

**Economic Development and Industrial  
Corporation of Boston**

Financial Statements  
and  
Auditors' Report

June 30, 2009 and 2008



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**Economic Development and Industrial  
Corporation of Boston**

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# 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 (a quasi-public corporation and component unit of the City of Boston) as of June 30, 2009 and 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Economic Development and Industrial Corporation of Boston as of June 30, 2009 and 2008, 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, 2009 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*

November 3, 2009

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2009

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, 2009. 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, 2009 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, 2009

**Financial Highlights**

- Assets exceeded liabilities by \$27,647,871 at the close of the fiscal year.
- Revenues increased by \$614,717 or 1.9% from the previous fiscal year.
- Expenses increased by \$2,650,265 or 7.7% from the previous fiscal year.
- Net assets decreased \$4,307,564 from the previous fiscal year.

**Balance Sheet**

The following table shows significant assets, liabilities and net assets for the years ended June 30, 2009 and 2008, and the related fluctuations in these accounts between these two fiscal years:

	2009	2008	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 8,319,274	\$ 11,020,646	\$ (2,701,372)
Investments	-	2,533,021	(2,533,021)
Accounts receivable (net)	1,928,103	4,468,125	(2,540,022)
Grants/contracts receivable	6,437,930	5,149,438	1,288,492
Other current assets	260,804	275,793	(14,989)
Capital assets	67,671,501	66,774,004	897,497
Accumulated depreciation	(34,369,350)	(33,099,848)	(1,269,502)
Restricted cash escrows	1,853,880	1,511,958	341,922
Debt issuance costs - net	<u>232,395</u>	<u>243,106</u>	<u>(10,711)</u>
Total assets	<u>\$ 52,334,537</u>	<u>\$ 58,876,243</u>	<u>\$ (6,541,706)</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 3,576,270	\$ 3,968,417	\$ (392,147)
Grant/contracts payable	1,911,898	2,305,504	(393,606)
Long-term debt (inclusive of the related short-term portion)	17,692,299	18,983,790	(1,291,491)
Deferred revenue	216,966	384,110	(167,144)
Deferred grants/contracts	502,745	501,378	1,367
Other liabilities	<u>786,488</u>	<u>777,609</u>	<u>8,879</u>
Total liabilities	<u>\$ 24,686,666</u>	<u>\$ 26,920,808</u>	<u>\$ (2,234,142)</u>

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
**June 30, 2009**

	2009	2008	Increase/ (Decrease)
<i>Net Assets</i>			
Invested in capital assets, net of related debt	\$ 17,463,732	\$ 16,202,324	\$ 1,261,408
Unrestricted	<u>10,184,139</u>	<u>15,753,111</u>	<u>(5,568,972)</u>
Total net assets	<u>27,647,871</u>	<u>31,955,435</u>	<u>(4,307,564)</u>
Total liabilities and net assets	<u>\$ 52,334,537</u>	<u>\$ 58,876,243</u>	<u>\$ (6,541,706)</u>

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

*Cash and Cash Equivalents*

This decrease is the net result of both increases and decreases in other assets and liabilities and fiscal year 2009's net loss. These fluctuations are highlighted on the statement of cash flows on pages 12 and 13.

*Investments*

Investment opportunities are affected by the companies' cash position, as well as fluctuating interest rates. The decrease in investments is directly related to low interest rates in fiscal year 2009 and the unavailability of cash as a result of the \$4.3 million loss from operations.

*Accounts Receivable - Net*

This decrease is primarily the result of a \$1,900,000 demand note receivable between the Boston Redevelopment Authority and EDIC for purposes of acquiring the Hess site in East Boston for future development, which was loaned in fiscal year 2008 and paid back to EDIC in fiscal year 2009. The remaining decrease is the result of an additional \$661,000 recorded in fiscal year 2009 in the allowance for doubtful accounts relating to delinquent BMIP tenant receivables.

*Grants/Contracts Receivable*

This increase is primarily due to billing changes requested by funding source in fiscal year 2009 which delayed the receipt of grant/contract income. All such funding was subsequently received in fiscal year 2010.

*Capital Assets*

This increase is primarily the result of normal construction and improvements at the BMIP.

*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.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2009

*Restricted Cash Escrows*

This increase is the result of transferring surplus Boston Marine Industrial Park Parking Garage funds into this account for bond and interest payments for the series 2005 parking garage bonds, in addition to investment income earned on this account.

