2,962,650	3,642,495	(679,845)
Bad debt expense	1,486,721	476,463	1,010,258
Depreciation	1,248,277	1,359,924	(111,647)
Supplies and services	3,631,449	3,600,212	31,237
Rental expense	201,057	265,360	(64,303)
Interest expense/bank service costs	838,512	1,085,496	(246,984)
Other expenses	<u>123,774</u>	<u>98,080</u>	<u>25,694</u>
Total operating expenses	<u>31,637,080</u>	<u>35,122,306</u>	<u>(3,485,226)</u>
Change in net assets	(577,066)	(2,267,588)	1,690,522
Net assets at beginning of year	<u>25,380,283</u>	<u>27,647,871</u>	<u>(2,267,588)</u>
Net assets at end of year	<u>\$24,803,217</u>	<u>\$25,380,283</u>	<u>\$ (577,066)</u>

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

Grant/Contract Income

This decrease is primarily the results of a decrease in Commonwealth of Massachusetts Workforce Investment Act (WIA) grant funding totaling approximately \$3.3 million due to American Recovery and Reinvestment Act (ARRA) funding being closed-out during this period, a decrease in Juvenile Justice & Delinquency funding totaling approximately \$185,000, and a decrease in other WIA funding totaling approximately \$51,000. These decreases were offset by an increase in state grant funding totaling approximately \$240,000, an increase in revolving loan funding totaling approximately \$704,000, an increase in Sector Regional Strategies grant funding totaling approximately \$364,000, and an increase in 2nd Chance Act grant funding totaling approximately \$130,000.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2011

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 increase in fiscal year 2011 revenue is the combined result of an increase in contributions received in fiscal year 2011 and an increase 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 tenant rental income totaling approximately \$197,000, an increase in payment in-lieu-of tax income of \$183,000, and an increase in percentage rent income of \$205,000.

Other Income

This decrease is primarily due to the combination of a one-time reimbursement from the City of Boston being received during fiscal year 2010 totaling approximately \$155,000, prior year inclusionary labor reimbursement income totaling approximately \$173,000 being recorded during fiscal year 2010, and old security deposit balances totaling approximately \$152,000 written off to income during fiscal year 2010. These were one-time transactions that did not reoccur during fiscal year 2011.

Salaries and Fringe Benefits

This decrease is primarily the result of the dissolution of Boston Connects Inc. which took place during the second half of fiscal year 2010.

Grants/Contracts to Related Party and Community Based Organizations

This decrease is a combined result of a \$1 million grant which was made to a related party in fiscal year 2010, along with additional decreases in Community Based Organization subawards due to the close-out of WIA ARRA funding during fiscal year 2011.

Security and Maintenance

This increase was a combined result of an increase in building repairs totaling approximately \$71,000, an increase in supplies and equipment totaling approximately \$43,000, an increase in security costs totaling approximately \$106,000, and an increase in landscaping totaling approximately \$33,000.

Professional Fees

This decrease is the combined result of a decrease in retraining services of approximately \$645,000 and a decrease in planning and economic development services totaling approximately \$146,000. These decreases were offset by an increase in jobs and community service activity totaling approximately \$112,000.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - Continued
 June 30, 2011

Bad Debt Expense

This increase is due to a write-off of a related party receivable during fiscal year 2011 totaling approximately \$1,000,000.

Depreciation Expense

This decrease was the combined result of a write-off of assets in fiscal year 2010 that were no longer in service, and several assets that became fully depreciated during fiscal year 2010.

Interest Expense/Bank Service Costs

This decrease is the combined result of mortgage loan being paid off during fiscal year 2010 and annual interest payments on debt decreasing based on lower principal balances.

Analysis of Significant Variations between Budget Amounts

The following table shows a comparison of revenues and expenses for the year ended June 30, 2011 and budgeted revenue and expenses, and the related fluctuations:

	2011	Budget	Increase/ (Decrease)
<i>Operating Revenue</i>			
Grant/contract income	\$ 13,061,548	\$ 12,564,080	\$ 497,468
Rental income	15,959,691	15,756,207	203,484
Contributions	1,589,098	1,721,432	(132,334)
Other income	<u>449,677</u>	<u>351,450</u>	<u>98,227</u>
Total operating revenues	<u>31,060,014</u>	<u>30,393,169</u>	<u>666,845</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,397,482	12,117,471	280,011
Grants/contracts to related party and community based organizations	7,551,003	7,710,422	(159,419)
Security and maintenance	1,196,155	1,005,000	191,155
Professional fees	2,962,650	3,180,843	(218,193)
Bad debt expense	1,486,721	500,000	986,721
Depreciation	1,248,277	1,500,000	(251,723)
Supplies and services	3,631,449	3,193,530	437,919
Rental expense	201,057	285,000	(83,943)
Interest expense/bank service costs	838,512	831,000	7,512
Other expenses	<u>123,774</u>	<u>15,670</u>	<u>108,104</u>
Total operating expenses	<u>31,637,080</u>	<u>30,338,936</u>	<u>1,298,144</u>
Change in net assets	<u>\$ (577,066)</u>	<u>\$ 54,233</u>	<u>\$ (631,299)</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2011

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

Grant/Contract Income

This increase was a result of receiving an unbudgeted Environmental Protection Agency grant totaling approximately \$707,000 in fiscal year 2011, which was somewhat offset due to unspent budgeted grant program revenue carried over to fiscal 2012 totaling approximately \$155,000.

