

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

FISCAL 2014 ANNUAL REPORT GUIDANCE

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report demonstrating progress against plan and include additional information as outlined in [Chapter 240 of the Acts of 2010](#).

The annual reports of each agency will be published on the Office of Performance Management [website](#), and will be electronically submitted to the clerks of the Senate and House of Representatives, the Chairs of the House and Senate Committees on Ways and Means and the House and Senate Chairs of the Joint Committee on Economic Development and Emerging Technologies.

Filing Instructions:

The Fiscal Year 2014 report is due no later than **Friday, October 3, 2014**. An electronic copy of the report and attachments A & B should be e-mailed to James.Poplasky@MassMail.State.MA.US

1) AGENCY INFORMATION

Agency Name	Massachusetts Clean Energy Center
Agency Head	Alicia Barton
Title	Chief Executive Officer and Executive Director
Website	www.masscec.com
Address	63 Franklin Street, 3 rd Floor, Boston, MA 02110

2) MISSION STATEMENT

Please include the Mission Statement for your organization below.

The Massachusetts Clean Energy Center (MassCEC) is dedicated to accelerating the success of clean energy technologies, companies and projects in Massachusetts—while creating high-quality jobs and long-term economic growth for the people of Massachusetts.

MassCEC provides early-stage investments to startup companies, funds renewable energy rebates for residents and businesses and supports the development of a local clean energy workforce. Since its inception in 2009, MassCEC has helped clean energy companies grow, supported municipal clean energy projects and invested in residential and commercial renewable energy installations creating a robust marketplace for innovative clean technology companies and service providers.

3) PERFORMANCE AGAINST PLAN REPORT

Please provide details on the progress and accomplishments for Fiscal Year 2014 as it relates to the Fiscal Year 2014 Plan submitted by your agency. Plans are posted on the OPMO [website](#) for easy reference. This information should be included as **Attachment A and should include prior year perspective**. In addition to your Performance to Plan Report, Questions 4 through 10 provides guidance on the specific information required under Chapter 240 of the Acts of 2010.

4) ACCOUNTING

Please provide financial information for your agency. Below please give a summary of *Receipts and Expenditures* during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year. Please include the most recent audited financial report for the agency as **Attachment B**.

	AMOUNT	
Receipts	\$90,464,729	
Expenditures	\$32,087,908	
Assets	\$487,997,975 ¹	
Liabilities	\$190,856,760	

5) INVESTMENTS OR GRANTS TO BUSINESSES OR INDIVIDUALS

Does your agency make **investments** and/or provide **grants** to businesses or individuals? Yes No

If **Yes**, please provide detailed information on investments and/or grants made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

Catalyst Program: The Catalyst Program's primary intent is to stimulate the commercialization of clean energy technologies developed in the Commonwealth. Awarded funds are used to demonstrate the feasibility of technologies in specific industry applications in order to obtain increased industry and investor interest.

Commercial-Scale Biomass Boilers: Biomass heating technologies use organic matter, such as wood pellets, wood chips and cord wood to produce heat for homes and businesses. Biomass heating systems produce heat for hot water and space heating, reducing dependence on costly, environmentally-damaging and unhealthy fossil fuels, while using a renewable energy source indigenous to New England.

Commonwealth Home Heating and Cooling: Both the Ground-Source Heat Pump and Air-Source Heat Pump

¹ Assets include the Wind Technology Testing Center facility (\$30M), Marine Commerce Terminal infrastructure as of June 30, 2014 (\$45M), and \$34M in cash dedicated to completion of the Terminal. Custodial assets of \$177M in Alternative Compliance Payment funds are included both in assets and in liabilities.

programs are now closed to new applications. The Commonwealth Home Heating and Cooling program provided homeowners with grants of up to \$10,000 for the installation of high-efficiency heating and cooling systems known as heat pumps.

Commonwealth Hydropower: The Commonwealth Hydropower Program seeks to increase the output of the Commonwealth's hydropower assets by providing grants for ecologically-appropriate projects that can be implemented quickly and efficiently.

Commonwealth Organics-to-Energy: MassCEC's Commonwealth Organics-to-Energy program provides funding to educate businesses and communities about organics-to-energy technologies, help communities and businesses evaluate organics-to-energy projects, and support construction of facilities.

Commonwealth Small Pellet Boiler Program: The Commonwealth Small Scale Pellet Boiler Program provides financial assistance through grants to Massachusetts residents and organizations looking to install high-efficiency, low-particulate matter (PM) wood-pellet boilers or furnaces in their homes or business. MassCEC and the Department of Energy Resources (DOER) dedicated \$475,000 to a pilot version of this program.

Commonwealth Solar Hot Water: The Commonwealth Solar Hot Water Program offers rebates for solar hot water (also known as solar thermal) systems. Residential, commercial, non-profit, and publicly owned buildings are all eligible. MassCEC has reserved \$10 million of funding for the Commonwealth Solar Hot Water program, which will last until the end of 2016.

Commonwealth Solar II: Commonwealth Solar II provides rebates for homeowners and businesses in Massachusetts who install solar photovoltaics (PV). Rebates are granted through a non-competitive application process for the installation of photovoltaic (PV) projects by professional, licensed contractors at residential, commercial, industrial, institutional and public facilities. This program is ending December 2014.

Commonwealth Wind Program: MassCEC's Commonwealth Wind (CommWind) Program supports wind energy development in Massachusetts by funding early-stage project analyses and scientific studies intended to help communities and private industry develop appropriately-sited wind energy projects.

Commonwealth Woodstove Change-Out: MassCEC, in coordination with the Massachusetts Department of Environmental Protection and the Department of Energy Resources, launched a third round of the Woodstove Change-Out Program on Feb. 18, 2014. The program offers financial incentives to assist Massachusetts residents in replacing non-EPA-certified woodstoves with cleaner, more efficient wood or pellet stoves. Applications were accepted through March 4, 2014.

Community Energy Strategies: The Community Energy Strategies Program (CESP) is an initiative developed by MassCEC in collaboration with the [Massachusetts Department of Energy Resources Green Communities Division](#). The program, delivered in partnership with local officials and community volunteers, was created to help communities identify and develop strategies for implementing the mix of clean energy projects and incentives best suited to address local interests, needs, and opportunities for clean energy development across all sectors.

Green Workforce: Energy Efficiency: Green Workforce: Energy Efficiency is a program aimed at creating and

supporting energy efficiency and sustainability job training programs to supply the growing sector. Formerly known as MassGreen, the program has collaborated with industry, employers, nonprofits, and government agencies to develop and deliver clean energy training programs at community colleges across Massachusetts to trainees, contractors, construction tradespeople, entry level workers, unemployed and under-employed individuals and clean energy business entrepreneurs.

IncubateMass: MassCEC's IncubateMass program provides funding to incubators that catalyze and support startup companies to create jobs and promote the commercialization of new clean energy technology. By providing their client companies with targeted business support services and resources, such as mentors, specialized equipment, educational series and networks, these incubators work to accelerate the development of clean energy startups and increase the success rate of member companies.

InnovateMass: MassCEC's InnovateMass is a competitive program that provides awards to applicant teams that offer the most innovative, effective and impactful clean energy solutions to tough energy and environmental problems here in the Commonwealth. We're looking for teams that can prove out new technologies, or combine existing technologies in clean energy demonstration projects that are scalable, have strong commercialization potential, and create jobs here in Massachusetts while reducing energy use and environmental impacts.