*Accounts Payable and Accrued Expenses*

This decrease is primarily the result of management's cost reduction initiatives in the second half of fiscal year 2009 and their subsequent impact on year-end accounts payable.

*Grants/Contracts Payable*

This decrease is a result of the pass-through grant billing and payment process from our Community Based Organizations and their ability to submit payment requests in an expedited manner in fiscal year 2009 as compared to fiscal year 2008.

*Long-Term Debt*

This decrease is the net result of principal payments made throughout the fiscal year totaling approximately \$1,159,000, and the amortization of bond premium totaling approximately \$132,000.

*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 \$372,000, an increase in bond proceeds held in escrow totaling approximately \$342,000 and a decrease of outstanding debt related to capital assets totaling approximately \$1,290,000.

*Net Assets Unrestricted*

This decrease is the net result of the increase in net assets invested in capital assets, net of related debt, as noted above, and a decrease in net assets totaling approximately \$4.3 million for the year ended June 30, 2009.

**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - Continued**  
June 30, 2009

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

The following table shows significant revenues and expenses for the years ended June 30, 2009 and 2008, and the related fluctuations in these accounts between these two fiscal years:

	2009	2008	<i>Increase/ (Decrease)</i>
<i>Operating Revenue</i>			
Grant/contract income	\$15,906,448	\$15,133,097	\$ 773,351
Contributions	1,861,853	1,797,262	64,591
Rental income	14,710,063	14,506,731	203,332
Other income	<u>340,215</u>	<u>766,772</u>	<u>(426,557)</u>
Total operating revenues	<u>32,818,579</u>	<u>32,203,862</u>	<u>614,717</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	14,895,432	13,800,623	1,094,809
Grants/contracts to community based organizations	9,293,552	9,481,817	(188,265)
Security and maintenance	974,054	1,022,665	(48,611)
Professional fees	4,707,339	3,290,239	1,417,100
Bad debt expense	661,061	666,286	(5,225)
Depreciation	1,269,502	1,141,475	128,027
Supplies and services	3,901,813	3,786,972	114,841
Rental expense	346,214	410,142	(63,928)
Interest expense/bank service costs	924,750	754,446	170,304
Other expenses	<u>152,426</u>	<u>121,213</u>	<u>31,213</u>
Total operating expenses	<u>37,126,143</u>	<u>34,475,878</u>	<u>2,650,265</u>
Change in net assets	(4,307,564)	(2,272,016)	(2,035,548)
Net assets at beginning of year	<u>31,955,435</u>	<u>34,227,451</u>	<u>(2,272,016)</u>
Net assets at end of year	<u>\$27,647,871</u>	<u>\$31,955,435</u>	<u>\$ (4,307,564)</u>

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

***Grant/Contract Income***

This increase is the net result of additional fiscal year 2009 Federal grant (stimulus) funding totaling approximately \$562,000 and other increases in job related grant funding totaling approximately \$1,356,000, offset by a two year grant closure in fiscal year 2008 totaling approximately \$1,162,000 for Federated Department Store retraining.

***Other Income***

This decrease is the result of a decrease in investment and interest income due to a combination of declining interest rates and less cash on hand available for investments.



**Economic Development and Industrial Corporation of Boston**  
**Management's Discussion and Analysis - *Continued***  
**June 30, 2009**

*Salaries and Fringe Benefits*

This increase is a combination of the net effect of changes in the composition of staff in fiscal year 2009 as compared to fiscal year 2008 totaling approximately \$500,000, a 3% cost of living adjustment totaling approximately \$300,000, and an increase in health insurance costs totaling approximately \$300,000.

*Professional Fees*

This increase is primarily the result of non-subrecipient grant related spending emphasizing job training totaling approximately \$1,156,000 more than expended in the previous year. Additionally legal fees for relocation purposes and economic development activities resulted in additional expenditures of approximately \$320,000 in fiscal year 2009.

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

The following table shows a comparison of significant revenues and expenses for the year ended June 30, 2009 and budgeted revenue and expenses, and the related fluctuations:

	2009	Budget	Increase/ (Decrease)
<i>Operating Revenue</i>			
Grant/contract income	\$ 15,906,448	\$ 14,831,821	\$ 1,074,627
Rental income	14,710,063	15,737,583	(1,027,520)
Contributions	1,861,853	1,599,861	261,992
Other income	<u>340,215</u>	<u>372,500</u>	<u>(32,285)</u>
Total operating revenues	<u>32,818,579</u>	<u>32,541,765</u>	<u>276,814</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	14,895,432	14,982,101	(86,669)
Grants/contracts to community based organizations	9,293,552	9,124,044	169,508
Security and maintenance	974,054	1,014,000	(39,946)
Professional fees	4,707,339	2,827,900	1,879,439
Bad debt expense	661,061	355,758	305,303
Depreciation	1,269,502	920,000	349,502
Supplies and services	3,901,813	3,537,850	363,963
Interest expense/bank service costs	924,750	982,386	(57,636)
Other expenses	<u>498,640</u>	<u>498,668</u>	<u>(28)</u>
Total operating expenses	<u>37,126,143</u>	<u>34,242,707</u>	<u>2,883,436</u>
Change in net assets	<u>\$ (4,307,564)</u>	<u>\$ (1,700,942)</u>	<u>\$ (2,606,622)</u>

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2009

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

*Grant/Contract Income*

This increase is primarily the result of an increase in grant funding in response to job losses from the sluggish economy. The sources included Federal stimulus grants totaling approximately \$560,000 and an increase in workforce development related grants totaling approximately \$500,000.

*Rental Income*

The budget shortfall in rental income is affected by the economic downturn. Rental income from existing tenants is on budget; however certain revenue streams are based on economic conditions such as percentage rent, which is approximately \$325,000 unfavorable to budgeted amounts. New opportunities that were budgeted at \$250,000 never materialized. Rent at the shipyard is down approximately \$200,000 and pass through billing is less than budgeted by \$200,000, both of which are volume driven.

*Professional Fees*

This increase is primarily due to work force initiative grants totaling approximately \$1,500,000 with an emphasis on job training. Additionally, approximately \$200,000 results from relocation expenditures and \$180,000 results from economic initiative spending.

*Bad Debt*

This increase is primarily due to EDIC's related party relationship with Boston Local Development Corporation and this nonprofit organization's inability to fund their operation, totaling approximately \$280,000.

*Depreciation*

The increase is due to an unbudgeted accounting change in fiscal year 2008 regarding the process used to record depreciation expense and offsetting grant revenue originally recorded as deferred revenue.

*Supplies and Service*

This increase results from Hub on Wheel event expenses exceeding the budget by approximately \$230,000 and Read Boston supply costs totaling approximately \$139,000 budgeted as part of grant expense.

*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.

**Economic Development and Industrial Corporation of Boston**  
Management's Discussion and Analysis - *Continued*  
June 30, 2009

***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, 2009 and 2008

Assets	2009	2008	Liabilities and Net Assets	2009	2008
<i>Current Assets</i>			<i>Current Liabilities</i>		
Cash and cash equivalents	\$ 8,319,274	\$ 11,020,646	Accounts payable	\$ 1,495,701	\$ 1,780,138
Accounts receivable (net of allowance for doubtful accounts)	1,732,515	2,284,319	Grants/contracts payable	1,911,898	2,305,504
Grants/contracts receivable	6,437,930	5,149,438	Accrued expenses	2,080,569	2,188,279
Accrued interest receivable	3,711	3,711	Deferred revenue	216,966	384,110
Other assets	257,093	272,082	Current portion of long-term liabilities	<u>1,201,015</u>	<u>1,145,018</u>
Short-term investments	-	2,533,021			
Total current assets	<u>16,750,523</u>	<u>21,263,217</u>	Total current liabilities	<u>6,906,149</u>	<u>7,803,049</u>
<i>Capital Assets</i>			<i>Long-Term Liabilities</i>		
Land	1,419,682	1,419,682	Notes payables	604,559	643,309
Land improvements	12,142,254	12,039,161	Mortgage payable	3,052,473	3,738,719
Maritime assets	12,561,630	12,561,630	Bonds payable	<u>12,834,252</u>	<u>13,456,744</u>
Buildings and improvements	38,295,282	30,635,918	Total long-term liabilities	<u>16,491,284</u>	<u>17,838,772</u>
Machinery and equipment	2,086,229	2,021,302			
Other assets	510,142	499,146	<i>Other Liabilities</i>		
Construction in progress	656,282	7,597,165	Security deposits	786,488	777,609
Less accumulated depreciation	<u>(34,369,350)</u>	<u>(33,099,848)</u>	Deferred grants/contracts	<u>502,745</u>	<u>501,378</u>
Capital assets - net	<u>33,302,151</u>	<u>33,674,156</u>	Total other liabilities	<u>1,289,233</u>	<u>1,278,987</u>
			Total liabilities	<u>24,686,666</u>	<u>26,920,808</u>
<i>Other Assets</i>			<i>Net Assets</i>		
Debt issuance costs - net	232,395	243,106	Invested in capital assets, net of related debt	17,463,732	16,202,324
Restricted cash escrows	1,853,880	1,511,958	Unrestricted	<u>10,184,139</u>	<u>15,753,111</u>
Long-term related party receivables	<u>195,588</u>	<u>2,183,806</u>	Total net assets	<u>27,647,871</u>	<u>31,955,435</u>
Total other assets	<u>2,281,863</u>	<u>3,938,870</u>	Total liabilities and net assets	<u>\$ 52,334,537</u>	<u>\$ 58,876,243</u>
Total assets	<u>\$ 52,334,537</u>	<u>\$ 58,876,243</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, 2009 and 2008**

