

Massachusetts Housing Investment Corporation

Audited Financial Statements

Years ended June 30, 1993 and 1992

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Notes to Financial Statements (continued)

4. Commitments

At June 30, 1993, MHIC had unfunded loan commitments of \$7,671,797. These commitments have been established and approved pursuant to MHIC's loan policy.

5. Leases

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

1994	\$ 80,920
1995	80,920
1996	80,920
1997	80,920
1998	<u>13,487</u>
Total	<u>\$337,167</u>

MHIC incurred rent expense of \$91,135 during 1993 associated with office space and equipment.

6. Retirement Plan

As a tax-exempt 501(c)3 corporation, MHIC established a noncontributory, defined contribution plan under Section 401(a) of the Internal Revenue Code covering all full-time employees. The costs associated with this plan have been accrued accordingly.

Massachusetts Housing Investment Corporation

Notes to Financial Statements (continued)

2. 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. The notes accrue interest at 1% less than the annual interest rate earned on the interest-bearing accounts. All lent proceeds bear interest at the 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, 1993, outstanding borrowings under these agreements totaled \$52,250,000.

3. Project Loans

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

Project loan activity is as follows:

	<u>1993</u>	<u>1992</u>
Beginning balance	\$ 927,756	\$ 0
Loan disbursements	7,452,787	1,947,371
Loan repayments	<u>(5,208,000)</u>	<u>(1,019,615)</u>
Project loans outstanding	3,172,543	927,756
Allowance for loan losses	<u>(125,000)</u>	<u>(80,000)</u>
Project loans, net	<u>\$ 3,047,543</u>	<u>\$ 847,756</u>

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, 1993, MHIC had no delinquent or nonperforming project loans.

Massachusetts Housing Investment Corporation

Notes to Financial Statements

June 30, 1993

1. 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.

In June 1993, MHIC established a wholly-owned subsidiary, Massachusetts Housing Equity Fund, which will become the General Partner in the Massachusetts Housing Equity Fund 1993-94 limited partnership, a limited partnership structured for investment principally by qualifying corporations engaging in low-income housing projects in Massachusetts.

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

MHIC has been granted tax-exempt status as a 501(c)(3) corporation under federal tax law.

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Statements of Cash Flows

	Year ended June 30	
	1993	1992
Operating activities		
Excess of revenue over expenditures	\$ 2,251	\$ 24,513
Adjustments to reconcile excess of revenue over expenditures to net cash provided (used) by operating activities:		
Provision for loan losses	45,000	80,000
Depreciation and amortization expense	34,999	40,965
Decrease in amounts receivable	33,157	6,201
Decrease in unearned equity program fees	(190,176)	(34,116)
Increase in accrued interest and other liabilities	852	1,321
Total adjustments	<u>(76,168)</u>	<u>94,371</u>
Net cash provided (used) by operating activities	(73,917)	118,884
Investing activities		
Increase in project loans, net	(2,244,787)	(927,756)
Decrease (increase) in money market deposits at member banks	1,244,787	(15,322,244)
Purchases of furniture, equipment and leasehold improvement	(37,829)	(24,560)
Net cash used in investing activities	<u>(1,037,829)</u>	<u>(16,274,560)</u>
Financing activities		
Proceeds from notes payable to member banks	1,000,000	16,250,000
Net cash provided by financing activities	<u>1,000,000</u>	<u>16,250,000</u>
Net increase (decrease) in cash	(111,746)	94,324
Cash at beginning of year	312,744	218,420
	<u>\$ 200,998</u>	<u>\$ 312,744</u>
Supplemental of cash flow information:		
Cash paid during the year for interest on notes payable to member banks	<u>\$ 910,423</u>	<u>\$ 1,362,436</u>

See accompanying notes.

Massachusetts Housing Investment Corporation

Statements of Revenues and Expenditures

	Year ended June 30	
	1993	1992
Interest revenue:		
Interest on bank deposits	\$1,247,455	\$1,700,473
Interest on project loans	161,290	75,848
Total interest revenue	1,408,745	1,776,321
Interest expense on notes payable to member banks	867,302	1,325,229
Net interest revenue before provision for loan losses	541,443	451,092
Provision for loan losses	45,000	80,000
Net interest revenue after provision for loan losses	496,443	371,092
Equity program fees	379,668	225,427
Total revenue	876,111	596,519
Expenditures:		
Salaries and employee benefits	550,721	383,399
Professional services	54,822	43,856
Occupancy, equipment and furniture	136,499	53,984
Other expenses	131,818	90,767
Total expenditures	873,860	572,006
Excess of revenue over expenditures	2,251	24,513
Net assets at beginning of year	39,167	14,654
Net assets at end of year	<u>\$ 41,418</u>	<u>\$ 39,167</u>

See accompanying notes.

Massachusetts Housing Investment Corporation

Balance Sheets

	June 30	
	1993	1992
Assets		
Cash	\$ 200,998	\$ 312,744
Loan fund:		
Project loans, net of allowance for loan losses of \$125,000 in 1993 and \$80,000 in 1992	3,047,543	847,756
Money market deposits at member banks	49,077,457	50,322,244
Total loan fund	52,125,000	51,170,000
Amounts receivable and other assets	61,063	94,220
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$88,565 in 1993 and \$53,566 in 1992	59,652	56,822
	\$52,446,713	\$51,633,786
Liabilities and net assets		
Liabilities:		
Notes payable to member banks	\$52,250,000	\$51,250,000
Unearned equity program fees		190,176
Accrued interest and other liabilities	155,295	154,443
Total liabilities	52,405,295	51,594,619
Net assets	41,418	39,167
Total liabilities and net assets	\$52,446,713	\$51,633,786

See accompanying notes.

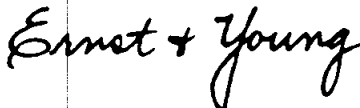
Report of Independent Auditors

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, 1993 and 1992, 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 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 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, 1993 and 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.



August 18, 1993