Massachusetts Clean Energy Internship Program: The Massachusetts Clean Energy Internship Program helps prepare the next generation of clean energy workers by connecting students and recent graduates with Massachusetts companies in need of interns. The program helps provide Massachusetts clean energy businesses with a talented pool of young professionals, with MassCEC providing stipends for interns during fall, spring and summer sessions, who in turn are given valuable experience they can use as they begin their careers in this quickly-growing sector.

Massachusetts Israel Innovation Partnership: The Commonwealth of Massachusetts and the State of Israel have signed a Memorandum of Understanding (MA-Israel MOU) to promote greater collaboration among companies in the two jurisdictions. This partnership comes as a direct result of Governor Patrick's Massachusetts Innovation Economy Partnership Mission, a ten-day trade mission in March 2011 that included travel to Israel, where a coalition of the state's leading business executives and senior government officials explored growth opportunities of common interest for Massachusetts' and Israel's innovation industries.

Offshore Wind and Marine Energy: The Offshore Wind and Marine Energy program sponsors tailored activities designed to accelerate the deployment of offshore wind and marine energy facilities and increase the participation of Massachusetts industry, professional service providers and research institutions in the sector.

Pathways Out of Poverty: The Pathways Out of Poverty program provides grant funding for job training programs that help low- and moderate-income earners build careers in the clean energy sector and attain financial self-sufficiency. Created when the Act Relative to Clean Energy was signed into law by Governor Deval Patrick in November 2009, Pathways Out of Poverty provides funding for green collar job training offered by clean energy companies, community-based nonprofit groups, educational institutions and labor organizations throughout Massachusetts.

Solarize Mass: Solarize Mass seeks to increase the adoption of small-scale solar electricity in participating communities through a competitive tiered pricing structure that increases the savings for everyone as more

home and business owners sign contracts.

Workforce Capacity Building: MassCEC's Workforce Capacity Building program provides funding for clean energy-centered science, technology, engineering and math (STEM) for students throughout the Commonwealth. The initiative targets Massachusetts vocational-technical high schools, colleges, universities and community-based non-profit groups to help train students for careers in the rapidly-growing clean energy sector.

6) DEBT OR EQUITY INVESTMENT DETAILS

Is your agency involved in **debt** or **equity investments** for businesses? **Yes** **No**

If **Yes**, please provide detailed information on debt and/or equity investments made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debit and/or equity investments programs offered by your agency in the space provided below:

Investments in Job Creation: MassCEC makes growth capital investments that support the expansion of a clean energy company's operations in Massachusetts. These investments require significant job creation and economic development in the Commonwealth. The investment structure and amount will depend on the applicant's growth trajectory and geography.

Investments in the Advancement of Technology: MassCEC makes venture capital equity investments in promising early-stage Massachusetts clean energy companies that are developing and commercializing technologies that contribute to the advancement of clean energy or energy efficiency.

7) LOAN DETAILS

Is your agency involved in **real estate loans, working capital loans, or any other type of loan or guarantee?**

Yes **No**

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

Please see description of "Investments in Job Creation" program above in Section 6. These investments typically take the form of working capital loans.

8) OTHER FORMS OF FINANCING OR FINANCIAL ASSISTANCE?

If your agency provides any other form of financing or financial assistance, please include FY14 details in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in

the space provided below:

Not applicable.

9) PATENTS OR PRODUCTS

Does your agency track **patents** or **products** resulting from agency-funded activities? **Yes** **No**

If **Yes**, please include details in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

MassCEC tracks patents for its portfolio companies.

10) TECHNICAL ASSISTANCE

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY14 in the **Performance Against Plan Report – Attachment A** section of this report along with job, investment, and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

Community Energy Strategies Program, Site Assessment Studies of retiring coal-fired electric generating power plants located in Holyoke and Somerset, and Commonwealth Wind Technical Assistance.

11) MANAGEMENT TEAM

Please confirm that the senior management team listed on your website is accurate and report on any current or pending vacancies and/or replacements.

Senior management team is up-to-date and accurate. Searching for a Chief Financial Officer as of October 2014.

12) BOARD OF DIRECTORS

If applicable, please confirm that the board of director information on your website is accurate and provide information on any current or pending board vacancies.

Board members are up-to-date and accurate as of October 2014.

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

FISCAL 2014 ANNUAL REPORT

MASSCEC – ATTACHMENT A

AGENCY INFORMATION

Agency Name	Massachusetts Clean Energy Center
Agency Head	Alicia Barton
Title	Chief Executive Officer and Executive Director
Website	www.masscec.com
Address	63 Franklin Street, 3 rd Floor, Boston MA 02110

PERFORMANCE ON GOALS AND OBJECTIVES

MassCEC made significant progress during the past fiscal year, and accomplished several notable successes. MassCEC has continued to increase its profile within the cleantech industry and strengthened relationships with numerous key stakeholders. We have contributed MassCEC's thought leadership to local and national dialogs on the state and future of the industry, and conveyed strongly the cleantech leadership of Massachusetts to national and international audiences. Most importantly, Massachusetts has become a national model that demonstrates that savvy investment in clean energy can yield economic and environmental benefits.

MassCEC continues to be a leading public agency deploying approximately \$18 million to the industry last year with support from 56 full time staff. We will continue to build on these successes and to make MassCEC a model public agency and a globally recognized leader in the field of cleantech.

Growth in the clean energy industry in Massachusetts continues to accelerate, with 10.5 percent growth in employment from 2013 to 2014. In 2014, there were nearly 6,000 clean energy companies in Massachusetts employing more than 88,000 workers. A majority of those companies are small with 10 or fewer employees. Over the past four years, we have seen 47% job growth in clean energy making it one of the fastest growing sectors of the Massachusetts economy.

In 2014, 11 firms headquartered in Massachusetts were named to the Global Cleantech 100, up from seven companies last year. These companies – Ambri, based in Cambridge; Desalitech, based in Newton; Digital Lumens, based in Boston; Gridco Systems, based in Woburn; Harvest Power, based in Waltham; Next Step Living, based in Boston; Novomer, based in Waltham; FirstFuel Software, based in Lexington; FRX

Polymers, based in Chelmsford; MTPV, based in Medford; and Oasys Water, based in Boston – continue to show that Massachusetts is home to a disproportionate, yet positive, share of the most successful clean tech firms in the nation. Several more of the top companies have a strong presence in Massachusetts.

For the past three years, Massachusetts received more per capita private investment than any other U.S. state on clean energy investments (*2012 Index of the Massachusetts Innovation Economy, Massachusetts Technology Collaborative; 2013 Clean Edge State's Leadership Index, 2014 Clean Edge State's Leadership Index*). In 2013 and 2014, Clean Edge ranked the Commonwealth No. 1 in the US for clean energy policy and No. 1 in the U.S. in clean energy capital (defined as intellectual and financial capital). In 2011, 2012, and 2013 the Commonwealth ranked first in Energy Efficiency by the American Council for an Energy-Efficient Economy (ACEEE).

The data below reports on metrics for MassCEC's first fiscal year annual report to the Commonwealth's Office of Performance Management & Oversight.