	2009	2008
<i>Operating Revenues</i>		
Grant/contract income	\$15,906,448	\$ 15,133,097
Contributions	1,861,853	1,797,262
Rental income	14,710,063	14,506,731
Interest income	129,154	540,050
Miscellaneous income	<u>211,061</u>	<u>226,722</u>
Total operating revenues	<u>32,818,579</u>	<u>32,203,862</u>
<i>Operating Expenses</i>		
Salaries	10,903,753	10,096,302
Fringe benefits	3,991,679	3,704,321
Grants/contracts to community based organizations	9,293,552	9,481,817
Utilities	2,490,963	2,272,183
Security and maintenance	974,054	1,022,665
Travel and transportation	162,745	199,753
Insurance	301,949	392,206
Professional fees	4,707,339	3,290,239
Printing	62,366	53,530
Provision for uncollectible accounts/ bad debt expense	661,061	666,286
Depreciation	1,269,502	1,141,475
Supplies	96,324	107,273
Rental expense	346,214	410,142
Telecommunications	101,494	70,433
Professional development	104,777	137,635
Data processing	132,359	214,286
Marketing	310,252	115,944
Educational supplies	138,584	223,729
Interest expense	806,314	634,218
Bank service costs	118,436	120,228
Other expense	<u>152,426</u>	<u>121,213</u>
Total operating expenses	<u>37,126,143</u>	<u>34,475,878</u>
Change in net assets	(4,307,564)	(2,272,016)
Net assets at beginning of year	<u>31,955,435</u>	<u>34,227,451</u>
Net assets at end of year	<u>\$27,647,871</u>	<u>\$ 31,955,435</u>

*See accompanying notes to financial statements.*

**Economic Development and Industrial Corporation of Boston**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2009 and 2008

	2009	2008
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 16,314,032	\$ 17,176,396
Receipts from tenants	14,820,746	14,142,539
Receipts from interest	108,221	298,422
Receipts from affiliates	1,988,218	88,219
Payments to employees	(10,712,937)	(9,969,446)
Payments for employee benefits	(3,917,673)	(3,687,031)
Payments to community based organizations	(9,687,158)	(9,790,439)
Payments to vendors and suppliers	(10,829,346)	(7,266,652)
Payments to affiliates	-	(2,435,290)
Payments for interest	<u>(941,011)</u>	<u>(805,265)</u>
Net cash used in operating activities	<u>(2,856,908)</u>	<u>(2,248,547)</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(897,497)	(6,441,178)
Principal payments on debt	(1,158,999)	(1,081,245)
Increase in restricted cash escrows	<u>(341,922)</u>	<u>3,486,281</u>
Net cash used in capital and related financing activities	<u>(2,398,418)</u>	<u>(4,036,142)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from investment maturities	2,533,021	22,682,799
Purchase of investments	-	(10,028,816)
Proceeds from investment income	<u>20,933</u>	<u>309,170</u>
Net cash provided by financing activities	<u>2,553,954</u>	<u>12,963,153</u>
Net increase/(decrease) in cash and cash equivalents	(2,701,372)	6,678,464
Cash and cash equivalents - beginning of year	<u>11,020,646</u>	<u>4,342,182</u>
Cash and cash equivalents - end of year	<u>\$ 8,319,274</u>	<u>\$ 11,020,646</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, 2009 and 2008

