

CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
and
Auditors' Report

December 31, 2003



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The Board of Directors
Cambridge Redevelopment Authority

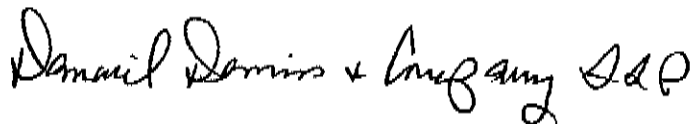
Independent Auditors' Report

We have audited the accompanying balance sheet of Cambridge Redevelopment Authority (CRA) as of December 31, 2003, and the related statements of revenues and expenses and changes in fund balance for the year then ended. These financial statements are the responsibility of the management of CRA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Consistent with the practices of many municipalities in the Commonwealth of Massachusetts, CRA expenses its fixed asset purchases in the year of purchase and does not maintain a general fixed asset account group.

In our opinion, except for the effects, if any, of the matters referred to in the preceding paragraph of this report, the financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Redevelopment Authority as of December 31, 2003, and the results of its operations and changes in fund balance for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



April 7, 2004

Cambridge Redevelopment Authority
Combined Balance Sheet
December 31, 2003

Assets

	<i>Project Funds</i>	<i>General Long-Term Obligations</i>	<i>Total*</i>
Cash and deposits	\$ 12,943	\$ -	\$ 12,943
Accounts receivable	52,179	-	52,179
Prepaid expenses	26,780	-	26,780
Security deposit	7,306	-	7,306
Amount to be provided for retirement of general long-term obligations	<u>-</u>	<u>262,626</u>	<u>262,626</u>
 Total assets	 <u>\$ 99,208</u>	 <u>\$ 262,626</u>	 <u>\$ 361,834</u>

Liabilities and Fund Balances

Accounts payable	\$ 27,245	\$ -	\$ 27,245
Accrued wages	2,941	-	2,941
Deferred rent	14,308	-	14,308
Deposits held	4,353	-	4,353
Line of credit (Note 7)	901,202	-	901,202
Accrued vacation and sick leave	<u>-</u>	<u>262,626</u>	<u>262,626</u>
 Total liabilities	 950,049	 262,626	 1,212,675
 Fund balance	 <u>(850,841)</u>	 <u>-</u>	 <u>(850,841)</u>
 Total liabilities and fund balances	 <u>\$ 99,208</u>	 <u>\$ 262,626</u>	 <u>\$ 361,834</u>

*Memorandum only

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2003

Revenues:

Grants	\$ 58,980
Rental income	220,850
Other income	<u>88,297</u>
Total revenues	<u>368,127</u>

Expenditures:

Administrative	558,806
Legal	65,569
Survey and planning	26,090
Property management	41,722
Rent	95,130
Interest expense	<u>35,109</u>
Total expenditures	<u>822,426</u>

Excess/ (deficit) of revenues over expenditures **\$ (454,299)**

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Changes in Fund Balance
For the Year Ended December 31, 2003

Fund balance - January 1, 2003	\$ (396,542)
Excess/(deficit) of revenues over expenses	<u>(454,299)</u>
Fund balance - December 31, 2003	<u>\$ (850,841)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Notes to Financial Statements
December 31, 2003

1. Type of Organization

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. Summary of Significant Accounting Policies

A summary of significant accounting policies employed in the preparation of the financial statements follows:

Fund Accounting - Financial activities are recorded in the funds described below, each of which is deemed to be a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

Project Funds - Transactions accounted for in Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources, including federal, state and local grants, disposition proceeds, income earned on investments and rental income. CRA separately accounts for revenues and expenditures under each funding source. For financial reporting purposes, funding sources have been combined on a development project basis.

General Long-Term Obligations Account Group - Unmatured long-term obligations of CRA are accounted for in the General Long-Term Obligations Account Group.

Basis of Accounting - The accounts of CRA are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues from reimbursement type grants are recorded when the eligible expenditures are incurred. Investment and rental income and development deposits are recorded as income when earned. Expenditures are recognized when obligations are incurred from the receipt of goods and services. Capital outlay and principal payment on long-term debt are recorded as expenditures when purchased or when due, respectively.

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate (subject to certain limitations) unused vacation and sick time earned and, upon retirement, termination or death, be compensated for unused portions of the time earned. Accordingly, these accumulated benefits, which will not be liquidated with expendable available financial resources, are recorded in the General Long-Term Obligations Account Group.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2003

2. *Summary of Significant Accounting Policies - Continued*

Property - CRA is the owner of certain properties within its project development areas. Generally, properties are acquired in connection with specified development projects and the costs associated with the acquisition of properties are expensed as incurred. Use of the proceeds from the rental and ultimate disposition of the properties is restricted for allowable project costs; otherwise such amounts must be returned to the funding agency. Expenditures for office equipment are expensed as incurred.

3. *Deposits*

The cash balance is \$12,943 at December 31, 2003, which is insured in full by FDIC or the Deposit Insurance Fund of Massachusetts.

4. *Development Deposits*

Through December 31, 2003 CRA has received \$3,500,000 of development deposits from Boston Properties Limited Partnership (BPLP), formerly Cambridge Center Associates. These deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. Through December 31, 2003, land sales applied to the deposits amounted to \$3,500,000 reducing the deposit balance to \$0.

5. *Pension Plan*

CRA contributes to the Cambridge Retirement System ("System"), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge. The system provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General laws ("MGL").

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA's contributions to the System for the years ended December 31, 2003 and 2002 were \$37,975 and \$33,817 respectively, which equaled its required contribution for each year.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2003

6. Operating Lease

CRA entered into a 60-month lease for office space commencing on July 1, 2001. The minimum payments due over the lease term are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2004	87,670
2005	87,670
2006	<u>43,835</u>
Total	<u>219,175</u>

Rent expense for the year ended December 31, 2003 was \$95,130.

7. Letter of Credit

On January 7, 2002 CRA closed on a Secured Revolving Line of Credit with the Cambridge Savings Bank in the amount of \$500,000. The line of credit matured on May 1, 2003 and carries a variable interest rate of one percent over the lender's base rate. Collateral included in the agreement consists of a first mortgage on a parcel of land on the corner of Binney Street and Galileo Galilei Way, in Kendall Square, Cambridge, Massachusetts as well as a first security interest in all the business assets of CRA. In April 2003 CRA closed on an additional Secured Revolving Line of Credit with the Cambridge Savings Bank in the amount of \$500,000 which carries a variable interest rate of one and a half percent over the lender's base rate. In addition to the collateral included in first agreement, a parcel of land known as Parcel 7 located at the corner of Binney Street and the Western Connector of Cambridge, Massachusetts is included as collateral in the agreement. As of December 31, 2003 the outstanding balance on the line of credit was \$901,202.

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Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2004

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2004:

- CRA held total assets of \$4,479,917 at December 31, 2004 of which \$3,968,618 was cash.
- CRA held total liabilities of \$1,127,328 at December 31, 2004 of which 839,568 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA.
- Total net assets for CRA were \$3,352,589 at December 31, 2004.
- CRA earned total revenues of \$4,478,361 for the year ended December 31, 2004, of which 89.5%, were the result of the gain on the sale of two parcels of land during 2004.
- CRA had total expenses of \$893,793 for the year ended December 31, 2004. The expenses for the years ended December 31, 2004 were applicable to the following categories:

Administrative	\$ 587,123
Legal	99,730
Survey and planning	31,818
Property management	54,781
Rent	79,452
Depreciation expense	1,698
Interest expense	<u>39,191</u>
Total	<u>\$ 893,793</u>

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2004

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management’s Discussion and Analysis - for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements and, required supplementary information that presents expenses reported in the basic financial statements on a functional basis in order to help the reader understand expenditures by major functional area.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA’s fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA’s financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2004

Financial Statements – continued

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Budgetary Highlights

CRA's annual budget for the year ended December 31, 2004 was approved by the board of directors. For the fiscal year ended December 31, 2004 CRA incurred \$893,793 in actual expenditures compared to budgeted expenditures of \$867,523. CRA's annual budget for 2005 is \$912,500.