CREATE CLEAN ENERGY JOBS

- Number employed in clean energy jobs in MA: the 2014 Massachusetts Clean Energy Industry Report (see attached) found 88,372 clean energy workers in Massachusetts, an increase of 10.5% from 2013.
- Number of applicants to MassCEC's Clean Energy internship program (Summer 2014): 1,000
- Number of internship applicants accepted (Summer 2014): 202
- Number of companies participating (Summer 2014): 125

ACCELERATE CLEAN ENERGY TECHNOLOGY COMMERCIALIZATION

- Number employed in clean energy jobs in MA: the 2014 Massachusetts Clean Energy Industry Report found 5,985 clean energy firms in Massachusetts.
- Number employed in clean energy jobs in MA by supported clean energy companies:¹ 382
- Number of patents filed by supported clean energy companies in MA:² 122 patents awarded and 556 patents in progress
- Number of follow-on investment rounds by supported clean energy companies: see information below

¹ As of June 30, 2014

² As of June 30, 2014

- Volume of follow-on investment raised by supported clean energy companies:
 - Capital invested into clean energy companies by MassCEC (FY14):³ \$ 1,494,965
 - Number of co-investors engaged in supported clean energy companies (FY14):⁴ 11
 - Volume of co-investment raised in supported clean energy companies (FY14): \$11,306,389
 - Number of follow-on private investors in supported clean energy companies (FY14):⁵ 30
 - Volume of follow-on private investment in supported clean energy companies (FY14): \$140,922,563
 - Total MA payroll dollars in MA (FY14): \$35,759,662

- Number of deals sourced in FY14:⁶ 91
- Number of investments closed in FY14: 6
 - Investment in Ekotrope: \$500,000 Series A equity investment
 - Investment in 7AC: \$69,965 convertible note bridge investment
 - Investment in eCurv: \$600,000 Series A equity investment
 - Investment in Powerhouse Dynamics: \$300,000 Series B equity investment
 - Investment in CoolChip Technologies: \$25,000 convertible note bridge investment
 - Investment in SolarOne Solutions: Existing \$150,000 loan guaranty extended and increased to \$300,000
- Leverage on MassCEC investment in FY2014: \$152,228,952 raised by supported companies in FY2014, in addition to \$1,494,965 invested by MassCEC over the same time period, for a leverage ratio of 101.8 to 1

INCREASE CLEAN ENERGY GENERATION AND EFFICIENCY

- Renewable energy capacity installed in MA during FY 14, due to MassCEC programs:⁷

³ The data from our portfolio companies is self-reported.

⁴ Number of investors does not include investors contributing less than \$250,000. "Co-investors" are defined as investors that participated in the same financing round as MassCEC.

⁵ "Follow-on investors" are investors that participated in a financing round after MassCEC's most recent investment.

⁶ Number of Deals Sourced in FY14 is the number of companies/entrepreneurs MassCEC investment staff engaged with for the period from June 30 2013 to June 30 2014.

- Solar: 20.8 MW
- Wind (land-based): 0.600 MW
- Wind (offshore): 0 MW
- Small Hydro:⁸ 446 kW
- Organics to Energy: 300 kW
- Renewable Thermal:⁹ 0.857 MW-thermal
- Solar Hot Water:¹⁰ 0.755 MW-thermal
- For those technologies listed above, FY14 renewable energy generation in MA, as reported to MassCEC:
 - Solar: 447,447,470 kWh¹¹
 - Wind: 170,000 Mwh
 - Small Hydro: 16,914,444 kWh
 - Organics to Energy: 4,340,427 kWh
 - Renewable Thermal:⁴ 1,200,947 kWh (thermal)
 - Solar Hot Water: 3,057,000 kWh (thermal)
- Annual number of renewable energy generation grants awarded by MassCEC by type (i.e. site assessment, feasibility study, construction/design grant, other)
 - Solar: 3,293 rebates
 - Wind (land-based):
 - One acoustic study (\$12,000)
 - One development grant (\$400,000)
 - Wind (offshore) – please refer to Offshore Wind Sector Development
 - Small Hydro:
 - One MOA with another agency for grant for technical assistance
 - Organics to Energy:
 - 5 Construction/Pilot grants (\$1,681,055)
 - One award to consultant for technical assistance to communities
 - Renewable Thermal:
 - Residential Pellet Boilers: 35 construction grants
 - Residential Ground-Source Heat Pumps: 8 construction grants
 - Residential Air-Source Heat Pumps: 97 construction grants

⁷ These represent only a portion of total renewable energy capacity installed in MA during FY 14, and do not include capacity installed for projects not funded by MassCEC.

⁸ Many funded hydro projects increase output without increasing in capacity.

⁹ Of the renewable thermal programs, only MassCEC's Residential Pellet Boiler Program had projects installed in FY14 with the exceptions of the Outdoor Hydronic Heater Change-Out and Woodstove Change-Out Programs, both of which do not have associated generation capacities. The Outdoor Hydronic Heater and Woodstove Change-Out Programs' goal is to replace highly-polluting systems with cleaner systems. Therefore, they did not track capacity and do not provide significant increases in energy generation.

¹⁰ Solar Hot Water Capacity is not typically reported. This value is estimated using a 14.5% capacity factor.

¹¹ Solar generation includes all solar projects installed, not just MassCEC assisted.

- Residential Woodstove Change-Outs: 389 rebates
 - Commercial-Scale Biomass Boilers:
 - Feasibility Study Grants: 5
 - Construction Grants: 2
 - Commercial-Scale Ground-Source Heat Pumps:
 - Feasibility Study Grants: 5
 - Commercial-Scale District Energy Systems:
 - Feasibility Study Grants: 1
 - Construction Grants: 1
- Solar Hot Water:
 - 146 residential construction grants
 - 22 commercial construction grants
 - 14 commercial feasibility studies
- For change-out programs, the reduction in the annual emissions of air pollutants (by weight) for particulate matter:
 - The FY14 Woodstove Change-Out program resulted in the replacement of 389 polluting woodstoves with clean-burning models. This results in an approximate reduction in particulate matter (PM_{2.5}) of 38,000 pounds per year.
- Energy Efficiency support:
 - Through its InnovateMass program, this year MassCEC supported two Massachusetts companies to showcase cutting edge energy efficiency technologies as they near commercialization. Through its Catalyst program, MassCEC supported two early-stage Massachusetts companies to complete proof-of-concept projects. Through its Investments in the Advancement of Technology program, MassCEC invested in five energy efficiency companies, three of whom are already generating significant energy savings from commercial deployment of their technology.¹²

ELIMINATE MARKET/INDUSTRY BARRIERS

1. *Facilitate beta testing sites:* Through the MassCEC InnovateMass program, we facilitated four pre-commercial demonstration projects at testing sites in the

¹² As a result of the Green Communities Act mandate on utilities and other efficiency program administrators to invest in “all cost-effective energy efficiency,” in 2013 Massachusetts is making significant investments in efficiency measures that will deliver 1,195 GWh in annual electricity savings, and will deliver \$2.353 billion in benefits over the lifetime of the measures.

Commonwealth. In addition, our support of four incubators across the Commonwealth has added to the capacity of clean tech startups to develop prototype technologies.