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

	2009	2008
Change in net assets	\$ (4,307,564)	\$ (2,272,016)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	1,269,502	1,141,475
Provision for uncollectible accounts	661,061	666,286
Amortization of debt issuance costs	10,711	10,712
Amortization of bond premium	(132,492)	(132,492)
Amortization of investment discount	-	(90,870)
Investment income	(20,933)	(309,170)
(Increase) in accounts receivable	(109,257)	(652,172)
(Increase)/decrease in grants/contracts receivable	(1,288,492)	216,522
Decrease in accrued interest receivable	-	158,412
Decrease in prepaid expenses and deposits	14,989	68,265
(Increase)/decrease in long-term related party receivables	1,988,218	(1,811,781)
Increase/(decrease) in accounts payable	(284,437)	879,413
(Decrease) in grants/contracts payable	(393,606)	(387,070)
Increase/(decrease) in accrued expenses	(107,710)	96,718
Increase in security deposits	8,879	61,258
Increase/(decrease) in deferred revenue	(167,144)	99,175
Increase in deferred grants	1,367	8,788
	<u>1,367</u>	<u>8,788</u>
Net cash used in operating activities	<u>\$ (2,856,908)</u>	<u>\$ (2,248,547)</u>

*See accompanying notes to financial statements.*

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

Notes to Financial Statements

June 30, 2009 and 2008

### **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, and 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 \$1,810,915 and \$1,149,853 at June 30, 2009 and 2008, 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, 2009 and 2008

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.

*Investments* - Investments are carried at fair value, adjusted for amortization of premiums and discounts. EDIC does not have a formal investment policy, but has traditionally invested in only US Government investment instruments.

*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, 2009 and 2008.

*Interest Cost* - EDIC follows a policy of capitalizing interest as a component of construction in progress, where applicable. Interest incurred for the year ending June 30, 2009 totaled \$806,314, all of which was expensed. Interest incurred for the year ending June 30, 2008 totaled \$892,248, of which \$258,029 was capitalized and \$634,219 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.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

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.

*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 2008 amounts to conform with the fiscal year 2009 presentation.

3. *Net Assets*

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

	2009	2008
Cost of capital assets acquired	\$ 67,671,501	\$66,774,004
Less accumulated depreciation	(34,369,350)	(33,099,848)
Less outstanding debt related to capital assets	(17,692,299)	(18,983,790)
Add debt proceeds held in escrow	<u>1,853,880</u>	<u>1,511,958</u>
Net assets invested in capital assets	<u>\$ 17,463,732</u>	<u>\$16,202,324</u>

4. *Cash and Cash Equivalents*

The following represents a summary of cash and cash equivalents as of June 30, 2009 and 2008:

<i>Description</i>	2009	2008
U.S. Government Securities Repurchase Agreement	\$ -	\$ 2,877,550
Federally insured (FDIC) deposits	506,637	4,462,034
Collateralized with Securities held by the Pledging Financial Institution in EDIC's name	-	206,772
Collateralized with Securities held by the Pledging Financial Institution's Trust Department or Agent, but not in EDIC's Name	6,122,950	-
Uncollateralized/unsecured deposits	<u>2,026,249</u>	<u>4,110,694</u>
Sub-total	8,655,836	11,657,050
Less net outstanding transactions	<u>(336,562)</u>	<u>(636,404)</u>
Total cash and cash equivalents	<u>\$ 8,319,274</u>	<u>\$11,020,646</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

5. *Investments*

Investments at June 30, 2008 consisted of two US Treasury Notes totaling \$2,533,021 that matured in fiscal year 2009. These notes bear interest of 2.07% and 2.34%, which is paid semi-annually to EDIC.

6. *Deferred Revenue and Deferred Grants/Contracts*

Deferred revenue at June 30, 2009 and 2008 totaling \$216,966 and \$384,110, 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, 2009 and 2008 totaling \$502,744 and \$501,378 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.

7. *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 BRA through fiscal year 2012, totaling \$3,111 per month. Rental expense on operating leases totaled \$346,214 and \$410,142 for the years ended June 30, 2009 and 2008, respectively.

Future minimum payments for these lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/10	363,542
6/30/11	353,176
6/30/12	<u>231,836</u>
Total	<u>\$ 948,554</u>

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2009 and 2008

8. *Leasing Activities*

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$9,455,364 and \$9,805,486, for the year ended June 30, 2009 and 2008, 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 \$2,614,150 and \$2,146,035 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 \$2,640,549 and \$2,555,210, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$786,488 and \$777,609 at June 30, 2009 and 2008, respectively.

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

<i>Fiscal Year</i>	<i>Amount</i>
6/30/10	\$ 6,936,272
6/30/11	\$ 6,823,460
6/30/12	\$ 7,293,634
6/30/13	\$ 7,689,217
6/30/14	\$ 7,309,098

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 \$1,441,988 and \$1,893,905 for the years ended June 30, 2009 and 2008, respectively.