CRA's Financial Activities

The majority of CRA's funding is the result of rental income and sales proceeds from the properties. CRA is the owner of certain properties within its project development areas, the majority of CRA's funding is in connection with rental income associated with the properties and proceeds from the sale of the properties. During 2004 sales proceeds represented 90.5% and rental income represented 3.5% of CRA's funding for the year. In addition, CRA receives funding from various Federal, State, and private grants.

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expires on June 30, 2006, however CRA amended the lease on July 21, 2004 extending the term for an additional three years until June 30, 2009. Under the amended lease, rental payments will be reduced to a fixed rate of \$51,008 per year commencing on August 1, 2004. Rent expense for this property for the year ended December 31, 2004 was \$79,452.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2004

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulumieri, Executive Director at CRA.

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Independent Auditors' Report

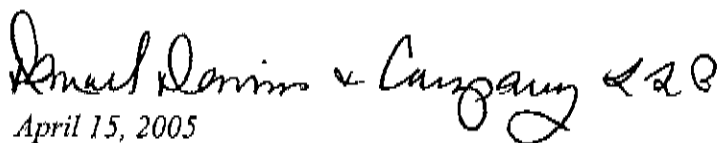
We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority (CRA) as of December 31, 2004, and the related statements of revenues, expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of CRA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2004, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, CRA has implemented a new reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

The Management Discussion and Analysis 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


April 15, 2005

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2004

Assets

Cash	\$ 3,968,618
Accounts receivable	19,363
Prepaid expenses	20,071
Security deposit	7,306
Land inventory	457,352
Property and equipment, net (Note 8)	<u>7,207</u>
 Total assets	 <u>\$ 4,479,917</u>

Liabilities and Net Assets

Accounts payable	\$ 10,499
Deposits held (Note 4)	839,568
Payroll liabilities	3,698
Accrued compensation (Note 9)	<u>273,563</u>
Total liabilities	<u>1,127,328</u>
 Investment in capital assets (Note 8)	 7,207
Unrestricted net assets	<u>3,345,382</u>
Total net assets	<u>3,352,589</u>
 Total liabilities and net assets	 <u>\$ 4,479,917</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2004

Revenues:

Grants	\$ 8,040
Gain on sale of land	4,010,249
Rental income	174,950
Interest income	10,409
Other income	<u>274,713</u>
Total revenues	<u>4,478,361</u>

Expenses:

Administrative	587,123
Legal	99,730
Survey and planning	31,818
Property management	54,781
Rent	79,452
Depreciation expense	1,698
Interest expense	<u>39,191</u>
Total expenses	<u>893,793</u>

Change in net assets	<u>3,584,568</u>
Net assets, beginning of year as previously reported	(850,841)
Prior period adjustment (Note 9)	<u>618,862</u>
Net assets, beginning of year as restated	<u>(231,979)</u>
Net assets, end of year	<u>\$ 3,352,589</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2004

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Net income/(loss)	\$ 3,584,568
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation expense	1,698
Decrease in receivables	32,816
Decrease in prepaid expenses	6,709
Decrease in land inventory	420,279
Decrease in accounts payable	(16,746)
Decrease in accrued wages	(2,941)
Increase in deposits held	835,215
Increase in payroll liabilities	3,698
Increase in accrued compensation	10,937
Decrease in deferred rent	<u>(14,308)</u>

Net cash from operating activities 4,861,925

Cash flows from investing activities:

Capital expenditures (5,048)

Net cash from investing activities (5,048)

Cash flows from financing activities:

Payment of line of credit (901,202)

Net cash from financing activities (901,202)

Net change in cash 3,955,675

Cash at beginning of year 12,943

Cash at end of year \$ 3,968,618

Supplemental disclosure:

Interest paid during the year \$ 39,191

See accompanying notes to financial statements.

Cambridge Redevelopment Authority

Notes to Financial Statements

December 31, 2004

1. *Type of Organization*

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. *Summary of Significant Accounting Policies*

The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of CRA's significant accounting policies:

Financial Statement Presentation - CRA, in accordance with *GASB Statement No. 34 - Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting - The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, CRA has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Accounts Receivable - Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At December 31, 2004, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2004

2. Summary of Significant Accounting Policies - Continued

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$2,500 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for equipment and 7 years for office furnishings.

Fair Value of Financial Instruments - CRA's financial instruments include cash and cash equivalents and accounts receivable. CRA estimates that the fair value of all financial instruments at December 31, 2004 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

3. Deposits

The authority's cash balance is \$3,968,618 at December 31, 2004. The authority maintains its cash in bank deposit and other accounts, which, at times, will exceed federally insured limits. The authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. Development Deposits

During 2004 CRA received a development deposit of \$835,215 in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2004, CRA holds a total of \$839,568 in development deposits. Future development deposits are due as follows:

<i>Fiscal</i> <i>Year</i>	<i>Amount</i>
2005	\$ 400,000
2006	300,000
2007	<u>100,000</u>
Total	<u>\$ 800,000</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2004

5. Pension Plan

CRA contributes to the Cambridge Retirement System ("System"), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge. The system provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General laws ("MGL").

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA's contribution to the System for the year ended December 31, 2004 was \$39,839, which equaled its required contribution for the year.

6. Operating Lease

CRA extended the terms of the original 60-month lease for office space commencing on July, 1 2001 by a period of three years, extending to December 31, 2009. Rent expense for the year ended December 31, 2004 was \$79,452. The minimum payments due over the lease term are as follows:

<i>Fiscal</i> <i>Year</i>	<i>Amount</i>
2005	\$ 51,008
2006	51,008
2007	51,008
2008	51,008
2009	<u>25,504</u>
Total	<u>\$ 229,536</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2004

7. Letter of Credit

On January 7, 2002 CRA closed on a Secured Revolving Line of Credit with the Cambridge Savings Bank in the amount of \$500,000. The line of credit matured on May 1, 2003 and carries a variable interest rate of one percent over the lender's base rate. Collateral included in the agreement consists of a first mortgage on a parcel of land on the corner of Binney Street and Galileo Galilei Way, in Kendall Square, Cambridge, Massachusetts as well as a first security interest in all the business assets of CRA. In April 2003, CRA closed on an additional Secured Revolving Line of Credit with the Cambridge Savings Bank in the amount of \$500,000 which carries a variable interest rate of one and a half percent over the lender's base rate. In addition to the collateral included in first agreement, a parcel of land known as Parcel 7 located at the corner of Binney Street and the Western Connector of Cambridge, Massachusetts is included as collateral in the agreement. As of December 31, 2004 the lines of credit were unused.

8. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Equipment & furnishings	\$ 6,000	\$ 5,048	\$ -	\$ 11,048
Less accumulated depreciation	<u>2,143</u>	<u>1,698</u>	<u>-</u>	<u>3,841</u>
Capital assets - net	<u>\$ 3,857</u>	<u>\$ 3,350</u>	<u>\$ -</u>	<u>\$ 7,207</u>

9. Prior Period Adjustment

CRA implemented a new reporting model, discussed in note 1 above, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004. The net assets at the beginning of fiscal year 2003 have been adjusted for the effects of capitalizing fixed assets of \$3,857 and land inventory of \$877,631 and recording liabilities for accrued compensation of \$262,626. This amount results in an increase of the net assets by \$618,862 at December 31, 2004.