2. *Increase access to international markets:*

- #MA companies participating in foreign trade missions: 18
- #MA companies signing deals with foreign corporations: 5

3. *Increase workforce diversity:*

- Women made up approximately 26.2% of the clean energy hires over the past year
- 22.3% of clean energy hires over the past year were racial or ethnic minorities
- MassCEC Clean Energy Internship Program (Summer 2014 self-reported):
 - Male: 55%
 - Female: 42%
 - White: 69%
 - Non-white: 24%

4. *Facilitate municipal energy planning:*

- Solarize Mass: 15 municipalities actively participating in FY 2014

Adams
Amherst
Andover
Great Barrington
Egremont
Lexington
Bedford
Needham
Salem
Swampscott
Watertown
Wellfleet
Williamsburg
Whately
Chesterfield

- Community Energy Strategies: 15 communities (including three regional planning authorities)

Watertown	Franklin Regional Council of Governments: Buckland Greenfield Montague Shelburne
Northampton	
Newburyport	
Pioneer Valley Planning Commission: Amherst Easthampton Hadley Holyoke	Metropolitan Area Planning Council: Hamilton Salem Swampscott Wenham

5. *Increase public acceptance of renewable energy*

- Permitting time for projects
 - Communities applying to participate in Solarize Mass received more competitive scoring if they could do the following: 1) Identify what the permitting process was for solar projects before the program; 2) Demonstrate that the permitting department was engaged and aware of the permitting volume generated by the program; and 3) Considered streamlining efforts for the local permitting process.
 - Under the Community Energy Strategies Pilot, communities could apply for implementation funding if they did the following: 1) detail the steps taken in developing a clean energy roadmap and implementing the roadmap strategy, including identification of a project leader and establishing project timeframes and 2) obtain formal authorization for the project from municipal authorities. All 15 communities applied for funding in FY14, awards will be announced in FY15.

- MassCEC provided direct support and funding for several projects to increase public acceptance of wind projects, including:
 - i. A grant to help re-establish the maintenance reserve fund for the Town of Falmouth wind turbines and modification of an existing MassCEC agreement to purchase renewable energy certificates for one of the turbines; the maximum value of awards was \$1,800,000.
 - ii. Supplemental funding for an acoustic research study to collect and analyze noise data from a variety of operating wind turbines; \$95,000 contract amendment executed in FY14.
 - iii. Supplemental funding for acoustic monitoring for Kingston Wind Independence wind turbine; MassCEC awarded \$99,500 for this effort in FY14.
 - iv. Funding for an acoustics expert at the Massachusetts Department of Environmental Protection to support wind turbine compliance monitoring and noise policy refinement; MassCEC awarded \$72,000 for this effort in FY14.

- Supporter turnout at local meetings for renewable energy projects:
 - 37 SolarizeMass community meetings held in this time period with 30 to 250 supporter turnout per meeting.
 - The 15 communities participating in the Community Energy Strategies Pilot held five Clean Energy 101 Community Forums and six Clean Energy 201 Community Forums in FY14 with supporter turnout of 40 to 90 attendees per forum. Technical consultants provided by MassCEC completed a majority of analysis for clean energy projects that were identified by the community and discussed at the public forums.

OFFSHORE WIND SECTOR DEVELOPMENT

1. *Lead construction of the Marine Commerce Terminal in New Bedford with completion by December 31, 2014.*
 - MassCEC continued to oversee the construction of the Marine Commerce Terminal in New Bedford, a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, container and large specialty marine cargo. Construction of the Terminal is scheduled to be complete at the end of 2014, in time for MassCEC's first user, Cape Wind, to begin operations to deploy their project under a two-year lease. To date, MassCEC has held 22 public

meetings about the construction of the Terminal. MassCEC has continued to achieve or exceed the Commonwealth's goals for minority, female, and apprentice participation and MBE/WBE content, and has made hiring locally a priority.

2. *Promote and support offshore wind sector development; ensure an adequate and diverse supply chain for construction, operations and maintenance of the offshore wind sector:*

- MassCEC funded supply chain survey and connector services to identify and prequalify Massachusetts manufacturers that could provide manufacturing and construction services to offshore wind equipment suppliers and installation contractors. This effort included a well-attended second workshop for manufactures in Western Massachusetts co-sponsored by the region's Economic Development Council and the Associated Industries of Massachusetts (AIM). MassCEC awarded \$189,880 for this effort in FY14.

3. *Ensure that an adequately trained work force is available for construction, operation and maintenance of offshore wind facilities by identifying and providing funding programs for pre-apprentice and apprentice training programs.*

- MassCEC conducted in-house research and engaged with industry, labor unions, developers and community colleges to identify an appropriate programmatic approach for supporting offshore wind workforce training and certification. MassCEC made no financial awards for this effort in FY14.

4. *Continue early-stage environmental assessments to accelerate project development. Conduct planning activities to facilitate development of the Massachusetts Wind Energy Area.*

- MassCEC completed a second year and launched a third year of wildlife surveys for whales, turtles and birds in the Massachusetts Wind Energy Area and the Rhode Island / Massachusetts Wind Energy Area (whales/turtles only). MassCEC awarded \$1,160,000 for this activity in FY14, of which \$660,000 is being reimbursed but the federal Bureau of Ocean Energy Management.
- MassCEC launched a project to identify potential electrical interconnection points and evaluate electrical transmission technologies and installation methods for offshore wind. MassCEC awarded \$166,000 for this activity in FY14.

5. *Increase MassCEC public engagement and advocacy.*

- MassCEC directly participated in three task force and public meetings related to offshore wind energy development and sponsored by the federal Bureau of Ocean Energy Management during FY14. With respect to the Marine Commerce Terminal in New Bedford, MassCEC conducted twelve public meetings during FY14.

**Massachusetts Clean Energy
Center**
Financial Statements
June 30, 2013

Massachusetts Clean Energy Center

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June 30, 2013

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Independent Auditor's Report

To Board of Directors of the
Massachusetts Clean Energy Center:

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Massachusetts Clean Energy Center (the "MassCEC") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the MassCEC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

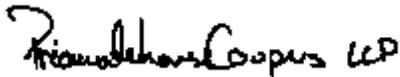
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the MassCEC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MassCEC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the MassCEC at June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis on pages 3 through 8 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



PricewaterhouseCoopers LLP
Boston, Massachusetts

November 1, 2013

Massachusetts Clean Energy Center Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Massachusetts Clean Energy Technology Center, doing business as the Massachusetts Clean Energy Center (the "MassCEC"), which has three components: (1) government-wide financial statements, (2) fund-level financial statements, and (3) notes to the financial statements.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements present both the governmental activities (governmental fund) and business-type activities (proprietary fund) of the MassCEC on a full accrual basis of accounting. The fund-level statements include separate statements for (i) the governmental activities, which are supported by state appropriations and legislatively mandated surcharges and (ii) the business-type activities, which rely on fees and charges for support. The governmental fund-level financial statements are reported on the modified accrual basis. A reconciliation of the government-wide financial statements to the governmental fund financial statements is on the Governmental Fund Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance. All activities, both governmental and business-type, are performed as part of carrying out the MassCEC's essential governmental function.

General Overview

On August 12, 2008, the Commonwealth of Massachusetts (the "Commonwealth") enacted Chapter 307 of the Acts of 2008, creating the MassCEC and establishing the Massachusetts Alternative and Clean Energy Investment Trust Fund (the "Trust") to financially support its activities. The MassCEC's mission is to accelerate job growth and economic development in the Commonwealth's clean energy industry. The MassCEC serves as a clearinghouse and support center for the clean energy industry. The MassCEC makes direct investments in new and existing companies, provides assistance to enable companies to access capital and other vital resources for growth, and promotes training programs to build a strong clean energy and technology workforce that capitalizes on the job opportunities created by this vital new industry. The MassCEC supports the installation of renewable energy and technology projects throughout the Commonwealth.