Rental Income

This increase was the result of the budget treatment of parking revenue and the related management fees for operations. The budget shows a net total, while the actual is a gross total, resulting in a difference of approximately \$361,000 (see explanation for fluctuation in professional fees below). Additionally, property expense reimbursement billing is approximately \$65,000 less than the budget and property lease revenue is approximately \$100,000 less than budget.

Salaries and Fringe Benefits

This increase was the result of contract labor budgeted as grant expense but recorded as salary expense.

Security and Maintenance

This increase was the result of additional spending in both building repairs and snow removal costs.

Professional Fees

This decrease is the net result of less than budgeted spending for professional fees totaling approximately \$579,000, offset by parking management operation fees totaling approximately \$361,000 that are netted against rental income for the budget, while these amounts are reported at gross amounts.

Bad Debt Expense

This increase is due to a write-off of a related party receivable during fiscal year 2011 totaling approximately \$1,000,000 that was not anticipated in the original budget.

Depreciation

This decrease was the combined result of a delay of anticipated capital projects being completed in fiscal year 2011, as well as the retirement of assets and their accompanying depreciation.

Supplies and Services

This increase is the combined result of JCS budgeted expenditures recorded under supplies and services and budgeted as grant expense totaling approximately \$218,000, insurance costs exceeding the budgeted amount by approximately \$95,000 and increased utility costs exceeding the budgeted amount by approximately \$125,000.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2011

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, 9th Floor, Boston City Hall.

Economic Development and Industrial Corporation of Boston
Balance Sheets
June 30, 2011 and 2010

<i>Assets</i>	2011	2010	<i>Liabilities and Net Assets</i>	2011	2010
<i>Current Assets</i>			<i>Current Liabilities</i>		
Cash and cash equivalents - unrestricted	\$ 9,204,553	\$ 9,393,775	Accounts payable	\$ 876,995	\$ 533,128
Cash and cash equivalents - restricted	724,352	747,311	Grants/contracts payable	1,504,857	2,109,499
Accounts receivable (net of allowance for doubtful accounts)	1,944,642	1,516,505	Accrued expenses	2,061,823	1,919,728
Related party receivables (net of allowance for doubtful accounts)	345,277	840,825	Deferred revenue	107,298	188,543
Grants/contracts receivable	2,676,827	4,512,561	Current portion of long-term liabilities	<u>1,154,682</u>	<u>1,141,774</u>
Other assets	<u>369,047</u>	<u>394,363</u>	Total current liabilities	<u>5,705,655</u>	<u>5,892,672</u>
Total current assets	<u>15,264,698</u>	<u>17,405,340</u>	<i>Long-Term Liabilities</i>		
<i>Capital Assets</i>			Notes payables	524,559	564,559
Land	2,100,909	1,419,682	Mortgage payable	500,480	1,034,591
Land improvements	12,142,254	12,142,254	Bonds payable	<u>16,441,922</u>	<u>17,032,440</u>
Maritime assets	12,561,630	12,561,630	Total long-term liabilities	<u>17,466,961</u>	<u>18,631,590</u>
Buildings and improvements	38,379,072	38,359,372	<i>Other Liabilities</i>		
Machinery and equipment	844,586	817,941	Security deposits	620,034	647,342
Other assets	118,603	118,603	Deferred grants/contracts	-	503,363
Construction in progress	1,678,605	650,359	Total other liabilities	<u>620,034</u>	<u>1,150,705</u>
Less accumulated depreciation	<u>(35,306,150)</u>	<u>(34,057,872)</u>	Total liabilities	<u>23,792,650</u>	<u>25,674,967</u>
Capital assets - net	<u>32,519,509</u>	<u>32,011,969</u>	<i>Net Assets</i>		
<i>Other Assets</i>			Invested in capital assets, net of related debt	15,318,630	14,406,679
Debt issuance costs - net	97,813	109,809	Restricted for grant programs	703,526	-
Cash and cash equivalents - restricted	696,412	1,420,763	Unrestricted	<u>8,781,061</u>	<u>10,973,604</u>
Long-term related party receivables	<u>17,435</u>	<u>107,369</u>	Total net assets	<u>24,803,217</u>	<u>25,380,283</u>
Total other assets	<u>811,660</u>	<u>1,637,941</u>	Total liabilities and net assets	<u>\$ 48,595,867</u>	<u>\$ 51,055,250</u>
Total assets	<u>\$ 48,595,867</u>	<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, 2011 and 2010