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The Board of Directors
Cambridge Redevelopment Authority

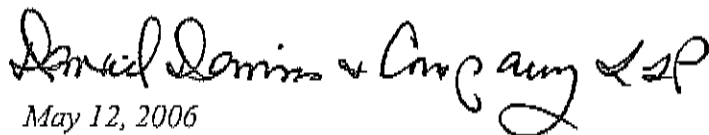
Independent Auditors' Report

We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority as of December 31, 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2005, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


May 12, 2006

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2005

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2005:

- CRA held total assets of \$4,320,936 at December 31, 2005 of which \$3,763,457 was cash and investments and \$457,355 was land inventory. Total assets were \$158,891 less than 2004.
- CRA held total liabilities of \$1,537,657 at December 31, 2005 of which \$1,239,568 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA. Liabilities were \$410,329 greater than 2004 mostly due to a \$400,000 development deposit received in 2005.
- Total net assets for CRA were \$2,783,279 at December 31, 2005 with \$8,159 invested in capital assets and the remaining \$2,775,120 unrestricted. Total net assets were \$569,310 less than 2004.
- CRA earned total revenues of \$294,412 for the year ended December 31, 2005, majority of which was generated from rental income (34%), income on short-term investments (35%), and funding from the Department of Housing and Urban Development (HUD) (30%). Total revenue for 2005 was \$4,183,949 less than 2004 mostly due to a \$4,010,249 gain on the sale of land in 2004.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2005

Financial Highlights - Continued

- CRA had a deficit change in net assets of (\$569,310) in 2005 compared to positive change of \$3,584,568 in 2004, again mostly due to the \$4,010,249 gain on the sale of land in 2004.
- CRA had total expenses of \$863,722 for the year ended December 31, 2005, \$30,071 less than 2004. The expenses for the years ended December 31, 2005 were applicable to the following categories:

Administrative	\$ 654,790
Legal	58,171
Survey and planning	52,523
Property management	37,736
Occupancy	57,574
Depreciation expense	<u>2,928</u>
Total	<u>\$ 863,722</u>

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement – Management’s Discussion and Analysis - for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2005

Financial Statements – Continued

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

CRA's Sources of Income

The majority of CRA's funding is the result of sales proceeds from CRA's properties, rental income, interest on investments, and funding from the U.S Department of Housing and Urban Development (HUD). In early 2005, the CRA received approval of a \$297,600 Neighborhood Initiative Grant from HUD. The funds will be used to develop open space in the Kendall Square Urban Renewal Area. Further grants are anticipated to be awarded in 2006.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2005

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expires on June 30, 2006, however CRA amended the lease on July 21, 2004 extending the term for an additional three years until June 30, 2009. Under the amended lease, rental payments will be reduced to a fixed rate of \$51,008 per year commencing on August 1, 2004. Rent expense for this property for the year ended December 31, 2005 was \$49,164.

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulimicri, Executive Director at CRA.

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2005

Assets

Current Assets:

Cash	\$ 2,764,309
Accounts receivable	64,149
Prepaid expenses	20,513
Investments	<u>999,148</u>
Total current assets	<u>3,848,119</u>

Noncurrent Assets:

Security deposit	7,306
Land inventory	457,352
Property and equipment, net (Note 7)	<u>8,159</u>
Total noncurrent assets	<u>472,817</u>
Total assets	<u>4,320,936</u>

Liabilities

Current Liabilities:

Payroll liabilities	\$ <u>6,738</u>
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Noncurrent Liabilities:

Development deposits (Note 4)	1,239,568
Accrued compensation	<u>291,351</u>
Total noncurrent liabilities	<u>1,530,919</u>
Total liabilities	<u>1,537,657</u>

Net Assets

Investment in capital assets	8,159
Unrestricted net assets	<u>2,775,120</u>
Total net assets	<u>\$ 2,783,279</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2005

Operating Revenues:

Grants	\$ 88,573
Rental income	<u>102,000</u>
Total operating revenues	<u>190,573</u>

Operating Expenses:

Administrative	654,790
Legal	58,171
Survey and planning	52,523
Property management	37,736
Occupancy	57,574
Depreciation expense	<u>2,928</u>
Total operating expenses	<u>863,722</u>
Operating loss	<u>(673,149)</u>

Nonoperating Revenues:

Interest income	<u>103,839</u>
Change in net assets	(569,310)
Net assets, beginning of year	<u>3,352,589</u>
Net assets, end of year	<u>\$ 2,783,279</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2005

Cash flows from operating activities:

Receipts from grants and rentals	\$ 145,787
Receipt from development deposits	400,000
Payments to vendors	(605,396)
Payments to employees	<u>(245,511)</u>
Net cash from operating activities	<u>(305,120)</u>

Cash flows from investing activities:

Purchase of investments	(999,148)
Interest	103,839
Capital expenditures	<u>(3,880)</u>
Net cash from investing activities	<u>(899,189)</u>

Net change in cash	(1,204,309)
Cash at beginning of year	<u>3,968,618</u>
Cash at end of year	<u>\$ 2,764,309</u>

*Reconciliation of operating loss to net cash
from operating activities:*

Operating loss	\$ (673,149)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	2,928
Change in assets and liabilities:	
Increase in receivables	(44,786)
Increase in prepaid expenses	(442)
Decrease in accounts payable	(10,499)
Increase in development deposits	400,000
Increase in payroll liabilities	3,040
Increase in accrued compensation	<u>17,788</u>
Net cash from operating activities	<u>\$ (305,120)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Notes to Financial Statements
December 31, 2005

1. Type of Organization

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. Summary of Significant Accounting Policies

The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of CRA's significant accounting policies:

Financial Statement Presentation - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting - The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

CRA applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. In addition, CRA applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Accounts Receivable - Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At December 31, 2005, no allowance for doubtful accounts has been recorded, as management considers all accounts receivable to be fully collectible.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2005

2. Summary of Significant Accounting Policies - Continued

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$2,500 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment, and 7 years for office furnishings.

Operating Revenue and Expenses - Operating revenue and expenses generally result from redevelopment activities in connection with CRA's principal ongoing operations. The principal operating revenues include federal and state grants, rental income and land sales. Operating expenses include redevelopment costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Credit Risk

CRA's cash balance is \$2,764,309 at December 31, 2005. CRA maintains its cash in bank deposits, overnight repurchase agreements, and other accounts, which, at times, will exceed federally insured limits. CRA has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash. As of December 31, 2005, the amount of \$83,155 was uninsured and uncollateralized.

Investments of \$999,148 at December 31, 2005 consist of certificate of deposits. Interest rates on these investments range from 2.90% to 4.98%. All certificates of deposits have maturities of one (1) year or less. Certificates of deposit amounts in excess of the FDIC insured limit of \$100,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2005, the amount of \$243,823 was uninsured and uncollateralized.

4. Development Deposits

During 2005 CRA received a development deposit of \$400,000 in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2005, CRA holds a total of \$1,239,568 in development deposits. Future development deposits of \$300,000 and \$100,000 are due in 2006 and 2007, respectively.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2005

5. Pension Plan

CRA contributes to the Cambridge Retirement System ("System"), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General Laws ("MGL").

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA's contribution to the System for the year ended December 31, 2005 was \$40,748, which equaled its required contribution for the year.

6. Operating Lease

CRA extended the terms of the original 60-month lease for office space commencing on July, 1 2001 by a period of three years, to December 31, 2009. Rent expense for the year ended December 31, 2005 was \$49,164. The minimum payments due over the lease term are as follows:

<i>Fiscal</i>	
<i>Year</i>	<i>Amount</i>
2006	\$ 51,008
2007	51,008
2008	51,008
2009	<u>25,504</u>
Total	<u>\$ 178,528</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2005

7. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance</i>
Equipment & furnishings	\$ 11,048	\$ 3,880	\$ -	\$ 14,928
Less accumulated depreciation	<u>3,841</u>	<u>2,928</u>	<u>-</u>	<u>6,769</u>
Capital assets - net	<u>\$ 7,207</u>	<u>\$ 952</u>	<u>\$ -</u>	<u>\$ 8,159</u>

CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
And
Auditors' Report

December 31, 2006



Daniel Dennis & Company LLP
Certified Public Accountants

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Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2006

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2006:

- CRA held total assets of \$3,788,904 at December 31, 2006 of which \$3,298,042 was cash and investments and \$457,352 was land inventory. Total assets were \$532,032 less than 2005.
- CRA held total liabilities of \$1,866,546 at December 31, 2006 of which \$1,539,568 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA. Liabilities were \$ 328,889 greater than 2005 mostly due to a \$300,000 development deposit received in 2006.
- Total net assets for CRA were \$1,922,358 at December 31, 2006 with \$ 5,231 invested in capital assets and the remaining \$1,917,127 unrestricted. Total net assets were \$860,921 less than 2005.
- CRA earned total revenues of \$186,818 for the year ended December 31, 2006, the majority of which was generated from rental income (13%), income on short-term investments (77%), and funding from the Department of Housing and Urban Development (HUD) (10%). Total revenue for 2006 was \$ 107,594 less than 2005 mostly due to a \$77,500 decrease in rental income.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2006

Financial Highlights - Continued

- CRA had a deficit change in net assets of (\$860,921) in 2006 compared to a deficit change of (\$569,310) in 2005.
- CRA had total expenses of \$1,047,739 for the year ended December 31, 2006, \$184,017 more than 2005. The expenses for the years ended December 31, 2006 were applicable to the following categories:

Administrative	\$ 769,412
Legal	44,842
Survey and planning	91,592
Property management	87,957
Occupancy	51,008
Depreciation expense	<u>2,928</u>
Total	<u>\$ 1,047,739</u>

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2006

Financial Statements – Continued

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

CRA's Sources of Income

The majority of CRA's funding is the result of sales proceeds from CRA's properties, rental income, interest on investments, and funding from the U.S Department of Housing and Urban Development (HUD).

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2006

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expires on June 30, 2006, however CRA amended the lease on July 21, 2004 extending the term for an additional three years until June 30, 2009. Under the amended lease, rental payments will be reduced to a fixed rate of \$51,008 per year commencing on August 1, 2004. Rent expense for this property for the year ended December 31, 2006 was \$51,008.

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulumieri, Executive Director at CRA.

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Cambridge Redevelopment Authority

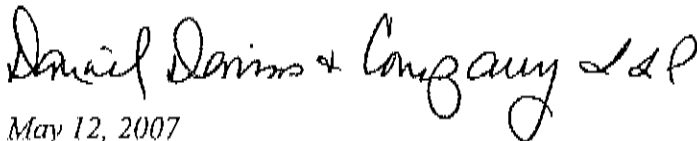
Independent Auditors' Report

We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority as of December 31, 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2006, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


May 12, 2007

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2006

Assets

Current Assets:

Cash	\$ 1,336,135
Prepaid expenses	20,973
Investments	<u>1,961,907</u>
Total current assets	<u>3,319,015</u>

Noncurrent Assets:

Security deposit	7,306
Land inventory	457,352
Property and equipment, net (Note 7)	<u>5,231</u>
Total noncurrent assets	<u>469,889</u>
Total assets	<u>3,788,904</u>

Liabilities

Current Liabilities:

Accounts payable	15,460
Payroll liabilities	<u>6,553</u>
Total current liabilities	<u>22,013</u>

Noncurrent Liabilities:

Development deposits (Note 4)	1,539,568
Accrued compensation	<u>304,965</u>
Total noncurrent liabilities	<u>1,844,533</u>
Total liabilities	<u>1,866,546</u>

Net Assets

Investment in capital assets	5,231
Unrestricted net assets	<u>1,917,127</u>
Total net assets	<u>\$ 1,922,358</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2006

Operating Revenues:

Grants	\$ 17,751
Rental income	<u>24,500</u>
Total operating revenues	<u>42,251</u>

Operating Expenses:

Administrative	769,412
Legal	44,842
Survey and planning	91,592
Property management	87,957
Occupancy	51,008
Depreciation expense	<u>2,928</u>
Total operating expenses	<u>1,047,739</u>

Operating loss (1,005,488)

Nonoperating Revenues:

Interest income	<u>144,567</u>
-----------------	----------------

Change in net assets (860,921)

Net assets, beginning of year 2,783,279

Net assets, end of year \$ 1,922,358

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash flows from operating activities:

Receipts from grants and rentals	\$ 106,400
Receipt from development deposits	300,000
Payments to vendors	(708,593)
Payments to employees	<u>(307,789)</u>
Net cash from operating activities	<u>(609,982)</u>

Cash flows from investing activities:

Purchase of investments	(962,759)
Interest	<u>144,567</u>
Net cash from investing activities	<u>(818,192)</u>

Net change in cash (1,428,174)

Cash at beginning of year 2,764,309

Cash at end of year \$ 1,336,135

*Reconciliation of operating loss to net cash
from operating activities:*

Operating loss	\$ (1,005,488)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	2,928
Change in assets and liabilities:	
Decrease in receivables	64,149
Increase in prepaid expenses	(460)
Increase in accounts payable	15,460
Increase in development deposits	300,000
Decrease in payroll liabilities	(185)
Increase in accrued compensation	<u>13,614</u>
Net cash from operating activities	<u>\$ (609,982)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority

Notes to Financial Statements

December 31, 2006

1. *Type of Organization*

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. *Summary of Significant Accounting Policies*

The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of CRA's significant accounting policies:

Financial Statement Presentation - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*, CRA is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity.

Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting - The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

CRA applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. In addition, CRA applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Accounts Receivable - Accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At December 31, 2006, no accounts receivable are outstanding.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2006

2. *Summary of Significant Accounting Policies - Continued*

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned. Termination is defined as loss of employment due to lay off or elimination of position without fault on the employee's part.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment, and 7 years for office furnishings.

Operating Revenue and Expenses - Operating revenue and expenses generally result from redevelopment activities in connection with CRA's principal ongoing operations. The principal operating revenues include federal and state grants, rental income and land sales. Operating expenses include redevelopment costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. *Credit Risk*

CRA's cash balance is \$1,336,135 at December 31, 2006. CRA maintains its cash in bank deposits, overnight repurchase agreements, and other accounts, which, at times, will exceed federally insured limits. CRA has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash. As of December 31, 2006, the amount of \$75,111 was uninsured and uncollateralized.

Investments of \$1,961,907 at December 31, 2006 consist of certificate of deposits and treasury bills. Interest rates on these investments range from 2.90% to 4.98%. All certificates of deposits have maturities of one (1) year or less. Certificates of deposit amounts in excess of the FDIC insured limit of \$100,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2006, the amount of \$256,984 was uninsured and uncollateralized.

4. *Development Deposits*

During 2006 CRA received a development deposit of \$300,000 in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2006, CRA holds a total of \$1,539,568 in development deposits. A future development deposit of \$100,000 is due in 2007.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2006

5. Pension Plan

CRA contributes to the Cambridge Retirement System ("System"), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge (City). The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General Laws ("MGL").

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA's contribution to the System for the year ended December 31, 2006 was \$41,485, which equaled its required contribution for the year.

6. Operating Lease

CRA extended the terms of the original 60-month lease for office space commencing on July, 1 2001 by a period of three years, to June 30, 2009. Rent expense for the year ended December 31, 2006 was \$51,008. The minimum payments due over the lease term are as follows:

<i>Fiscal</i>	
<i>Year</i>	<i>Amount</i>
2007	51,008
2008	51,008
2009	<u>25,504</u>
Total	<u>\$ 127,520</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2006

7. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance</i>
Equipment & furnishings	\$ 14,928	\$ -	\$ -	\$ 14,928
Less accumulated depreciation	<u>6,769</u>	<u>2,928</u>	<u>-</u>	<u>9,697</u>
Capital assets - net	<u>\$ 8,159</u>	<u>\$ (2,928)</u>	<u>\$ -</u>	<u>\$ 5,231</u>

8. Postemployment Benefits Other Than Pension Benefits

Under City collective bargaining agreements, CRA provides health insurance plan benefits to all retirees and their beneficiaries of CRA. The plan calls for contributions of 15% by the retiree and 85% by CRA of the annual insurance premiums. Currently, funding for the plan is on a pay-as-you-go basis. For the year ended December 31, 2006, CRA paid \$80,138 in health insurance premiums on behalf of 9 retirees under the plan.

CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
And
Auditors' Report

December 31, 2007



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Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2007

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2007:

- CRA held total assets of \$3,434,375 at December 31, 2007 of which \$2,944,196 was cash and investments and \$457,352 was land inventory. Total assets were \$354,529 less than 2006.
- CRA held total liabilities of \$2,546,963 at December 31, 2007 of which \$2,180,581 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA. Liabilities were \$680,417 greater than 2006 mostly due to a \$641,013 development deposit received in 2007.
- Total net assets for CRA were \$887,412 at December 31, 2007 with \$2,348 invested in capital assets and the remaining \$885,064 unrestricted. Total net assets were \$1,034,946 less than 2006.
- CRA earned total revenues of \$155,328 for the year ended December 31, 2007, the majority of which was generated from rental income (4%), income on short-term investments (83%), and reimbursed expenses (13%). Total revenue for 2007 was \$31,490 less than 2006 mostly due to \$18,500 decrease in rental income and \$15,613 decrease in interest income.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2007

Financial Highlights - Continued

- CRA had a deficit change in net assets of \$1,034,946 in 2007 compared to a deficit change of \$860,921 in 2006.
- CRA had total expenses of \$1,190,274 for the year ended December 31, 2007, \$142,535 more than 2006. The expenses for the year ended December 31, 2007 were applicable to the following categories:

Administrative	\$ 810,998
Legal	49,205
Survey and planning	245,158
Property management	30,977
Occupancy	51,008
Depreciation expense	<u>2,928</u>
Total	<u>\$ 1,190,274</u>

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34 CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2007

Financial Statements – Continued

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

CRA's Sources of Income

The majority of CRA's funding is the result of sales proceeds from CRA's properties, rental income, interest on investments, and funding from the U.S Department of Housing and Urban Development (HUD).

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2007

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expires on June 30, 2006, however CRA amended the lease on July 21, 2004 extending the term for an additional three years until June 30, 2009. Under the amended lease, rental payments will be reduced to a fixed rate of \$51,008 per year commencing on August 1, 2004. Rent expense for this property for the year ended December 31, 2007 was \$51,008.

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulumieri, Executive Director at CRA.

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Cambridge Redevelopment Authority

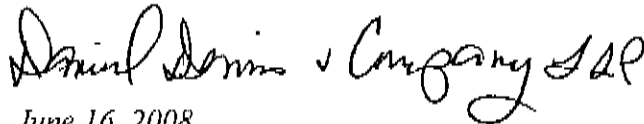
Independent Auditors' Report

We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority as of December 31, 2007, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2007, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



June 16, 2008

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2007

Assets

Current Assets:

Cash	\$ 748,453
Accounts receivable	440
Prepaid expenses	22,733
Investments	<u>2,195,743</u>
Total current assets	<u>2,967,369</u>

Noncurrent Assets:

Security deposit	7,306
Land inventory	457,352
Property and equipment, net (Note 7)	<u>2,348</u>
Total noncurrent assets	<u>467,006</u>
Total assets	<u>3,434,375</u>

Liabilities

Current Liabilities:

Accounts payable	9,965
Payroll liabilities	<u>1,683</u>
Total current liabilities	<u>11,648</u>

Noncurrent Liabilities:

Development deposits (Note 4)	2,180,581
Accrued compensation	<u>354,734</u>
Total noncurrent liabilities	<u>2,535,315</u>
Total liabilities	<u>2,546,963</u>

Net Assets

Investment in capital assets	2,348
Unrestricted net assets	<u>885,064</u>
Total net assets	<u>\$ 887,412</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2007

Operating Revenues:

Reimbursed expenses	\$ 20,374
Rental income	<u>6,000</u>
Total operating revenues	<u>26,374</u>

Operating Expenses:

Administrative	810,998
Legal	49,205
Survey and planning	245,158
Property management	30,977
Occupancy	51,008
Depreciation expense	<u>2,928</u>
Total operating expenses	<u>1,190,274</u>
Operating loss	<u>(1,163,900)</u>

Nonoperating Revenues:

Interest income	<u>128,954</u>
Change in net assets	(1,034,946)
Net assets, beginning of year	<u>1,922,358</u>
Net assets, end of year	<u>\$ 887,412</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2007

<i>Cash flows from operating activities:</i>	
Receipts from grants and rentals	\$ 25,934
Receipt from development deposits	641,013
Payments to vendors	(878,068)
Payments to employees	<u>(271,634)</u>
Net cash from operating activities	<u>(482,755)</u>
<i>Cash flows from investing activities:</i>	
Purchase of investments	(233,881)
Interest	<u>128,954</u>
Net cash from investing activities	<u>(104,927)</u>
Net change in cash	(587,682)
Cash at beginning of year	<u>1,336,135</u>
Cash at end of year	<u>\$ 748,453</u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>	
Operating loss	\$(1,163,900)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	2,928
Change in assets and liabilities:	
Decrease in receivables	(440)
Increase in prepaid expenses	(1,760)
Increase in accounts payable	(5,495)
Increase in development deposits	641,013
Decrease in payroll liabilities	(4,870)
Increase in accrued compensation	<u>49,769</u>
Net cash from operating activities	<u>\$ (482,755)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority

Notes to Financial Statements

December 31, 2007

1. *Type of Organization*

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. *Summary of Significant Accounting Policies*

The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of CRA's significant accounting policies:

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Basis of Accounting - The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

CRA applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. In addition, CRA applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Accounts Receivable - Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible. At December 31, 2007, outstanding accounts receivable was \$ 440.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2007

2. Summary of Significant Accounting Policies - Continued

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned. Termination is defined as loss of employment due to lay off or elimination of position without fault on the employee's part.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment, and 7 years for office furnishings.

Operating Revenue and Expenses - Operating revenue and expenses generally result from redevelopment activities in connection with CRA's principal ongoing operations. The principal operating revenues include federal and state grants, rental income and land sales. Operating expenses include redevelopment costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. Credit Risk

CRA's cash balance is \$748,453 at December 31, 2007. CRA maintains its cash in bank deposits, overnight repurchase agreements, and other accounts, which, at times, will exceed federally insured limits. CRA has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash. As of December 31, 2007, the amount of \$75,023 was uninsured and uncollateralized.

Investments of \$2,195,743 at December 31, 2007 consist of certificate of deposits and treasury bills. Interest rates on these investments range from 2.90% to 5.25%. All certificates of deposits have maturities of one (1) year or less. Certificates of deposit amounts in excess of the FDIC insured limit of \$100,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2007, the amount of \$425,014 was uninsured and uncollateralized.

4. Development Deposits

During 2007 CRA received a development deposit of \$641,013 in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2007, CRA holds a total of \$2,180,581 in development deposits.

Cambridge Redevelopment Authority
Notes to Financial Statements – *Continued*
December 31, 2007

5. Pension Plan

CRA contributes to the Cambridge Retirement System (“System”), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge (City). The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General Laws (“MGL”).

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA’s contribution to the System for the year ended December 31, 2007 was \$43,706 which equaled its required contribution for the year.

6. Operating Lease

CRA extended the terms of the original 60-month lease for office space commencing on July, 1 2001 by a period of three years, to June 30, 2009. Rent expense for the year ended December 31, 2007 was \$51,008. The minimum payments due over the lease term are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2008	\$ 51,008
2009	<u>25,504</u>
Total	<u>\$ 76,512</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Equipment & furnishings	\$ 14,928	\$ 45	\$ -	\$ 14,973
Less accumulated depreciation	<u>9,697</u>	<u>2,928</u>	<u>-</u>	<u>12,625</u>
Capital assets - net	<u>\$ 5,231</u>	<u>\$ (2,883)</u>	<u>\$ -</u>	<u>\$ 2,348</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2007

8. *Postemployment Benefits Other Than Pension Benefits*

Under City collective bargaining agreements, CRA provides health insurance plan benefits to all retirees and their beneficiaries of CRA. The plan calls for contributions of 15% by the retiree and 85% by CRA of the annual insurance premiums. Currently, funding for the plan is on a pay-as-you-go basis. For the year ended December 31, 2007, CRA paid \$83,873 in health insurance premiums on behalf of 9 retirees under the plan.

CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
And
Auditors' Report

December 31, 2008



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December 31, 2008

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2008. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2008:

- CRA held total assets of \$2,571,844 at December 31, 2008 of which \$2,087,990 was cash and investments and \$457,352 was land inventory. Total assets were \$862,531 less than 2007.
- CRA held total liabilities of \$2,649,649 at December 31, 2008 of which \$2,180,581 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA. Liabilities were \$102,686 greater than 2007 mostly due to a \$62,530 in insurance proceeds received in 2008 owed to Boston Properties Limited Partnership to finance repairs and maintenance on a property mutually owned by the two entities.
- Total net assets for CRA were a deficit of \$77,805 at December 31, 2008 with \$515 invested in capital assets and an unrestricted deficit of \$78,320. Total net assets were \$965,217 less than 2007.
- CRA earned total revenues of \$94,291 for the year ended December 31, 2008, the majority of which was generated from income on short-term investments (91%). Total revenue for 2008 was \$61,037 less than 2007 mostly due to a \$43,309 decrease in interest income resulting from withdrawals on investments to finance operating activities and lower interest rates pertaining to certificates of deposit.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2008

Financial Highlights - Continued

- CRA had a deficit change in net assets of \$965,217 in 2007 compared to a deficit change of \$1,034,946 in 2007.
- CRA had total expenses of \$1,059,508 for the year ended December 31, 2008, \$130,766 less than 2007. The expenses for the year ended December 31, 2008 were applicable to the following categories:

Administrative	\$ 776,211
Legal	46,710
Survey and planning	127,111
Property management	56,635
Occupancy	51,008
Depreciation expense	<u>1,833</u>
Total	<u>\$ 1,059,508</u>

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34, CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2008

Financial Statements – Continued

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

CRA's Sources of Income

The majority of CRA's funding is the result of sales proceeds from CRA's properties, rental income, interest on investments, and funding from the U.S Department of Housing and Urban Development (HUD).

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2008

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expires on June 30, 2006, however CRA amended the lease on July 21, 2004 extending the term for an additional three years until June 30, 2009. Under the amended lease, rental payments will be a fixed rate of \$51,008 per year commencing on August 1, 2004. Rent expense for this property for the year ended December 31, 2008 was \$51,008.

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulimieri, Executive Director at CRA.

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Cambridge Redevelopment Authority

Independent Auditors' Report

We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority as of December 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2008, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis 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 supplementary information. However, we did not audit the information and express no opinion on it.


June 10, 2009

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2008

Assets

Current Assets:

Cash	\$ 348,185
Accounts receivable	691
Prepaid expenses	17,990
Investments	<u>1,739,805</u>
Total current assets	<u>2,106,671</u>

Noncurrent Assets:

Security deposit	7,306
Land inventory	457,352
Property and equipment, net	<u>515</u>
Total noncurrent assets	<u>465,173</u>
Total assets	<u>2,571,844</u>

Liabilities

Current Liabilities:

Accounts payable	21,740
Payroll liabilities	989
Other liabilities	<u>62,530</u>
Total current liabilities	<u>85,259</u>

Noncurrent Liabilities:

Development deposits	2,180,581
Accrued compensation	<u>383,809</u>
Total noncurrent liabilities	<u>2,564,390</u>
Total liabilities	<u>2,649,649</u>

Net Assets

Investment in capital assets	515
Unrestricted net assets	<u>(78,320)</u>
Total net assets	<u>\$ (77,805)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2008

Operating Revenues:

Reimbursed expenses	\$ 2,646
Rental income	<u>6,000</u>
Total operating revenues	<u>8,646</u>

Operating Expenses:

Administrative	776,211
Legal	46,710
Survey and planning	127,111
Property management	56,635
Occupancy	51,008
Depreciation expense	<u>1,833</u>
Total operating expenses	<u>1,059,508</u>
Operating loss	<u>(1,050,862)</u>

Nonoperating Revenues:

Interest income	<u>85,645</u>
Change in net assets	(965,217)
Net assets, beginning of year	<u>887,412</u>
Net assets, end of year	<u>\$ (77,805)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2008

<i>Cash flows from operating activities:</i>	
Receipts from grants and rentals	\$ 8,395
Payments to vendors	(620,716)
Payments to employees	<u>(329,530)</u>
Net cash from operating activities	<u>(941,851)</u>
<i>Cash flows from investing activities:</i>	
Net proceeds from investment withdrawals	479,053
Insurance proceeds	<u>62,530</u>
Net cash from investing activities	<u>541,583</u>
Net change in cash	(400,268)
Cash at beginning of year	<u>748,453</u>
Cash at end of year	<u>\$ 348,185</u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>	
Operating loss	\$(1,050,862)
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	1,833
Change in assets and liabilities:	
Increase in receivables	(251)
Decrease in prepaid expenses	4,743
Increase in accounts payable	11,775
Increase in other liabilities	62,530
Decrease in payroll liabilities	(694)
Increase in accrued compensation	<u>29,075</u>
Net cash from operating activities	<u>\$ (941,851)</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority

Notes to Financial Statements

December 31, 2008

1. *Type of Organization*

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

2. *Summary of Significant Accounting Policies*

The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of CRA's significant accounting policies:

Financial Statement Presentation - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, CRA is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting - The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

CRA applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. In addition, CRA applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Accounts Receivable - Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2008

2. *Summary of Significant Accounting Policies - Continued*

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned. Termination is defined as loss of employment due to lay off or elimination of position without fault on the employee's part.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment, and 7 years for office furnishings.

Operating Revenue and Expenses - Operating revenue and expenses generally result from redevelopment activities in connection with CRA's principal ongoing operations. The principal operating revenues include federal and state grants, rental income and land sales. Operating expenses include redevelopment costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. *Credit Risk*

CRA's cash balance is \$348,185 at December 31, 2008. CRA maintains its cash in bank deposits and other accounts, which, at times, will exceed federally insured limits. CRA has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash. As of December 31, 2008, the amount of \$90,870 was uninsured and uncollateralized.

Investments of \$1,739,805 at December 31, 2008 consist of certificate of deposits and treasury bills. Interest rates on these investments range from 1.50% to 3.82%. All certificates of deposits have maturities of one (1) year or less. Certificates of deposit amounts in excess of the FDIC insured limit of \$250,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2008, all investments were insured and collateralized.

4. *Development Deposits*

CRA receives development deposits in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2008, CRA holds a total of \$2,180,581 in development deposits.

Cambridge Redevelopment Authority
Notes to Financial Statements – *Continued*
December 31, 2008

5. Pension Plan

CRA contributes to the Cambridge Retirement System (“System”), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge (City). The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General Laws (“MGL”).

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA’s contribution to the System for the year ended December 31, 2008 was \$40,723 which equaled its required contribution for the year.

6. Operating Lease

CRA extended the terms of the original 60-month lease for office space commencing on July, 1 2001 by a period of three years, to June 30, 2009. Rent expense for the year ended December 31, 2008 was \$51,008. The minimum payments due over the lease term are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2009	<u>25,504</u>
Total	<u>\$ 25,504</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Equipment & furnishings	\$ 14,973	\$ -	\$ -	\$ 14,973
Less accumulated depreciation	<u>12,625</u>	<u>1,833</u>	<u>-</u>	<u>14,458</u>
Capital assets - net	<u>\$ 2,348</u>	<u>\$ (1,833)</u>	<u>\$ -</u>	<u>\$ 515</u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2008

8. *Postemployment Benefits Other Than Pension Benefits*

CRA provides health insurance plan benefits to all retirees and their beneficiaries of CRA. The plan calls for contributions of 15% by the retiree and 85% by CRA of the annual insurance premiums. Currently, funding for the plan is on a pay-as-you-go basis. For the year ended December 31, 2008, CRA paid \$80,110 in health insurance premiums on behalf of 9 retirees under the plan.