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

	<i>2009</i>	<i>2008</i>
Land	\$ 1,419,682	\$ 1,419,682
Land improvements	12,142,254	12,039,161
Maritime assets	12,561,630	12,561,630
Buildings and improvements	<u>38,295,282</u>	<u>30,635,918</u>
Total	64,418,848	56,656,391
Less accumulated depreciation	<u>(32,339,731)</u>	<u>(31,222,403)</u>
Book value	<u>\$ 32,079,117</u>	<u>\$25,433,988</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

9. *Capital Assets*

Capital asset activity for the years ended June 30, 2009 and 2008 was as follows:

	<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>656,282</u>
Totals at historical cost	<u>66,774,004</u>	<u>897,497</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>(491,027)</u>
Capital assets, net	<u>\$ 33,674,156</u>	<u>\$ (372,005)</u>	<u>\$ -</u>	<u>\$ 33,302,151</u>
	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2007</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2008</i>
Land	\$ 1,419,682	\$ -	\$ -	\$ 1,419,682
Land improvements	12,039,161	-	-	12,039,161
Maritime assets	12,520,494	41,136	-	12,561,630
Buildings and improvements	30,635,918	-	-	30,635,918
Machinery and equipment	1,872,500	148,802	-	2,021,302
Other assets	499,146	-	-	499,146
Construction in progress	<u>1,345,925</u>	<u>6,251,240</u>	-	<u>7,597,165</u>
Totals at historical cost	<u>60,332,826</u>	<u>6,441,178</u>	-	<u>66,774,004</u>
Less accumulated depreciation for:				
Land improvements	(8,744,298)	(182,825)	-	(8,927,123)
Maritime assets	(8,167,584)	(179,087)	-	(8,346,671)
Buildings and improvements	(13,292,947)	(655,662)	-	(13,948,609)
Machinery and equipment	(1,287,758)	(108,992)	-	(1,396,750)
Other assets	<u>(465,786)</u>	<u>(14,909)</u>	-	<u>(480,695)</u>
Capital assets, net	<u>\$ 28,374,453</u>	<u>\$ 5,299,703</u>	<u>\$ -</u>	<u>\$ 33,674,156</u>

Depreciation expense for the years ended June 30, 2009 and 2008 totaled \$1,269,502 and \$1,141,475, respectively.

**Economic Development and Industrial Corporation of Boston**  
Notes to Financial Statements - *Continued*  
June 30, 2009 and 2008

10. *Mortgage Payable*

Mortgage payable consisted of the following:

	2009	2008
Massachusetts Development Finance Agency (MDFA) - mortgage note bearing interest at 5% through February 28, 2009, and 5.83% thereafter, due in June, 2017.	\$1,644,200	\$1,799,765
City of Boston - Urban Development Action Grant (UDAG) loan bearing interest at 3% beginning in June 1990, due in June, 2012.	543,809	726,406
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% and 4.0% at June 30, 2009 and 2008, respectively.	<u>1,545,479</u>	<u>1,847,566</u>
Total mortgage payable	3,733,488	4,373,737
Less current portion	<u>(681,015)</u>	<u>(635,018)</u>
Total long-term portion	<u>\$3,052,473</u>	<u>\$3,738,719</u>

The MDFA note is secured by a mortgage on land and buildings located at the BMIP. 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, 2009 is a \$93,513 and \$34,429 liability at June 30, 2009 and 2008. The change in the fair value of the swap agreement was a loss of \$59,084 and \$90,172 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008

10. *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>
6/30/2010	681,015	168,217	849,232
6/30/2011	716,828	137,526	854,354
6/30/2012	716,759	105,140	821,899
6/30/2013	577,018	74,506	651,524
6/30/2014	315,515	49,567	365,082
6/30/15 - 6/30/19	<u>726,353</u>	<u>66,518</u>	<u>792,871</u>
Total	<u>\$3,733,488</u>	<u>\$ 601,474</u>	<u>\$4,334,962</u>

11. *Notes Payable*

Notes payable consisted of the following:

	2009	2008
US Housing and Urban Development Section 108 loan due in March, 2015, bearing a variable interest rate, which was 6.4% at June 30, 2009 and 2008.	\$ 634,559	\$ 678,309
Less current portion	<u>(30,000)</u>	<u>(35,000)</u>
Total long-term portion	<u>\$ 604,559</u>	<u>\$ 643,309</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>
6/30/2010	30,000	39,900	69,900
6/30/2011	40,000	37,679	77,679
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
6/30/15 - 6/30/19	<u>432,059</u>	<u>33,974</u>	<u>466,033</u>
Total	<u>\$ 634,559</u>	<u>\$210,233</u>	<u>\$ 844,792</u>