	<i>2011</i>	<i>2010</i>
<i>Operating Revenues</i>		
Grant/contract income	\$13,061,548	\$ 15,155,681
Contributions	1,589,098	1,426,888
Rental income	15,959,691	15,369,328
Interest income	40,462	74,765
Miscellaneous income	<u>409,215</u>	<u>828,056</u>
Total operating revenues	<u>31,060,014</u>	<u>32,854,718</u>
<i>Operating Expenses</i>		
Salaries	9,110,396	9,211,352
Fringe benefits	3,287,086	3,332,969
Grants/contracts to related party and community based organizations	7,551,003	11,116,523
Utilities	2,623,095	2,569,466
Security and maintenance	1,196,155	933,432
Travel and transportation	77,467	89,697
Insurance	405,919	286,573
Professional fees	2,962,650	3,642,495
Printing	48,414	43,259
Provision for uncollectible accounts/ bad debt expense	1,486,721	476,463
Depreciation	1,248,277	1,359,924
Supplies	70,423	71,046
Rental expense	201,057	265,360
Telecommunications	94,498	112,873
Professional development	40,898	66,664
Data processing	72,925	147,891
Marketing	41,780	64,126
Educational supplies	156,030	148,617
Interest expense	837,962	976,184
Bank service costs	550	109,312
Other expense	<u>123,774</u>	<u>98,080</u>
Total operating expenses	<u>31,637,080</u>	<u>35,122,306</u>
Change in net assets	(577,066)	(2,267,588)
Net assets at beginning of year	<u>25,380,283</u>	<u>27,647,871</u>
Net assets at end of year	<u>\$24,803,217</u>	<u>\$ 25,380,283</u>

See accompanying notes to financial statements.

Economic Development and Industrial Corporation of Boston
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<i>2011</i>	<i>2010</i>
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 15,901,772	\$ 18,480,133
Receipts from tenants	14,922,289	14,956,961
Receipts from interest	40,462	78,476
Receipts from affiliates	89,934	88,219
Payments to employees	(8,980,741)	(9,498,976)
Payments for employee benefits	(3,320,388)	(3,502,192)
Payments to community based organizations	(8,155,645)	(11,918,923)
Payments to vendors and suppliers	(7,700,417)	(9,392,506)
Payments to affiliates	-	1,000,000
Payments for interest	<u>(826,259)</u>	<u>(923,263)</u>
Net cash provided by/(used in) operating activities	<u>1,971,007</u>	<u>(632,071)</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(1,755,818)	(69,740)
Proceeds from bond issuance	-	5,014,676
Principal payments on debt	<u>(1,151,721)</u>	<u>(2,924,170)</u>
Net cash provided by/(used in) capital and related financing activities	<u>(2,907,539)</u>	<u>2,020,766</u>
Net increase/(decrease) in cash and cash equivalents	(936,532)	1,388,695
Cash and cash equivalents - beginning of year	<u>11,561,849</u>	<u>10,173,154</u>
Cash and cash equivalents - end of year	<u>\$ 10,625,317</u>	<u>\$ 11,561,849</u>
<i>Reconciliation to Cash and Cash Equivalents on the Balance Sheet</i>		
	<i>2011</i>	<i>2010</i>
Cash and cash equivalents - unrestricted	\$ 9,204,553	\$ 9,393,775
Cash and cash equivalents - restricted, current	724,352	747,311
Cash and cash equivalents - restricted, noncurrent	<u>696,412</u>	<u>1,420,763</u>
Total	<u>\$ 10,625,317</u>	<u>\$ 11,561,849</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, 2011 and 2010

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

	2011	2010
Change in net assets	\$ (577,066)	\$ (2,267,588)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,248,277	1,359,924
Provision for uncollectible accounts	1,486,721	476,463
Amortization of debt issuance costs	11,996	232,395
Amortization of bond premium	-	(119,252)
(Increase) in accounts receivable	(1,914,858)	(1,101,277)
Decrease in grants/contracts receivable	1,332,371	1,925,369
Decrease in accrued interest receivable	-	3,711
(Increase)/decrease in other assets	25,316	(137,270)
Decrease in related party receivables	585,482	88,219
Increase/(decrease) in accounts payable	343,868	(962,573)
Increase/(decrease) in grants/contracts payable	(604,642)	197,601
Increase/(decrease) in accrued expenses	142,095	(160,841)
(Decrease) in security deposits	(27,308)	(139,146)
(Decrease) in deferred revenue	(81,245)	(28,423)
Increase in deferred grants	-	617
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>\$ 1,971,007</u>	<u>\$ (632,071)</u>

Noncash Capital and Related Financing Activities

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

See accompanying notes to financial statements.

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements
June 30, 2011 and 2010

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 both JCS activities and EDIC's revolving loan fund (Note 15). 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 \$1,029,516 and \$2,287,377 at June 30, 2011 and 2010, respectively. Management has determined that all grants/contracts receivable are collectible for the years then ended; therefore, no related allowance has been recorded.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

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, 2011 and 2010.

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, 2011 and 2010 totaled \$837,962, and \$976,184, 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.