In November 2009, Governor Deval Patrick signed "An Act Relative to Clean Energy," which transferred the Massachusetts Renewable Energy Trust Fund ("RETF") from the Massachusetts Technology Park Corporation ("MTPC") to the MassCEC. This act united two entities with complementary missions, consolidated staff and financial resources, and established the MassCEC as the lead state entity charged with growing the clean energy sectors in the Commonwealth.

Additionally, the MassCEC built the Wind Technology Testing Center ("WTTC") which is the first commercial large blade test facility in the nation. The facility was partly funded by an American Recovery and Reinvestment Act ("ARRA") grant of approximately \$25.0 million from the United States Department of Energy. The WTTC's purpose is to provide certification tests for new blade designs and reliability testing for existing blade designs for wind turbine manufacturers.

In 2013, the MassCEC commenced construction of The New Bedford Marine Commerce Terminal ("NBMCT", or "the Terminal"). The NBMCT is a multi-purpose marine terminal, the construction of which is primarily funded by an award of \$95.0 million from the Commonwealth Executive Office of Energy and Environmental Affairs. The primary purpose to developing the Terminal will be to provide high capacity marine commerce infrastructure, serve offshore renewable energy facilities, and accommodate

Massachusetts Clean Energy Center Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

international shipping. The Terminal will be the first of its kind in North America, and it is engineered to sustain loads rivaling the highest capacity ports in the world.

The MassCEC is committed to leveraging the Commonwealth's outstanding resources in academic research, technology entrepreneurship and workforce skills to accelerate growth of the clean energy industry. The result of these efforts will be new technologies, new companies, and a workforce ready to ensure the Commonwealth's place as a national clean energy hub.

By committing funds to innovative clean energy companies, diverse workforce development programs, and responsibly sited renewable energy projects throughout the Commonwealth, the MassCEC is helping advance and support the Commonwealth's clean energy sector while moving the Commonwealth toward its goal of becoming the national leader in the clean energy industry.

Divisions

The MassCEC has four divisions and corresponding programs: (i) Workforce Development, (ii) Investments in Clean Technology, (iii) Renewable Energy Generation, and (iv) Clean Energy Sector Development. Through its divisions the MassCEC is:

- Catalyzing and funding training programs to grow and strengthen the Commonwealth's clean energy workforce;
- Investing in new and existing clean energy companies;
- Supporting the installation of renewable energy projects throughout the Commonwealth;
- Promoting the Commonwealth as the leading state to establish and grow clean energy companies and jobs;
- Managing the construction of the New Bedford Marine Commerce Terminal Project; and
- Managing the operation of the WTTC.

During the fiscal year ended on June 30, 2013 the MassCEC provided financial assistance awards in the clean energy sector totaling \$29.4 million. Financial assistance awards are legal commitments made to award recipients or to projects which directly benefit the Commonwealth, and are presented by division as follows:

Renewable Energy Generation

The MassCEC awarded \$18.1 million to renewable energy projects in the Commonwealth. These awards include funding for, among other things:

- Solar electric photovoltaic projects to continue the growth of the Commonwealth's solar industry;
- Solar hot water projects to spur adoption of solar thermal heating technology;
- Wind project development, thereby reducing permitting and early stage financial risk for project sponsors and organizing and aggregating communities to be better positioned to complete their wind projects; and
- Improving existing hydroelectric generation resources to facilitate greater energy production.

Investments in Clean Technology

The MassCEC awarded \$6.6 million to innovative clean energy companies. These awards made in the form of loans, grants and equity investments will leverage state, federal and private capital. As of the year ended June 30, 2013 the MassCEC is overseeing and managing a portfolio of loans and equity investments in 21 companies.

Workforce Development

The MassCEC has made investments in workforce training programs throughout the state, and played a lead role with the Executive Office of Labor and Workforce Development and Commonwealth Corporation in applying for federal and state grants focused on workforce development. Through its work and

Massachusetts Clean Energy Center Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

partnerships with the various Workforce Investment Boards (state entities funded by the Executive Office of Labor and Workforce Development), colleges and universities and vocational technical schools, and other state agencies, the MassCEC has connected people with the information they need about energy and its impact on workforce development. In addition, the MassCEC's clean energy program has been a tremendous success by placing 252 interns from 28 different public and private colleges at 111 clean energy companies. The MassCEC awarded \$2.7 million towards helping to build a strong clean energy workforce.

Clean Energy Sector Development

The MassCEC is at the forefront of developing the Commonwealth as a national leader in the clean energy industry. The MassCEC has awarded \$2.0 million to help accelerate the Commonwealth's clean energy industry by building a sustainable clean energy industry by providing research, strategies, market information, directorials and support for events that foster collaboration and partnership in the Commonwealth's clean energy ecosystem.

Wind Technology Testing Center

The MassCEC managed the construction and development of the WTTC in Charlestown, Massachusetts and officially opened the facility on May 19, 2011. The WTTC is the first commercial large blade test facility in the nation, testing commercial-sized wind turbine blades to help reduce cost, improve technical advancements and expedite the deployment of the next generation of wind turbine blades into the marketplace. The facility has attracted world renowned companies to Massachusetts and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States.

New Bedford Marine Commerce Terminal

The MassCEC is managing the construction of the Marine Commerce Terminal (NBMCT) located in New Bedford, Massachusetts. The Terminal will serve to support future offshore wind construction projects. The New Bedford location is well suited for the NBMCT due to its proximity to high wind areas from Maine to Delaware, relatively low shipping traffic, storage access to land-based transportation nodes, and its hurricane barrier-protected harbor. The development of this terminal will position New Bedford to be the first choice support and staging facility for most of the offshore wind projects slated for development off the east coast. Being the "first mover" will provide a strong competitive advantage over other ports in other states. In addition, the facility will be able to support other high volume and specialty marine shipping. The terminal is scheduled to be completed in the fourth quarter of 2014. The exact role of the MassCEC at the completion of the project has not yet been determined.