CAMBRIDGE REDEVELOPMENT AUTHORITY

Financial Statements
And
Auditors' Report

December 31, 2009



Daniel Dennis & Company LLP
Certified Public Accountants

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Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2009

Our discussion and analysis of Cambridge Redevelopment Authority's (CRA) financial performance provides an overview of CRA's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with CRA's financial statements.

CRA as a Whole

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

Financial Highlights

The following financial highlights are for the fiscal year 2009:

- CRA held total assets of \$5,178,538 at December 31, 2009 of which \$4,898,940 was cash and investments and \$249,725 was land inventory. Total assets increased by \$2,606,694 from 2008.
- CRA held total liabilities of \$912,038 at December 31, 2009 of which \$339,568 were development deposits from Boston Properties Limited Partnership to secure the right to the future purchase of land from CRA. Liabilities were \$1,737,611 less than 2008 mostly due to a sale of land to Boston Properties in 2009. The developmental deposit liability decreased and was applied to the purchase of the parcels of land.
- Total net assets for CRA were \$4,266,500 at December 31, 2009 with \$70 invested in capital assets and unrestricted net assets of \$4,266,430. Total net assets increased by \$4,344,820 from 2008 mostly due to the sale of land parcels to Boston Properties.
- CRA earned total operating revenues of \$5,451,851 for the year ended December 31, 2009, the majority of which was generated from the sale of land parcels. Total revenue for 2009 was \$5,357,560 more than 2008.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2009

Financial Highlights - Continued

- CRA had total operating expenses of \$1,139,603 for the year ended December 31, 2009, \$80,095 more than 2008. The increase was mostly due to increases in accounting, legal, and consulting fees due to the sale of the land parcels to Boston Properties. The expenses for the year ended December 31, 2009 were applicable to the following categories:

Administrative	\$ 888,362
Legal	100,287
Survey and planning	58,927
Property management	38,715
Occupancy	52,868
Depreciation expense	<u>444</u>
Total	<u>\$ 1,139,603</u>

Using This Annual Report

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34), CRA is considered a special purpose government entity that engages in only business type activities. All of the financial activity of CRA is recorded in an enterprise fund within the proprietary fund group. In accordance with GASB No. 34, CRA issues a *Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets* and a *Statement of Cash Flows*. These statements provide information about the financial activities of CRA, as a whole. This annual report also contains notes to the financial statements which provide additional information that is essential to a full understanding of the information provided in the basic financial statements.

Financial Statements

The *Statement of Net Assets* presents the assets, liabilities and net assets of CRA as a whole, as of the end of the fiscal year. The *Statement of Net Assets* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of CRA to the readers of the financial statements. The *Statement of Net Assets* includes year-end information concerning assets, liabilities, and net assets. Net assets represent the difference between assets and liabilities.

Net assets are displayed in three components, *invested in capital assets, net of related debt, restricted net assets, and unrestricted net assets*. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2009

Financial Statements – Continued

Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, contributors, or government laws or regulations of other governments. Unrestricted net assets represent all other net assets that do not meet the definition of *restricted or invested in capital assets, net of related debt*.

Over time, readers of the financial statements will be able to evaluate CRA's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net assets to determine if CRA's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended legislation when evaluating the overall financial health of CRA. This statement is also a good source for readers to determine how much CRA owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Assets* reports the financial (revenue and expenses) activities of CRA and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of CRA and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of CRA. Changes in total net assets as presented on the *Statement of Net Assets* are based on the activity presented in this statement. This statement helps to determine whether CRA had sufficient revenues to cover expenses during the year and its net increase or decrease in net assets based on current year operations.

The *Statement of Cash Flows* provides information about CRA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in cash balance during the reporting period?" This statement also is an important tool in helping users assess CRA's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

CRA's Sources of Income

The majority of CRA's funding is the result of sales proceeds from CRA's properties, rental income, interest on investments, and funding from the U.S Department of Housing and Urban Development (HUD).

Cambridge Redevelopment Authority
Management Discussion and Analysis
December 31, 2009

Other Financial Factors

CRA leases office space at One Cambridge Center, Cambridge Massachusetts. The original terms of the lease agreement state that the lease expired on June 30, 2009, however CRA amended the lease on June 8, 2009 extending the term for an additional one year and nine months commencing on July 1, 2009 and expiring on March 31, 2011. Under the amended lease, rental payments will be a fixed rate of \$54,196 per year commencing on July 1, 2009. Rent expense for this property for the year ended December 31, 2009 was \$52,868.

Contacting CRA's Financial Management

This financial report is designed to provide the reader with a general overview of CRA's finances and to show the accountability for the funds received. If you have questions about this report or need additional information, please contact Joseph Tulumieri, Executive Director at CRA.

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Cambridge Redevelopment Authority

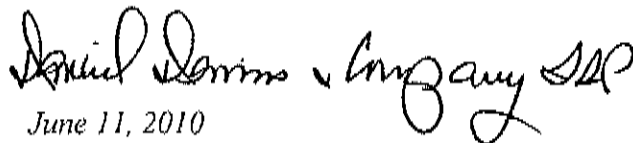
Independent Auditors' Report

We have audited the accompanying statement of net assets of Cambridge Redevelopment Authority as of December 31, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cambridge Redevelopment Authority as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis 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 inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


June 11, 2010

Cambridge Redevelopment Authority
Statement of Net Assets
December 31, 2009

Assets

Current Assets:

Cash and cash equivalents	\$ 544,738
Accounts receivable	3,227
Prepaid expenses	19,270
Investments	<u>4,354,202</u>
Total current assets	<u>4,921,437</u>

Noncurrent Assets:

Security deposit	7,306
Land inventory	249,725
Property and equipment, net	<u>70</u>
Total noncurrent assets	<u>257,101</u>
Total assets	<u>5,178,538</u>

Liabilities

Current Liabilities:

Accounts payable	17,338
Payroll liabilities	4,420
Other liabilities	<u>62,530</u>
Total current liabilities	<u>84,288</u>

Noncurrent Liabilities:

Development deposits	339,568
Other postemployment benefit obligations	95,515
Accrued compensation	<u>392,667</u>
Total noncurrent liabilities	<u>827,750</u>
Total liabilities	<u>912,038</u>

Net Assets

Investment in capital assets	70
Unrestricted net assets	<u>4,266,430</u>
Total net assets	<u>\$ 4,266,500</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2009

<i>Operating Revenues:</i>	
Reimbursed expenses	\$ 20,785
Rental income	6,000
Grant income	147,140
Land proceeds	<u>5,277,926</u>
Total operating revenues	<u>5,451,851</u>
<i>Operating Expenses:</i>	
Administrative	888,362
Legal	100,287
Survey and planning	58,927
Property management	38,715
Occupancy	52,868
Depreciation expense	<u>444</u>
Total operating expenses	<u>1,139,603</u>
Operating surplus	4,312,248
<i>Nonoperating Revenues:</i>	
Interest income	<u>32,572</u>
Change in net assets	4,344,820
Net assets, beginning of year	<u>(78,320)</u>
Net assets, end of year	<u>\$ 4,266,500</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Statement of Cash Flows
For the Year Ended December 31, 2009

<i>Cash flows from operating activities:</i>	
Receipts from grants, rentals, and land proceeds	\$ 3,815,929
Payments to vendors	(549,817)
Payments to employees	<u>(487,220)</u>
Net cash from operating activities	<u>2,778,892</u>
<i>Cash flows from investing activities:</i>	
Net investment purchases	(2,614,911)
Interest on investments	<u>32,572</u>
Net cash from investing activities	<u>(2,582,339)</u>
Net change in cash	196,553
Cash at beginning of year	<u>348,185</u>
Cash at end of year	<u>\$ 544,738</u>
<i>Reconciliation of operating loss to net cash from operating activities:</i>	
Operating surplus	\$ 4,312,248
Adjustment to reconcile operating loss to net cash from operating activities:	
Depreciation expense	444
Change in assets and liabilities:	
Increase in receivables	(2,536)
Increase in prepaid expenses	(1,280)
Decrease in land inventory	207,627
Decrease in accounts payable	(4,402)
Decrease in development deposits	(1,841,013)
Increase in payroll liabilities	3,431
Increase in other postemployment benefit obligations	95,515
Increase in accrued compensation	<u>8,858</u>
Net cash from operating activities	<u>\$ 2,778,892</u>

See accompanying notes to financial statements.