Reclassifications - Certain reclassifications have been made to the fiscal year 2010 amounts to conform with the fiscal year 2011 presentation.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

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

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

	2011	2010
Cost of capital assets acquired	\$ 67,825,659	\$66,069,841
Less accumulated depreciation	(35,306,150)	(34,057,872)
Less outstanding debt related to capital assets	(18,621,643)	(19,773,364)
Add restricted debt proceeds	<u>1,420,764</u>	<u>2,168,074</u>
Net assets invested in capital assets, net	<u>\$ 15,318,630</u>	<u>\$14,406,679</u>

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

Cash and cash equivalents as of June 30, 2011 and 2010 consisted of the following:

<i>Description</i>	2011	2010
Federally insured (FDIC) deposits	\$ 256,353	\$ 283,388
MA Depositor's Insurance Fund (DIF) insured deposits	5,934,904	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	4,095,241	5,936,667
Uncollateralized/unsecured deposits	<u>977,566</u>	<u>922,964</u>
Sub-total	11,264,064	12,198,308
Less net outstanding transactions	<u>(638,747)</u>	<u>(636,459)</u>
Total cash and cash equivalents	<u>\$10,625,317</u>	<u>\$11,561,849</u>

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

Deferred revenue at June 30, 2011 and 2010 totaling \$107,298 and \$188,543, 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 totaling \$503,363 represents a grant received in advance, and interest earned there on, which was used in fiscal year 2011 in accordance with the grant/contract agreement (Note 15).

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

6. *Leasing Activities*

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$10,216,748 and \$9,631,424, for the year ended June 30, 2011 and 2010, 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 \$3,000,330 and \$2,967,994 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 \$2,742,613 and \$2,769,910, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$620,034 and \$647,342 at June 30, 2011 and 2010, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
6/30/12	\$ 7,714,210
6/30/13	\$ 7,999,262
6/30/14	\$ 7,640,502
6/30/15	\$ 7,486,257
6/30/16	\$ 7,317,521

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 \$1,872,223 and \$1,483,600 for the years ended June 30, 2011 and 2010, respectively.

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

	<i>2011</i>	<i>2010</i>
Land	\$ 2,100,909	\$ 1,419,682
Land improvements	12,142,254	12,142,254
Maritime assets	12,561,630	12,561,630
Buildings and improvements	<u>38,379,072</u>	<u>38,359,372</u>
Total	65,183,865	64,482,938
Less accumulated depreciation	<u>(34,665,984)</u>	<u>(33,544,080)</u>
Book value	<u>\$ 30,517,881</u>	<u>\$30,938,858</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

7. Capital Assets

Capital asset activity for the years ended June 30, 2011 and 2010 was as follows:

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2010</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2011</i>
Land	\$ 1,419,682	\$ 681,227	\$ -	\$ 2,100,909
Land improvements	12,142,254	-	-	12,142,254
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,359,372	19,700	-	38,379,072
Machinery and equipment	817,941	26,645	-	844,586
Other assets	118,603	-	-	118,603
Construction in progress	<u>650,359</u>	<u>1,028,246</u>	<u>-</u>	<u>1,678,605</u>
Totals at historical cost	<u>66,069,841</u>	<u>1,755,818</u>	<u>-</u>	<u>67,825,659</u>

Less accumulated depreciation for:

Land improvements	(9,255,220)	(129,350)	-	(9,384,570)
Maritime assets	(8,724,551)	(117,835)	-	(8,842,386)
Buildings and improvements	(15,564,309)	(874,719)	-	(16,439,028)
Machinery and equipment	(410,702)	(123,723)	-	(534,425)
Other assets	<u>(103,090)</u>	<u>(2,651)</u>	<u>-</u>	<u>(105,741)</u>
Capital assets, net	<u>\$ 32,011,969</u>	<u>\$ 507,540</u>	<u>\$ -</u>	<u>\$ 32,519,509</u>

	<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	-	-	12,142,254
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>(5,923)</u>	<u>-</u>	<u>650,359</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>

Depreciation expense for the years ended June 30, 2011 and 2010 totaled \$1,248,277 and \$1,359,924, respectively.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

8. Mortgage Payable

Mortgage payable consisted of the following:

	<i>2011</i>	<i>2010</i>
City of Boston - Urban Development Action Grant (UDAG) loan bearing interest at 3% beginning in June 1990, due in June, 2012.	\$ 169,496	\$363,343
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 1.7% and 1.8% at June 30, 2011 and 2010.	<u>865,090</u>	<u>1,215,462</u>
Total mortgage payable	1,034,586	1,578,805
Less current portion	<u>(534,106)</u>	<u>(544,214)</u>
Total long-term portion	<u>\$ 500,480</u>	<u>\$1,034,591</u>

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, 2011 is a liability of \$48,384 and \$81,274 at June 30, 2011 and 2010. The change in the fair value of the swap agreement was a gain of \$32,890 and \$12,239 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010