Sources of Funding

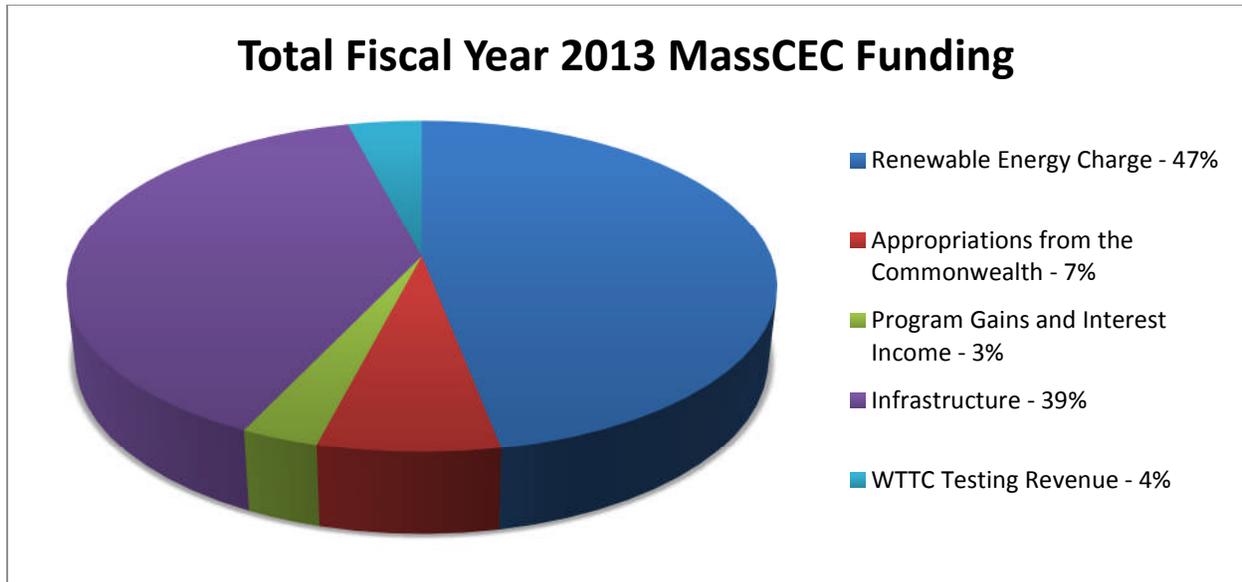
The MassCEC's funding for the year ended June 30, 2013 excluding the unrealized and realized change in value of program investments and loans, was \$48.8 million. The Department of Energy Resources ("DOER") awarded the MassCEC \$2.4 million in Alternative Compliance Payments (ACP) grants. Total revenue increased from fiscal year 2012 primarily due to a \$13.9 million increase in state appropriations for the NBMCT, partially offset by a \$2.6 million decrease in funds awarded from state appropriations.

The WTTC's revenue for fiscal year 2013 totaled \$2.0 million. Total revenue increased by \$1.2 million from fiscal year 2012 due to an increase in the number of contracts.

The Electric Utility Restructuring Act of 1997 provides for a charge on each kilowatt hour of electricity purchased by consumers in the service territories of investor-owned electric distribution utilities to support a broad range of activities related to renewable energy. The renewable energy charge is collected by distribution companies and transferred to the MassCEC specifically for the use by the RETF. The charge currently stands at \$.0005/kWh and proceeds from the renewable energy charge were \$23.7 million for

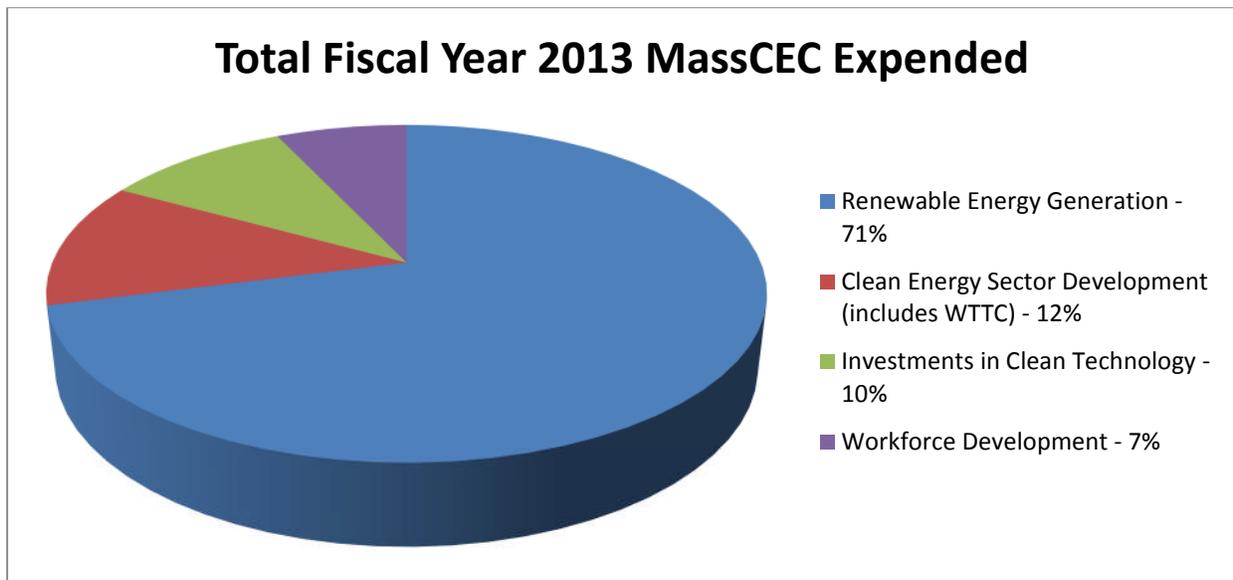
**Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2013**

the year ended June 30, 2013. In addition, during this period the RETF received \$1.0 million in interest income and realized program gains, mostly from the sales of renewable energy certificates from projects supported in previous years. In addition, during the fiscal year the Trust received approximately \$0.6 million in realized program gains.



Funds Expended

Total funds expended for awards for fiscal year 2013 were \$23.7 million which includes \$22.8 million of financial assistance expenditures and \$0.9 million in debt and equity investments. Financial assistance expenditures are those paid out to award recipients or to projects which directly benefit the Commonwealth.



Massachusetts Clean Energy Center Management's Discussion and Analysis (Unaudited) Year Ended June 30, 2013

Net Position

The Statement of Net Position is a government-wide statement that presents information on all of the MassCEC's assets, liabilities, defined inflows/outflows, and net assets. Increases or decreases in net position serve as one indicator of the MassCEC's financial position.

From June 30, 2012 to June 30, 2013, net position of the MassCEC increased by \$17.5 million to \$230.9 million. Total liabilities were \$181.4 million, representing a \$48.5 million increase from the prior year, primarily related to the receipt of \$48.6 million (net of disbursements) of ACP deposits, and \$0.6 million decrease related to all other liabilities. All of the MassCEC's assets are restricted for use by the Trust, the RETF and the operation of the NBMCT and the WTTC.

The Trust's net position as of June 30, 2013 was \$72.7 million which represents an increase of \$1.4 million or 1.9% from the prior fiscal year. These funds are restricted and the primary objectives for their use are to accelerate job growth and economic development in the Commonwealth's clean energy sector. These objectives are accomplished by making direct investments in new companies, providing assistance to enable companies to access capital and other vital resources for growth and promoting training programs to build a strong clean energy workforce.

The RETF's net position as of June 30, 2013 was \$103.3 million which represents a decrease of \$0.7 million or 0.63% from the previous year. These funds are restricted primarily for the development, implementation and execution of programs intended to increase both the generation and consumption of renewable energy in the Commonwealth, the advancement of the renewable energy industry in the Commonwealth, and to stimulate overall economic activity in the Commonwealth relating to the renewable energy sector.

In the year ended June 30, 2013, a second business-type activity was added. The net position of the two business-type activities as of June 30, 2013 was \$18.3 million and \$36.5 million which represents an increase of \$18.3 million for the business-type activity new in fiscal year 2013 and a decrease of \$0.7 million or 1.2% for the other business-type from the prior year. The primary function of the new business-type activity is to provide critical infrastructure to serve offshore renewable energy facilities and accommodate international shipping at the NBMCT. The primary function of the other business-type activities is the operation of the WTTC. Of the total net position, \$40.9 million was invested in capital assets including \$0.8 million which related to development and maintenance of the testing lab, and \$9.1 million related to the new business-type activity. Refer to the Notes to the Financial Statements for more detailed information about capital assets.