Cambridge Redevelopment Authority
Notes to Financial Statements
December 31, 2009

1. Type of Organization

The Cambridge Redevelopment Authority (CRA) was established in 1955 to administer and plan urban renewal and other community development projects within the City of Cambridge. CRA is authorized by and operates under the provisions of Chapter 121B of the General Laws, as amended, which is known as the Housing and Urban Renewal Law. CRA was issued a Certificate of Organization by the Secretary of the Commonwealth on November 20, 1956.

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The accounting policies of Cambridge Redevelopment Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

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Financial Statement Presentation - In accordance with Governmental Accounting Standards Board, CRA is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

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CRA applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. In addition, CRA applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

Accounts Receivable - Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

2. Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents consist of cash and all highly liquid investments with a maturity of three months or less.

Vacation and Sick Pay - Employees earn vacation and sick time as they provide services to CRA. They may accumulate, subject to certain limitations, unused vacation, compensatory, and sick time earned and, upon retirement, termination or death, be compensated for unused time earned. Termination is defined as loss of employment due to lay off or elimination of position without fault on the employee's part.

Capital Assets - Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using estimated useful lives of 3 years for computer equipment, 5 years for other equipment, and 7 years for office furnishings.

Operating Revenue and Expenses - Operating revenue and expenses generally result from redevelopment activities in connection with CRA's principal ongoing operations. The principal operating revenues include federal and state grants, rental income and land sales. Operating expenses include redevelopment costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs – Quoted prices for identical assets or liabilities in active markets;
- Level 2 Inputs – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;
- Level 3 Inputs – Unobservable inputs for where there is little, if any, market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

3. Credit Risk

CRA maintains its cash in bank deposits and other accounts, which, at times, will exceed federally insured limits. CRA has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk on cash. As of December 31, 2009, the amount of \$64,612 was uninsured and uncollateralized.

Investments consist of certificates of deposit. Certificates of deposit amounts in excess of the FDIC insured limit are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2009, the amount of \$141,636 was uninsured and uncollateralized.

4. Development Deposits

CRA receives development deposits in accordance with Development Agreements by and between CRA and Boston Partners Limited Partnership (BPLP). The deposits are in consideration of and secure BPLP's right to the future purchase of land from CRA. Upon purchase of the land all paid deposits would be deducted from the agreed-upon purchase price. As of December 31, 2009, CRA holds a total of \$339,568 in development deposits.

5. Pension Plan

CRA contributes to the Cambridge Retirement System ("System"), a cost sharing, multi-employer public employee retirement system that acts as the investment and administrative agent for the City of Cambridge (City). The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System that is governed by Chapter 32 of the Massachusetts General Laws ("MGL").

Plan members are required to contribute to the System, depending on their employment date. Active members must contribute between 5% and 10% of their regular gross compensation depending on the date upon which their membership began. Participating employers are required to pay into the System their share of the remaining System-wide actuarially determined contribution and plan administration costs. The Commonwealth reimburses the City for a portion of the benefit payments for cost-of-living increases. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. CRA's contribution to the System for the year ended December 31, 2009 was \$37,259 which equaled its required contribution for the year.

6. Investments

Investments of \$4,354,202 at December 31, 2009 consist of certificates of deposit. Interest rates on these investments range from 1% - 3.25% and maturities range from four to fifteen months. The fair value of the investments included on the statement of financial position are measured on a recurring basis based on prices for identical assets in active markets (Level 1).

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

7. Operating Lease

CRA extended the terms of the original five year lease for office space by a period of one year and nine months, to March 31, 2011. Rent expense for the year ended December 31, 2009 was \$52,868. The minimum payments due over the lease term are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2010	\$ 54,196
2011	<u>13,549</u>
Total	<u>\$ 67,745</u>

8. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Equipment & furnishings	\$ 14,972	\$ -	\$ -	\$ 14,972
Less accumulated depreciation	<u>14,458</u>	<u>444</u>	<u>-</u>	<u>14,902</u>
Capital assets - net	<u>\$ 514</u>	<u>\$ (444)</u>	<u>\$ -</u>	<u>\$ 70</u>

9. Postemployment Benefits Other Than Pension Benefits

CRA provides medical, dental, and life insurance plans benefits to eligible retirees of CRA.

The medical insurance plan is comprehensive medical both with and without Medicare coordination via the Group Insurance Commission (GIC). An employee shall become eligible to retire under this plan upon meeting attainment of age 55 as an active member and completion of 10 years of service.

Cost sharing is 20% of premiums for participants and their families who retire on or after October 1, 2009, 15% of premiums for those who retire between July 1, 1994 and October 1, 2009 and 10% for all others.

The dental insurance plan is comprehensive dental offered via the GIC and is 100% participant paid for all retirees and their families.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

9. Postemployment Benefits Other than Pension Benefits – Continued

The life insurance plan is a \$5,000 group term life insurance policy offered to retirees. Cost sharing is 20% of premiums for participants who retire on or after October 1, 2009, 15% of premiums for those who retire between July 1, 1994 and October 1, 2009 and 10% for all others.

Funding Policy – The contribution requirements of plan members and CRA are established and may be amended through CRA ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2009, CRA premiums plus implicit costs for the retiree medical program are \$101,713.

CRA's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of *GASB Statement No. 45*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of ten years. The following table shows the components of CRA's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in CRA's net OPEB obligation to the plan:

Annual Required Contribution	\$ 189,642
Interest on net OPEB obligation	7,586
Adjustment to annual required contribution	<u> -</u>
Annual OPEB cost	197,228
Contributions made	<u>101,713</u>
Increase in net OPEB obligation	95,515
Net OPEB obligation - beginning of year	<u> -</u>
Net OPEB obligation - end of year	<u><u>\$ 95,515</u></u>

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

9. Postemployment Benefits Other than Pension Benefits – Continued

CRA's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2009 fiscal year and the two preceding years were as follows:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage Contributed</i>	<i>Net OPEB Obligation</i>
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	\$ 197,228	51.6%	\$ 95,515

Effect of 1% Change in Healthcare Trend Rates -- In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$1,721,442 or by 13.0% and the corresponding Normal Cost would increase to \$11,356 or by 25.8%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$1,356,410 or by 11.0% and the corresponding Normal Cost would decrease to \$7,182 or by 20.5%

Funded Status and Funding Progress – As of January 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$1,523,529, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,523,529. The covered payroll (annual payroll of active employees covered by the plan) was \$349,054 and the ratio of the UAAL to the covered payroll was 436.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Cambridge Redevelopment Authority
Notes to Financial Statements - *Continued*
December 31, 2009

9. Postemployment Benefits Other than Pension Benefits -- Continued

Actuarial Cost Method:	Projected Unit Credit	
Investment Rate of Return:	4.00% per annum	
Healthcare Trend Rates:	<i>Fiscal</i>	
	<i>Year</i>	<i>Medical</i>
	2008	10.0%
	2009	9.0%
	2010	8.0%
	2011	7.0%
	2012	6.0%
	2013	5.0%
	2014	5.0%
	2015	5.0%
General Inflation Assumption:	3.5% per annum	
Annual Compensation Increases:	4.5% per annum	
Actuarial Value of Assets:	Market Value	
Amortization of UAAL:	Amortized as level dollar amount over 10 years at transition	
Remaining Amortization Period:	10 years at January 1, 2009	

10. Subsequent Events

CRA has performed an evaluation of subsequent events through June 11, 2010, which is the date CRA's financial statements were issued. No material subsequent events have occurred since December 31, 2009 that required recognition or disclosure in these financial statements.