

Massachusetts Housing Investment Corporation

Audited Financial Statements

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June 30, 1992

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# Report of Independent Auditors

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Board of Directors  
The Massachusetts Housing Investment Corporation

We have audited the accompanying balance sheets of the Massachusetts Housing Investment Corporation as of June 30, 1992 and 1991, and the related statements of revenues and expenditures 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 generally accepted auditing standards. 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 the Massachusetts Housing Investment Corporation at June 30, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

August 14, 1992

# Massachusetts Housing Investment Corporation

## Balance Sheets

	For the Year	
	Ended June 30	
	1992	1991
<b>ASSETS</b>		
Cash	\$ 312,744	\$ 218,420
Loan Fund:		
Project loans, net of allowance for loan losses of \$80,000	847,756	
Money market deposits at member banks	<u>50,322,244</u>	<u>35,000,000</u>
TOTAL LOAN FUND	51,170,000	35,000,000
Amounts receivable	94,220	100,421
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$53,566 in 1992 and \$12,601 in 1991	<u>56,822</u>	<u>73,227</u>
TOTAL ASSETS	<b>\$51,633,786</b>	<b>\$35,392,068</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Notes payable to member banks	\$51,250,000	\$35,000,000
Unearned equity program fees	190,176	224,292
Accrued interest and other liabilities	<u>154,443</u>	<u>153,122</u>
TOTAL LIABILITIES	51,594,619	35,377,414
NET ASSETS	<u>39,167</u>	<u>14,654</u>
TOTAL LIABILITIES AND NET ASSETS	<b>\$51,633,786</b>	<b>\$35,392,068</b>

*See notes to financial statements.*

Massachusetts Housing Investment Corporation

**Statements of Revenues and Expenditures**

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	For the Year	
	Ended June 30	
	1992	1991
Revenue:		
Interest revenue on bank deposits	\$1,700,473	\$1,007,939
Interest revenue on project loans	<u>75,848</u>	
Total interest revenue	1,776,321	1,007,939
Interest expense on notes payable to member banks	<u>1,325,229</u>	<u>788,597</u>
Net interest revenue before provision for loan losses	451,092	219,342
Provision for loan losses	<u>80,000</u>	
Net interest revenue after provision for loan losses	371,092	
Equity program fees	<u>225,427</u>	<u>101,455</u>
TOTAL REVENUE	596,519	320,797
Expenditures:		
Salaries and employee benefits	383,399	170,304
Professional services	43,856	52,640
Occupancy, equipment and furniture	53,984	6,660
Other expenses	<u>90,767</u>	<u>76,539</u>
TOTAL EXPENDITURES	572,006	306,143
EXCESS OF REVENUE OVER EXPENDITURES	24,513	14,654
NET ASSETS AT BEGINNING OF YEAR	14,654	0
NET ASSETS AT END OF YEAR	\$ 39,167	\$ 14,654

*See notes to financial statements.*

# Massachusetts Housing Investment Corporation

## Statements of Cash Flows

	For the Year	
	Ended June 30	
	1992	1991
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 24,513	\$ 14,654
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used for) operating activities:		
Provision for loan losses	80,000	
Depreciation and amortization expense	40,965	12,601
Decrease (increase) in amounts receivable	6,201	(100,421)
(Decrease) increase in unearned equity program fees	(34,116)	224,292
Increase in accrued interest and other liabilities	<u>1,321</u>	<u>153,122</u>
Total adjustments	<u>94,371</u>	<u>289,594</u>
Cash provided by operating activities	118,884	304,248
<b>INVESTING ACTIVITIES</b>		
Increase in project loans, net	(927,756)	
Increase in money market deposits at member banks	(15,322,244)	(35,000,000)
Purchases of furniture, equipment and leasehold improvements	<u>(24,560)</u>	<u>(85,828)</u>
Cash used for investing activities	(16,274,560)	(35,085,828)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable to member banks	16,250,000	35,000,000
Proceeds from initial borrowing		50,000
Repayment of initial borrowing		<u>(50,000)</u>
Cash provided by financing activities	16,250,000	35,000,000
NET INCREASE IN CASH	94,324	218,420
Cash at beginning of year	<u>218,420</u>	<u>0</u>
CASH AT END OF YEAR	\$ 312,744	\$ 218,420
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest on notes payable to member banks	\$ 1,362,436	\$ 651,171