During the year ended June 30, 2013, MassCEC collected on behalf of the DOER \$64.2 million of Alternative Compliance Payments. The funds are held in a restricted depository account and will be utilized in a manner directed by the DOER.

Fiscal year 2013's net operating income for the governmental activities is largely driven by the amount of expenditures recognized during the fiscal year. Expenditures are driven by the level of financial assistance awards that are granted based on actual and expected revenues. There is the potential for timing differences to occur whereby revenues are recognized in one fiscal year and expenditures are recognized in subsequent fiscal years. Changes in fiscal year 2013's total revenues are discussed in the "Sources of Funding" section. Expenditures decreased from fiscal year 2012 by \$2.7 million primarily due to lower awards paid in fiscal year 2013. The \$3.8 million decrease in the value of loan programs was due primarily to the revaluation of several loans. The \$0.5 million increase in realized loss on program loans was due primarily to an increase in the reserve for existing loans.

**Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2013**

The new business-type activity experienced a significant operating profit due mainly to the receipt of grant money in excess of actual expenses for the construction of the NBMCT.

The other business-type activity experienced a decreased net operating loss due mainly to the increase in revenue over the previous year. Expense increased slightly as the WTTC facility continues to increase its operations capacity. The net operating loss and increase in operating expenses were budgeted and planned during the first few years of operations.

Refer to the Summary of Net Position and Summary of Changes in Net Position for information about net position for the fiscal years ending June 30, 2013 and 2012.

Reporting and operations for fiscal year 2014

Effective for fiscal year 2014, MassCEC's operations will be conducted primarily through three divisions to provide a better focus on its mission to promote the use of renewable energy and enable economic development including job growth in the Commonwealth. The Industry and Innovation Support (IIS) Division will combine the previous functions of the Workforce Development Division, the Clean Energy Sector Development Division and the Knowledge Division into a single operation. In addition, the IIS operations will include Market Development. The operations of the Renewable Energy Generation Division and the Investments in Clean Technology Division remain the same. Additionally, the operations of the WTTC and NBMCT will be excluded from the functions of the Industry and Innovation Support (IIS) Division.

Massachusetts Clean Energy Center
Summary of Net Position (Unaudited)
Years ended June 30, 2013 and June 30, 2012

	2013				2012		
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
		NBMCT	WTTC			WTTC	
Assets							
Noncapital assets	\$352,031,681	\$13,618,973	\$5,930,476	\$371,581,130	\$ 307,637,903	\$ 6,465,866	\$ 314,103,769
Capital assets (net of accumulated depreciation)	201,659	9,076,784	31,585,013	40,863,456	247,125	32,370,816	32,617,941
Deferred outflows of assets	211,343			211,343	509,547		509,547
Less: Liabilities	175,910,734	4,438,551	1,031,944	181,381,229	131,931,898	906,372	132,838,270
Net position	176,111,263	18,257,206	36,483,545	230,852,014	175,443,583	37,930,310	213,373,893
Net Position							
Invested in capital assets	201,659	9,076,784	31,585,013	40,863,456	247,125	32,370,816	32,617,941
Restricted for							
Alternative and Clean Energy Investment Trust Fund	72,652,380	-	-	72,652,380	71,285,445	-	71,285,445
Renew able Energy Trust Fund	103,257,224	-	-	103,257,224	103,911,013	-	103,911,013
NBMCT	-	9,180,422	-	9,180,422	-	-	-
WTTC	-	-	4,898,532	4,898,532	-	5,559,494	5,559,494
Total net position	\$ 176,111,263	\$ 18,257,206	\$ 36,483,545	\$ 230,852,014	\$ 175,443,583	\$ 37,930,310	\$ 213,373,893

Massachusetts Clean Energy Center
Summary of Changes in Net Position (Unaudited)
Years Ended June 30, 2013 and June 30, 2012

	June 30, 2013			June 30, 2012	
	Governmental Activities	Business-Type Activities NBMCT	Business-Type Activities WTTC	Governmental Activities	Business-Type Activities WTTC
Revenue					
Systems Benefit Charge	\$23,738,347	-	-	\$23,486,846	-
Testing Revenue	-	-	1,957,120	-	811,258
State appropriations and federal pass-through grants	3,377,258	19,761,201	-	6,046,978	-
Program Earnings	598,845	-	-	1,835,973	-
Total Revenue	27,714,450	19,761,201	1,957,120	31,369,797	811,258
Expenditures					
Renew able Energy Generation	20,176,374	-	-	22,259,132	-
Investments in Clean Technology	2,013,256	-	-	1,957,961	-
Workforce Development	2,055,393	-	-	1,397,628	-
Sector Development	2,299,938	-	-	5,462,371	-
Know ledge Development	750,568	-	-	-	-
New Bedford Marine Commerce Terminal	-	1,426,348	-	-	-
Wind Testing Technology Center	-	-	3,413,215	-	3,179,143
Total expenditures	27,295,529	1,426,348	3,413,215	31,077,092	3,179,143
Net operating income (loss)	418,921	18,334,853	(1,456,095)	292,705	(2,367,886)
Other income (expense)					
Net increase (decrease) in net realizable value of loan programs	(1,974,571)	-	-	(1,476,278)	-
Realized (loss) on program loans	-	-	-	(5,397,244)	-
Net increase (decrease) in carrying and fair value of program investments	1,360,068	-	-	(1,274,578)	-
Interest and investment income	946,242	3,348	5,430	2,328,886	22,310
Net increase (decrease) in fair value of investments	7,871	-	-	1,493,368	-
Net increase (decrease) in fair value of escrow	-	-	-	97,568	-
Net gain from termination of REC contracts	-	-	-	(88,124)	-
Net loss from return of program funds	(384,536)	-	-	(1,099,733)	-
Carry costs	-	(80,995)	-	-	-
Net gain from superfund settlement/other income	(4,519)	-	3,900	-	352,323
Net increase (decrease) in fair value of REC contracts	298,204	-	-	509,545	-
Total other income (expense)	248,759	(77,647)	9,330	(4,906,590)	374,632
Change in net position	667,680	18,257,206	(1,446,765)	(4,613,885)	(1,993,253)
Net Position					
Beginning of year	175,443,583	-	37,930,310	180,057,468	39,923,563
End of year	\$ 176,111,263	\$ 18,257,206	\$ 36,483,545	\$ 175,443,583	\$ 37,930,310