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>
6/30/2012	\$ 534,106	\$ 33,934	\$ 568,040
6/30/2013	383,112	14,257	397,369
6/30/2014	<u>117,368</u>	<u>930</u>	<u>118,298</u>
Total	<u>\$1,034,586</u>	<u>\$ 49,121</u>	<u>\$1,083,707</u>

9. ***Notes Payable***

Notes payable consisted of the following:

	<i>2011</i>	<i>2010</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, 2011 and 2010.	\$ 554,559	\$ 594,559
Less current portion	<u>(30,000)</u>	<u>(30,000)</u>
Total long-term portion	<u>\$ 524,559</u>	<u>\$ 564,559</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>
6/30/2012	\$ 30,000	\$ 35,364	\$ 65,364
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>\$ 554,559</u>	<u>\$132,654</u>	<u>\$ 687,213</u>

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

10. **Bonds Payable**

Bonds payable consisted of the following:

	<i>2011</i>	<i>2010</i>
<i>Public Parking Facility Bond, 2011 Series</i>		
Issued for construction additions and refinancing of the existing parking garage in the BMIP, and additional mortgage refinancing in June 2011. This term bond, totaling \$17,032,498 at June 30, 2011 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.	\$17,032,498	\$17,600,000
Less current portion	<u>(590,576)</u>	<u>(567,560)</u>
Total long-term portion	<u>\$16,441,922</u>	<u>\$17,032,440</u>

The Public Parking Facility Bond Series 2011 was issued in June, 2011 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.

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2012	\$ 590,576	\$ 724,352	\$ 1,314,928
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
6/30/2016	701,996	612,904	1,314,900
6/30/17 - 6/30/21	4,008,434	2,565,920	6,574,354
6/30/22 - 6/30/26	4,970,646	1,603,708	6,574,354
6/30/27 - 6/30/31	<u>4,822,728</u>	<u>436,723</u>	<u>5,259,451</u>
Total	<u>\$17,032,498</u>	<u>\$7,950,102</u>	<u>\$24,982,600</u>

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

11. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<i>Balance at June 30, 2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2011</i>	<i>Amounts Due Within One Year</i>
Notes	\$ 594,559	\$ -	\$ (40,000)	\$ 554,559	\$ 30,000
Mortgages	1,578,805	-	(544,219)	1,034,586	534,106
Bonds	<u>17,600,000</u>	<u>-</u>	<u>(567,502)</u>	<u>17,032,498</u>	<u>590,576</u>
Total	<u>\$ 19,773,364</u>	<u>\$ -</u>	<u>\$ (1,151,721)</u>	<u>\$ 18,621,643</u>	<u>\$ 1,154,682</u>

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

	<i>Balance at June 30, 2009</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance at June 30, 2010</i>	<i>Amounts Due Within 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>
Total	<u>\$ 17,692,299</u>	<u>\$17,600,000</u>	<u>\$ (15,518,935)</u>	<u>\$ 19,773,364</u>	<u>\$ 1,141,774</u>

12. Lease Commitments

EDIC has entered into an operating lease agreements for office space, and is responsible for paying monthly rent for another office space leased by the City of Boston. These leases are used for JCS programs and expire in fiscal year 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 has several operating leases for office equipment that expire on various dates between fiscal years 2012 and 2015. Rental expense on operating leases totaled \$201,057 and \$265,360 for the years ended June 30, 2011 and 2010, respectively.

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

12. *Lease Commitments - Continued*

Future minimum payments for these lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/12	243,085
6/30/13	19,337
6/30/14	16,704
6/30/15	<u>5,508</u>
Total	<u>\$ 284,634</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*

Affiliated Nonprofit Organizations

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

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. EDIC acts as fiscal agent to BCI for purposes of receiving and disbursing all funds for programmatic and administrative uses as directed by BCI. EDIC also provided fiscal, procurement, and monitoring services under the contract. BCI grant funding passed through EDIC for the years ending June 30, 2010, totaled approximately \$875,000.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

14. *Related Party Transactions - Continued*

BLDC, FYOB, 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>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
BLDC	\$ 238,339	\$ 257,967	\$ -	\$ 586,835
FYOB	\$ 159,936	\$ 138,968	\$ 254,620	\$ 50,586
BCI	\$ -	\$ 357,997	\$ -	\$ (117,616)
BIDFA	\$ 82,902	\$ 45,844	\$ -	\$ 334,821

EDIC recorded an allowance for doubtful accounts for the total amounts owed from BLDC and BIDFA at June 30, 2010. EDIC has written off accounts receivable from BLDC and BIDFA totaling \$824,037 and \$417,645, respectively, for the year ended June 30, 2011.

The City of Boston

The City of Boston's Property Management Department provided security services to EDIC, totaling \$596,807 and \$510,771 for the years ended June 30, 2011 and 2010, respectively. Amounts payable to the City of Boston at June 30, 2011 and 2010 for these services totaled \$86,627 and \$197,731, respectively.

