

Audited Financial Statements

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

June 30, 1991

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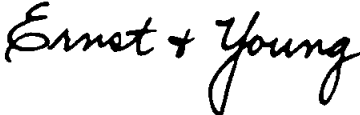
## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
The Massachusetts Housing Investment Corporation

We have audited the accompanying balance sheet of the Massachusetts Housing Investment Corporation as of June 30, 1991, and the related statements of revenues and expenditures and cash flows for the period from inception (July 1, 1990) through June 30, 1991. 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 audit provides 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, 1991, and the results of its operations and its cash flows for the period from inception (July 1, 1990) through June 30, 1991, in conformity with generally accepted accounting principles.



October 4, 1991

BALANCE SHEET

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

June 30, 1991

ASSETS

Cash	\$ 218,420
Loan fund: money market deposits at member banks	35,000,000
Amounts receivable	100,421
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$12,601	<u>73,227</u>

TOTAL ASSETS \$35,392,068

LIABILITIES AND NET ASSETS

LIABILITIES

Notes payable to member banks	\$35,000,000
Unearned equity program fees	224,292
Accrued interest and other liabilities	<u>153,122</u>
TOTAL LIABILITIES	35,377,414

NET ASSETS 14,654

TOTAL LIABILITIES AND NET ASSETS \$35,392,068

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENDITURES

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

Inception (July 1, 1990) through June 30, 1991

Revenue:

Interest revenue	\$1,007,939
Interest expense on notes payable to member banks	<u>788,597</u>
Net interest revenue	219,342
Equity program fees	<u>101,455</u>
TOTAL REVENUE	<u>320,797</u>

Expenditures:

Salaries and employee benefits	170,318
Professional services	52,640
Other expenses	<u>83,185</u>
TOTAL EXPENDITURES	<u>306,143</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>14,654</u>

NET ASSETS AT END OF YEAR \$ 14,654

See notes to financial statements.

STATEMENT OF CASH FLOWS

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

Year Ended June 30, 1991

OPERATING ACTIVITIES

Excess of revenue over expenditures	\$ 14,654
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used for) operating activities:	
Depreciation and amortization expense	12,601
Increase in amounts receivable	(100,421)
Increase in accrued interest and other liabilities	153,122
Increase in unearned equity program fees	<u>224,292</u>
Total adjustments	<u>289,594</u>
Cash provided by operating activities	304,248

INVESTING ACTIVITIES

Increase in money market deposits at member banks	(35,000,000)
Purchases of furniture, equipment and leasehold improvements	<u>(85,828)</u>
Cash used for investing activities	(35,085,828)

FINANCING ACTIVITIES

Proceeds from notes payable to member banks	35,000,000
Proceeds from initial borrowing	50,000
Repayment of initial borrowing	<u>(50,000)</u>
Cash provided by financing activities	<u>35,000,000</u>

NET INCREASE IN CASH 218,420

CASH AT END OF YEAR \$ 218,420

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest on notes payable to member banks	<u>\$ 651,171</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

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 a three-year period, 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 and expects to receive tax exempt status as a 501(c)(3) corporation under federal tax law. Accordingly, there is no tax provision recorded in the accompanying financial statements.

NOTE B--NOTES PAYABLE TO MEMBER BANKS

MHIC funds their loan pool through unsecured notes received from 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 and 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, 1991, outstanding borrowings under these agreements totaled \$35,000,000.

NOTE C--COMMITMENTS

At June 30, 1991, MHIC had loan commitments of \$1,332,000.