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

12. ***Bonds Payable***

Bonds payable consisted of the following:	2009	2008
Issued for construction addition and refinancing of the existing parking garage in the BMIP in May, 2005. Serial bonds totaling \$475,000 at June 30, 2008 bear interest at 3%. Term bonds totaling \$13,205,000 for the years ended June 30, 2009 and 2008 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	\$13,680,000
Add unamortized bond premium	<u>119,252</u>	<u>251,744</u>
Total bonds payable	13,324,252	13,931,744
Less current portion	<u>(490,000)</u>	<u>(475,000)</u>
Total long-term portion	<u>\$12,834,252</u>	<u>\$13,456,744</u>

The Public Parking Facility Bonds 2005 Series were issued in May, 2005 at a premium totaling \$662,469. These Bonds are secured by a letter of credit issued to EDIC by State Street Financial Services in the amount of \$13,551,631 and \$14,039,100 at June 30, 2009 and 2008, respectively, in addition to all income and receipts of the parking garage. Debt service payments are drawn on this letter of credit and EDIC reimburses State Street Financial Services on the next business day. Unused proceeds from this bond series totaling \$1,853,880 and \$1,511,958 at June 30, 2009 and 2008 are reported as restricted cash escrows on the balance sheet.

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2010	490,000	473,138	963,138
6/30/2011	520,000	570,225	1,090,225
6/30/2012	550,000	546,713	1,096,713
6/30/2013	580,000	521,850	1,101,850
6/30/2014	610,000	495,638	1,105,638
6/30/15 - 6/30/19	3,610,000	2,031,038	5,641,038
6/30/20 - 6/30/24	4,730,000	1,120,088	5,850,088
6/30/25 - 6/30/29	1,895,000	217,894	2,112,894
9/30/30 - 6/30/34	<u>220,000</u>	<u>9,075</u>	<u>229,075</u>
Total	<u>\$13,205,000</u>	<u>\$5,985,659</u>	<u>\$19,190,659</u>



**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

**13. Long-Term Liabilities**

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>
Total	<u>\$ 18,983,790</u>	<u>\$ -</u>	<u>\$ (1,291,491)</u>	<u>\$ 17,692,299</u>	<u>\$ 1,201,015</u>

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2007</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2008</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 712,059	\$ -	\$ (33,750)	\$ 678,309	\$ 35,000
Mortgages	4,966,232	-	(592,495)	4,373,737	635,018
Bonds	<u>14,519,236</u>	-	<u>(587,492)</u>	<u>13,931,744</u>	<u>475,000</u>
Total	<u>\$ 20,197,527</u>	<u>\$ -</u>	<u>\$ (1,213,737)</u>	<u>\$ 18,983,790</u>	<u>\$ 1,145,018</u>

**14. Debt Issuance Costs**

Unamortized debt issuance costs totaling \$232,395 and \$243,106 at June 30, 2009 and 2008, respectively, related to Bonds payable and the Citizens Bank mortgage are being amortized over the thirty and ten year lives of this respective debt. Accumulated amortization at June 30, 2009 and 2008 totaled \$43,361 and \$32,650 respectively. Amortization expense totaled \$10,394 for the years then ended. Estimated amortization expense is \$10,394 for each of the next four years and \$9,334 for the fifth year.

**15. Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, short-term investments, and accrued interest receivable approximate fair value because of the short maturity of those financial instruments. The carrying amounts of restricted cash escrows are based on values provided by the related financial institution. The carrying value of accounts receivable, grants/contracts receivable and long-term receivable approximate fair value.

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

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

**16. Related Party Transactions**

EDIC had zero balancing checking accounts with Citizens Bank during fiscal year 2008 and a portion of 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.

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, 2009 and 2008, totaling approximately \$1,309,000 and \$1,491,000, 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</i>		<i>EDIC</i>	
	<i>Benefits</i>		<i>Receivable/(Payable)</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
BIDFA	\$ 77,415	\$ 75,238	\$ 285,424	\$ 293,335
BLDC	\$ 280,342	\$ 267,448	\$ 433,999	\$ 54,378
BCI	\$ 433,882	\$ 325,048	\$ (288,391)	\$ (539,184)

In addition, EDIC charged BLDC for overhead costs totaling \$10,475 and \$18,192, respectively, for the years ending June 30, 2009 and 2008.