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

Boston Redevelopment Authority

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

The costs of BRA employees working on EDIC projects and/or JCS grants were billed to EDIC, totaling \$78,359 and \$74,977 for the years ended 2011 and 2010, respectively. In addition, EDIC billed BRA for JCS program costs totaling \$232,361 and \$397,177 for the years ended June 30, 2011 and 2010, respectively. EDIC paid insurance costs for the benefit of BRA totaling \$158,337 and \$119,031 for the years ended June 30, 2011 and 2010, respectively. BRA paid insurance costs for the benefit of EDIC for the year ended June 30 2010 totaling \$128,019.

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

14. *Related Party Transactions - Continued*

EDIC had a net receivable from BRA for these transactions totaling \$698,107 at June 30, 2010. At June 30, 2011, EDIC has written off a receivable from BRA for these transactions totaling \$998,285, recorded as bad debt expense on the statement of revenues, expenses and changes in net assets for the year then ended.

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 \$107,435 and \$197,369 at June 30, 2011 and 2010, respectively. Management has estimated the current portion of this receivable is \$90,000 as of the years then ended, which is classified as related party receivable on the balance sheet. The balance of this receivable is included in long-term related party receivables on the balance sheet.

15. *Revolving Loan Fund*

EDIC received a \$1 million 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 Brownfields 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. Of this amount, \$475,000 had been advanced to EDIC in 2003 and recorded as deferred grants/contracts on the balance sheet. EDIC has recognized these funds, interest earned thereon, and an additional \$199,551 receivable from EPA at June 30, 2011 as grant/contract income during the year then ended. Costs related to the demolition and land cleanup totaling \$681,227 have been capitalized on the June 30, 2011 balance sheet as an addition to land.

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 Brownfields properties during the life of the fund. Funding for the RLF has been classified as net assets restricted for grant purposes on the June 20, 2011 balance sheet.

16. *Concentration*

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, 2011 and 2010 totaled \$977,566 and \$922,964, 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.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2011 and 2010

17. 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, 2011 and 2010 was approximately \$827,000 and \$987,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$652,000 and \$764,000, respectively.

18. 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.

19. Subsequent Events

EDIC has evaluated subsequent events through October 27, 2011, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events or events that provide evidence about conditions that did not exist at the statement of financial position date, but would be necessary to disclose to keep the financial statements from being misleading.

**COMBINING SCHEDULE OF
REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011**

Economic Development and Industrial Corporation of Boston
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2011

	<i>EDIC</i>	<i>JCS</i>	<i>Total</i>
	<i>Operations</i>	<i>Operations</i>	
<i>Operating Revenues</i>			
Grant/contract income	\$ 707,482	\$12,354,066	\$13,061,548
Contributions	-	1,589,098	1,589,098
Rental income	15,959,691	-	15,959,691
Interest income	40,462	-	40,462
Miscellaneous income	409,215	-	409,215
	<u>17,116,850</u>	<u>13,943,164</u>	<u>31,060,014</u>
<i>Operating Expenses</i>			
Salaries	4,900,585	4,209,811	9,110,396
Fringe benefits	1,730,753	1,556,333	3,287,086
Grants/contracts to related party and community based organizations	-	7,551,003	7,551,003
Utilities	2,599,381	23,714	2,623,095
Security and maintenance	1,132,200	63,955	1,196,155
Travel and transportation	50,060	27,407	77,467
Insurance	404,262	1,657	405,919
Professional fees	766,307	2,196,343	2,962,650
Printing	25,562	22,852	48,414
Provision for uncollectible accounts/bad debt expense	1,486,721	-	1,486,721
Depreciation	1,248,277	-	1,248,277
Supplies	30,394	40,029	70,423
Rental expense	26,968	174,089	201,057
Telecommunications	42,422	52,076	94,498
Professional development	5,081	35,817	40,898
Data processing	61,869	11,056	72,925
Marketing	38,694	3,086	41,780
Educational supplies	-	156,030	156,030
Interest expense	837,962	-	837,962
Bank service costs	550	-	550
Other expense	81,763	42,011	123,774
	<u>15,469,811</u>	<u>16,167,269</u>	<u>31,637,080</u>
Change in net assets	<u>\$ 1,647,039</u>	<u>\$ (2,224,105)</u>	<u>\$ (577,066)</u>

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Daniel Dennis & Company LLP

Certified Public Accountants

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

*Independent Auditors' Report on
Schedule of Expenditures of Federal Awards*

Our report on our audits of the basic financial statements of Economic Development and Industrial Corporation of Boston for the years ended June 30, 2011 and 2010 appears on pages 1 and 2. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Daniel Dennis & Company LLP