*See notes to financial statements.*

# Massachusetts Housing Investment Corporation

## Notes to Financial Statements

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### NOTE A--BACKGROUND AND ACCOUNTING POLICIES

Purpose: On July 1, 1990, the Massachusetts Housing Investment Corporation (MHIC) was formally established as a Massachusetts-chartered, Chapter 180, not-for-profit corporation. MHIC's mission is to pool the resources of Massachusetts banks to improve and expand the financing of affordable housing throughout the state. To date, MHIC has established a loan pool which provides loans for affordable housing on a statewide basis to not-for-profit as well as for-profit developers and provides assistance to member banks in underwriting low-income housing tax credit equity investments.

Accrual Basis: The financial statements of MHIC have been prepared on an accrual basis.

Unearned Equity Program Fees: MHIC receives fees in advance from members participating in the tax credit equity investment program. These fees are amortized into income on a straight-line basis over the period during which they are anticipated to be earned.

Furniture, Equipment and Leasehold Improvements: Furniture, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation is computed by the straight-line method using rates based on estimated useful lives.

Income Tax Status: As a Massachusetts-chartered, Chapter 180, not-for-profit corporation, MHIC has filed a request with the Internal Revenue Service for tax-exempt status as a 501(c)(3) corporation under federal tax law. This request has been denied and is presently pending appeal. Management believes the outcome of this appeal will be favorable and, accordingly, no tax provision has been recorded in the accompanying financial statements. In the event of an unfavorable determination on the appeal, a tax provision of \$5,657 and \$3,381 would result in fiscal 1992 and 1991, respectively.

Financial Statement Presentation: The Company has reclassified certain items in 1992 to better reflect operating activity. Similar reclassification have been made to the 1991 report to ensure comparability.

### NOTE B--NOTES PAYABLE TO MEMBER BANKS

MHIC funds their loan pool through unsecured notes issued to member banks pursuant to a Master Membership Agreement. Under this agreement, all note proceeds not lent are required to be deposited in money market deposit accounts at the respective lending institutions where they accrue interest at 1% less than the annual interest rate earned on the interest-bearing accounts. All lent proceeds bear interest at prime rate less 1%. These notes are renewable annually. If they are not renewed, they require no principal amortization for five years and then amortize over a five-year period at an amount equal to the stated amount of the note less the member's pro rata share of unfunded losses. At June 30, 1992, outstanding borrowings under these agreements totaled \$51,250,000.

## Notes to Financial Statements (continued)

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### NOTE C--PROJECT LOANS

As noted above, MHIC provides loans for the development of affordable housing throughout Massachusetts.

Project loan activity for fiscal 1992 follows:

Beginning balance	\$	0
Loan disbursements		1,947,371
Loan repayments		<u>(1,019,615)</u>
Project loans outstanding		927,756
Allowance for loan losses		<u>(80,000)</u>
Project loans, net	\$	847,756

Project loans earn a variable rate of interest pursuant to MHIC's established loan policy and are secured by the underlying projects.

At June 30, 1992, MHIC had no delinquent or nonperforming project loans.

### NOTE D--COMMITMENTS

At June 30, 1992, MHIC had unfunded loan commitments of \$8,193,300. These commitments have been established pursuant to MHIC's loan policy.

In August 1992, MHIC entered into a lease agreement for office space. The Company's annual lease payments under this agreement follows:

1993	\$	67,433
1994		80,920
1995		80,920
1996		80,920
1997		80,920
Thereafter		<u>13,487</u>
TOTAL		\$404,600