The City of Boston's Property Management Department provided security services to EDIC, totaling \$548,887 and \$526,120 for the years ended June 30, 2009 and 2008, respectively. Amounts payable to the City of Boston at June 30, 2009 and 2008 for these services totaled \$159,246 and \$297,116, respectively.

EDIC received grants from the City of Boston for the year ended June 30, 2009 and 2008 for reimbursement of a portion of capital improvement activity at the BMIP, totaling \$31,195 and \$76,090, respectively. Amounts receivable from the City of Boston at June 30, 2009 and 2008 for this activity totaled \$2,000 and \$66,821, respectively.

**Economic Development and Industrial Corporation of Boston**

Notes to Financial Statements - *Continued*

June 30, 2009 and 2008

**16. *Related Party Transactions - Continued***

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 \$79,087 and \$115,895 for the years ended 2009 and 2008, respectively. In addition, EDIC billed BRA for JCS program costs totaling \$57,674 and \$102,557 for the years ended June 30, 2009 and 2008, respectively. EDIC paid insurance costs for the benefit of BRA totaling \$223,901 and \$108,170 for the years ended June 30, 2009 and 2008, respectively. EDIC has a net receivable for these transactions from BRA at June 30, 2009 totaling \$213,604 and a related net payable to BRA for these transactions totaling \$10,792 at June 30, 2008.

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 \$285,588 and \$373,806 for the years then ended, respectively. Management has estimated the current portion of this receivable is \$90,000 as of June 30, 2009 and 2008, respectively, 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. This demand loan is included in long-term related party receivables on the June 30, 2008 balance sheet. BRA paid back this loan in fiscal year 2009.

In June 2009, the EDIC board of directors approved a loan to BRA for up to \$1 million for funds expended or to be expended on the Downtown Crossing Economic Initiative, and for costs incurred by the BRA for position eliminations. As of October 28, 2009, this loan has not yet been made.

**17. *Concentrations***

EDIC maintains its cash accounts at four financial institutions, one in which EDIC deposits are fully secured, as of October, 2009, by securities held in the institution's name. The balances in the other three institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. The uninsured/unsecured balances at June 30, 2009 and 2008 totaled \$2,026,249 and \$4,110,694, 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, 2009 and 2008

**18. 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, 2009 and 2008 was approximately \$1,041,000 and \$987,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$840,000 and \$805,000, respectively.

**19. 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.

**20. Subsequent Events**

EDIC has evaluated subsequent events through November 3, 2009, 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, 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, 2009**

**Economic Development and Industrial Corporation of Boston**  
Combining Schedule of Revenues and Expenses  
For the Year Ended June 30, 2009

	<i>EDIC</i> <i>Operations</i>	<i>JCS</i> <i>Operations</i>	<i>Total</i>
<i>Operating Revenues</i>			
Grant/contract income	\$ 127,992	\$ 15,778,456	\$ 15,906,448
Contributions	-	1,861,853	1,861,853
Rental income	14,710,063	-	14,710,063
Interest income	129,154	-	129,154
Miscellaneous income	211,061	-	211,061
	<u>15,178,270</u>	<u>17,640,309</u>	<u>32,818,579</u>
<i>Operating Expenses</i>			
Salaries	6,120,575	4,783,178	10,903,753
Fringe benefits	2,245,710	1,745,969	3,991,679
Grants/contracts to community based organizations	300,000	8,993,552	9,293,552
Utilities	2,461,672	29,291	2,490,963
Security and maintenance	913,948	60,106	974,054
Travel and transportation	65,785	96,960	162,745
Insurance	272,301	29,648	301,949
Professional fees	973,993	3,733,346	4,707,339
Printing	29,223	33,143	62,366
Provision for uncollectible accounts/bad debt expense	661,061	-	661,061
Depreciation	1,269,502	-	1,269,502
Supplies	39,935	56,389	96,324
Rental expense	23,486	322,728	346,214
Telecommunications	35,251	66,243	101,494
Professional development	28,181	76,596	104,777
Data processing	131,822	537	132,359
Marketing	285,990	24,262	310,252
Educational supplies	-	138,584	138,584
Interest expense	806,314	-	806,314
Bank service costs	118,436	-	118,436
Other expense	100,905	51,521	152,426
	<u>16,884,090</u>	<u>20,242,053</u>	<u>37,126,143</u>
Change in net assets	<u>\$ (1,705,820)</u>	<u>\$ (2,601,744)</u>	<u>\$ (4,307,564)</u>