March 30, 2012

Economic Development and Industrial Corporation of Boston
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<i>Federal Grantor</i> (<i>Pass-through Grantor</i>) Program Title	<i>CFDA</i> Number	<i>Pass Through</i> Grant Number	<i>Expenditures</i>
<i>Department of Labor</i>			
(Commonwealth of Massachusetts)			
Division of Career Services)			
Workforce Investment Act:			
Adult	17.258	CT EOL 3250 10OSCC21EDIC03	\$ 1,380,324
ARRA Adult	17.258	CT EOL 3250 09STIM EDIC01	128,533
Youth	17.259	CT EOL 3250 10OSCC21EDIC03	1,868,311
ARRA Youth	17.259	CT EOL 3250 09STIM EDIC01	623,250
Dislocated Workers	17.260	CT EOL 3250 10OSCC21EDIC03	841,419
ARRA Dislocated Workers	17.260	CT EOL 3250 09STIM EDIC01	159,960
Dislocated Workers	17.278	CT EOL 3250 10OSCC21EDIC03	<u>70,401</u>
Total Workforce Investment Act			5,072,198
(Commonwealth Corporation)			
ARRA Sector Regional Strategies	17.275	0740	<u>484,023</u>
Total Department of Labor			<u>5,556,221</u>
<i>Department of Commerce</i>			
<i>Economic Development Administration</i>			
Economic Adjustment Assistance			
Revolving Loan (Note 2)	11.307	-	<u>753,082</u>
<i>Department of Housing and Urban</i>			
<i>Development</i>			
(City of Boston)			
Community Development Block Grant	14.218	27615-10	<u>584,473</u>
<i>Department of Agriculture</i>			
(Commonwealth of Massachusetts)			
Department of Transitional Assistance)			
State Food Stamps Program	10.561	CT-6085 2005 TEAM SDA 00000	<u>435,663</u>
<i>Department of Justice</i>			
Second Chance Act Prisoner			
Reentry Initiative	16.812	-	<u>130,070</u>
<i>Department of the Treasury</i>			
Volunteer Income Tax Assistance	21.003	-	<u>117,537</u>
<i>Environmental Protection Agency</i>			
Brownfields Revolving Loan (Note 2)	66.818	-	<u>703,526</u>
<i>Department of Health and Human Services</i>			
(Commonwealth of Massachusetts)			
Office for Refugees and Immigrants)			
Targeted Assistance Grant	93.584	CT ORI 0100 9 TAG0000001	<u>342,169</u>
Total expenditures of Federal awards			<u>\$ 8,622,741</u>

See accompanying notes to schedule of expenditures of Federal awards.

Economic Development and Industrial Corporation of Boston
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Economic Development and Industrial Corporation (EDIC)'s Office of Jobs and Community Services (JCS) under programs of the Federal government for the year ended June 30, 2011. The information in the schedule is presented in accordance with the requirements of the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of EDIC, it is not intended to and does not present the financial position, changes in net assets or cash flows of EDIC.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

EDA Revolving Loan

Boston Local Development Corporation (BLDC), an EDIC affiliate, administers a revolving loan program that was funded in prior years through EDIC by an Economic Development Administration Title IX Grant (CFDA No. 11.307). The purpose of this program is to encourage public and private investment in the City of Boston's industrial and commercial enterprises through long-term, low interest loans. Expenditures for these programs included on the Schedule include loan and cash balances at June 30, 2011 as reported by BLDC. No administrative expenses were allocated to this program in fiscal year 2011.

EPA Brownfields Revolving Loan

EDIC received a \$1.075 million grant from the U.S. Environmental Protection Agency (EPA) to establish a revolving loan fund (RLF) that provides funding for cleanup of contaminated Brownfields properties in the City of Boston (CFDA No. 66.818). 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 EDIC's Boston Marine Industrial Park, which was completed as of June 30, 2011. Of this amount, \$475,000 had been advanced to EDIC in 2003. Expenditures for this program included on the Schedule include the loan balance at June 30, 2011, representing the original advanced amount, interest earned thereon, and an additional \$199,551 receivable from EPA at 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 Brownfields properties during the life of the fund.

Economic Development and Industrial Corporation of Boston
Notes to Schedule of Expenditures of Federal Awards - *Continued*
For the Year Ended June 30, 2011

3. ***Subrecipients***

Of the Federal expenditures presented in the Schedule, EDIC provided Federal awards to subrecipients as follows:

<i>Program Title</i>	<i>Federal CFDA</i>	
	<i>Number</i>	<i>Amount</i>
State Food Stamps Program	10.561	\$ 370,813
Community Development Block Grant	14.218	\$ 1,765
Second Chance Act Prisoner Reentry Initiative	16.812	29,086
Workforce Investment Act - Adult	17.258	1,258,089
Workforce Investment Act - Youth	17.259	2,169,432
Workforce Investment Act - Dislocated Workers	17.260	857,888
Workforce Investment Act - Dislocated Workers	17.278	64,690
Sector Regional Strategies	17.275	419,395
Volunteer Income Tax Assistance	21.003	87,105
Targeted Assistance Grant - Refugees	93.584	<u>290,742</u>
Total		<u>\$ 5,549,005</u>

4. ***Subsequent Events***

EDIC has evaluated subsequent events through March 30, 2012, which is the date the Schedule was available to be issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the Schedule date, or non-recognized subsequent events or events that provide evidence about conditions that did not exist at the Schedule date, which are necessary to disclose to keep the Schedule from being misleading.

**REPORTS ON COMPLIANCE
AND ON INTERNAL CONTROL**

Daniel Dennis & Company LLP

Certified Public Accountants

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

*Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards*

We have audited the financial statements of Economic Development and Industrial Corporation of Boston (EDIC), as of and for the year ended June 30, 2011, which collectively comprise EDIC's basis financial statements and have issued our report thereon dated October 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered EDIC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EDIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of EDIC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EDIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis + Company LLP

October 27, 2011

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors

**Economic Development and
Industrial Corporation of Boston**

*Independent Auditor's Report on Compliance with Requirements that could have a Direct and
Material Effect on Each Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133*

Compliance

We have audited Economic Development and Industrial Corporation of Boston's (EDIC's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of EDIC's major federal programs for the year ended June 30, 2011. EDIC's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of EDIC's management. Our responsibility is to express an opinion on EDIC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EDIC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on EDIC's compliance with those requirements.

In our opinion, EDIC complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding No's 11-01 and 11-02.

Internal Control over Compliance

Management of EDIC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered EDIC's internal control

over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of EDIC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No's 11-01 and 11-02 to be significant deficiencies.

EDIC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit EDIC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis + Company LLP

March 30, 2012

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Economic Development and Industrial Corporation of Boston
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

I. Summary of Auditors' Results

Financial Statements

Type of audit report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes _____	No	X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes _____	No	X
Noncompliance which is material to financial statements noted?	Yes _____	No	X

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	Yes _____	No	X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes <u>X</u>	No	
Type of auditor's report issued:	Unqualified		
Any audit findings disclosed that are Required to be reported in accordance With section 510(a) of Circular A-133?	Yes <u>X</u>	No	

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program</i>
17.258, 17.259 & 17.260 & 17.278	Workforce Investment Act
17.258, 17.259, 17.260	ARRA Workforce Investment Act
17.275	ARRA Sector Regional Strategies
93.584	Targeted Assistance Grant
66.818	Brownfields Revolving Loan

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
--------------------------------------------------------------------------	-----------

Auditee qualifies as a low-risk auditee?	Yes
------------------------------------------	-----

II. Financial Statement Findings

No matters were reported

Economic Development and Industrial Corporation of Boston
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2011

III. Federal Award Findings and Questioned Costs

Finding No. 11-01

CONDITION

The construction contract funded through the U.S. Environmental Protection Agency (EPA) Brownfields Revolving Loan Fund (RLF) (CFDA No. 68.818) did not specify that wages must meet the locally prevailing wage rates in effect at the time the contract is executed.

CRITERIA

The Comprehensive Environmental Response, Compensation, and Liability Act, paragraph 104(g) (the Act) requires that borrowers of Brownfields RLF awards comply with the prevailing wage rate requirements under the Davis-Bacon Act of 1931. As required by the Act, Cooperative Agreement recipients must ensure that the borrowers incorporate Davis Bacon Act requirements into construction contracts funded through the RLF.

CAUSE

Although EDIC grants management was aware of Davis Bacon wage rate requirements, and implemented controls to ensure compliance with contractors paying prevailing wages for contracts funded through the Brownfields RLF, control procedures were not implemented to ensure that Davis Bacon Act requirements were include in the construction contract.

EFFECT

EDIC is not in compliance with Davis-Bacon Act requirements in regards to the construction contract funded through the Brownfields RLF.

RECOMMENDATION

We recommend that control procedures be established to ensure that EDIC grants management comply with all applicable Davis Bacon Act requirements for construction contracts funded through Federal loans and grants.

AUDITEE RESPONSE:

EDIC agrees with the finding and will implement the recommendation in fiscal year 2012.

Finding No. 11-02

CONDITION

Quarterly progress reports submitted to EPA in fiscal year 2011 for the Brownfields RLF construction activity (CFDA No. 68.818) did not include the approved budget, current costs incurred to date and total remaining funds.

Economic Development and Industrial Corporation of Boston
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2011

III. Federal Award Findings and Questioned Costs - Continued

CRITERIA

The Cooperative Agreement between EPA and EDIC stipulates that quarterly progress reports submitted must include a budget recap summary page containing current approved budget, costs incurred in the quarter, costs incurred to date and total remaining funds.

CAUSE

Although EDIC grants management was aware of quarterly progress reporting requirements, and implemented controls to ensure that reports were filed timely and included the progress of the project, control procedures were not implemented to ensure that the progress reports contained a budget recap summary page and related cost information.

EFFECT

EDIC is not in compliance with quarterly progress reporting requirements in regards to the reporting of budgeted and actual cost information.

RECOMMENDATION

We recommend that control procedures be established to ensure that EDIC grants management comply with quarterly progress reporting requirements as stipulated in the EPA Cooperative Agreement.

AUDITEE RESPONSE:

EDIC has submitted amended quarterly progress reports in response to this finding, and will implement the recommendation in fiscal year 2012.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Economic Development and Industrial Corporation of Boston
Summary Schedule of Prior Audit Findings
June 30, 2011

There are no audit findings from prior years' audits of Economic Development and Industrial Corporation of Boston's schedule of expenditures of federal awards.