Massachusetts Clean Energy Center
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities NBMCT	Business-Type Activities WTTC	Total
Assets				
Noncapital assets				
Cash and cash equivalents	\$4,681,151	\$13,611,343	\$5,070,268	\$23,362,762
Accounts receivable				
Renew able energy surcharge	1,863,079	-	-	1,863,079
Accounts receivable - trade	-	-	667,298	667,298
Due from other funds	2,045,179	-	-	2,045,179
Other	182,345	-	39,439	221,784
Prepaid expenses	96,248	7,630	67,147	171,025
Program loans (net of allowance of \$6,655,291)	3,284,834	-	-	3,284,834
Program investments	8,070,709	-	-	8,070,709
Assets committed under programs				
Cash and cash equivalents - restricted for awards	28,360,221	-	86,324	28,446,545
Term investments - restricted for awards	130,791,101	-	-	130,791,101
Other agency funds - custodial	3,965,922	-	-	3,965,922
Alternative compliance payments - custodial	166,118,308	-	-	166,118,308
Escrow - restricted	2,572,584	-	-	2,572,584
Total assets committed under programs	331,808,136	-	86,324	331,894,460
Total noncapital assets	352,031,681	13,618,973	5,930,476	371,581,130
Capital assets (net of accumulated depreciation)				
Land	-	2,534,325	-	2,534,325
Buildings	-	6,123,698	29,992,611	36,116,309
Furniture and fixtures	198,772	1,125	216,585	416,482
Operational equipment	-	417,636	1,366,175	1,783,811
Leasehold improvements	2,887	-	9,642	12,529
Total capital assets	201,659	9,076,784	31,585,013	40,863,456
Total assets	\$ 352,233,340	\$ 22,695,757	\$ 37,515,489	\$ 412,444,586
Deferred outflow of resources				
Renew able energy contracts - deferred outflow	211,343	-	-	211,343
Liabilities				
Accounts payable and accrued expenses - trade	690,079	2,654,845	770,471	4,115,395
Accounts payable and accrued expenses - awards	4,410,343	-	-	4,410,343
Other liabilities	726,082	-	-	726,082
Due to other fund	-	1,783,706	261,473	2,045,179
Due to other agencies - custodial	3,965,922	-	-	3,965,922
Alternative compliance payments - custodial	166,118,308	-	-	166,118,308
Total liabilities	176,122,077	4,438,551	1,031,944	181,592,572
Net Position				
Invested in capital assets	201,659	9,076,784	31,585,013	40,863,456
Restricted for				
Alternative and Clean Energy Investment Trust Fund	72,652,380	-	-	72,652,380
Renew able Energy Trust Fund	103,257,224	-	-	103,257,224
NBMCT	-	9,180,422	-	9,180,422
WTTC	-	-	4,898,532	4,898,532
Total net position	\$ 176,111,263	\$ 18,257,206	\$ 36,483,545	\$ 230,852,014

The accompanying notes are an integral part of these financial statements.

Massachusetts Clean Energy Center
Statement of Activities
Year Ended June 30, 2013

Program Functions	Expenses	Program Revenue and Services	Operating Grants, Capital Grants and Contributions	Net Revenue and Changes			Total
				Governmental Activities	Business-Type Activities NBMCCT	Business-Type Activities WTTC	
Governmental Activities							
<i>Renewable Energy Trust Fund</i>							
Renewable Energy Generation	\$20,176,374	\$598,845	\$3,243,205	(\$16,334,324)	-	-	(\$16,334,324)
<i>Alternative and Clean Energy Trust Fund</i>							
Investments in Clean Energy	2,013,256	-	-	(2,013,256)	-	-	(2,013,256)
Workforce development	2,055,393	-	134,053	(1,921,340)	-	-	(1,921,340)
Sector development	2,299,938	-	-	(2,299,938)	-	-	(2,299,938)
Knowledge development	750,568	-	-	(750,568)	-	-	(750,568)
Total governmental activities	<u>27,295,529</u>	<u>598,845</u>	<u>3,377,258</u>	<u>(23,319,426)</u>			<u>(23,319,426)</u>
Business-Type Activities							
New Bedford Marine Commerce Terminal	1,426,348	-	19,761,201	-	18,334,853	-	18,334,853
Wind Technology Testing Center	3,413,215	-	-	-	-	(3,413,215)	(3,413,215)
Total	<u>32,135,092</u>	<u>598,845</u>	<u>23,138,459</u>	<u>(23,319,426)</u>	<u>18,334,853</u>	<u>(3,413,215)</u>	<u>(8,397,788)</u>
General Revenue							
Other income (expense)				248,759	(77,647)	9,330	180,442
Renewable energy surcharge				23,738,347	-	-	23,738,347
Testing revenue				-	-	1,957,120	1,957,120
Change in assets				<u>667,680</u>	<u>18,257,206</u>	<u>(1,446,765)</u>	<u>17,478,121</u>
Net Position							
Beginning of year				<u>175,443,583</u>	<u>-</u>	<u>37,930,310</u>	<u>213,373,893</u>
End of Year				<u>\$ 176,111,263</u>	<u>\$ 18,257,206</u>	<u>\$ 36,483,545</u>	<u>\$ 230,852,014</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Clean Energy Center
Balance Sheet – Governmental Fund
June 30, 2013

Assets

Noncapital assets

Cash and cash equivalents - Uncommingled	\$4,681,151
Accounts receivable	
Renewable energy surcharge	1,863,079
Due from other funds	2,045,179
Other	182,345
Total Accounts Receivable	<u>4,090,603</u>
Prepaid expenses	96,248
Program loans (net of allowance of \$6,655,291)	3,284,834
Program investments	8,070,709
Assets committed under programs	
Cash and cash equivalents - restricted for awards	28,360,221
Term investments - restricted for awards	130,791,101
Other agency funds - custodial	3,965,922
Alternative compliance payments - custodial	166,118,308
Escrow - restricted	2,572,584
Total assets committed under programs	<u>331,808,136</u>
Total assets	<u>352,031,681</u>

Deferred outflow of resources

Renewable energy contracts - deferred outflow	211,343
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Liabilities and fund balance

Liabilities

Accounts payable and accrued expenses - trade	555,490
Accounts payable and accrued expenses - awards	4,410,343
Other liabilities	726,082
Due to other agencies - custodial	3,965,922
Alternative compliance payments - custodial	166,118,308
Total liabilities	<u>175,776,145</u>

Fund Balance

Restricted	176,044,193
Total Liabilities and fund balance	<u>351,820,338</u>

Amounts reported for governmental funds above and those reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in funds (net of accumulated depreciation)	201,659
Straight-line rent calculated for reporting purposes is not considered an expense for Fund perspective reporting and therefore is not reported in Funds net position of governmental activities	(134,589)

Net Assets of governmental activities	<u>\$ 176,111,263</u>
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The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Revenue, Expenditures, and
Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2013**

Revenue	
Systems Benefit Charge	\$23,738,347
State appropriations and federal pass-through grants	3,377,258
Program Earnings	598,845
Total Revenue	<u>27,714,450</u>
Expenditures	
Renewable Energy Generation	19,720,824
Investments in Clean Technology	2,013,256
Workforce Development	2,055,393
Sector Development	2,299,938
Knowledge Development	750,568
Total expenditures	<u>26,839,979</u>
Net operating income	874,471
Other income (expense)	
Net decrease in net realizable value of loan programs	(1,974,571)
Net increase in carrying and fair value of program investments	1,360,068
Interest and investment income	946,242
Net decrease in fair value of investments	7,871
Net loss from return of program funds	(384,536)
Other expense	(4,519)
Net increase in fair value of REC contracts	298,204
Total other income	<u>248,759</u>
Change in fund balances	<u>1,123,230</u>
Beginning of year	<u>174,285,796</u>
End of year	<u>\$ 175,409,026</u>

Amounts reported for governmental funds above and those reported for governmental activities in the statement of net position are different because: Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.

	104,478
Straight-line rent calculated for reporting purposes is not considered and expense for Fund perspective reporting and therefore is not reported in Funds.	<u>351,072</u>
Change in net position of governmental activities	<u>\$ 667,680</u>

The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Net Position – Proprietary Fund
June 30, 2013**

	Marine Commerce Terminal
Assets	
Noncapital assets	
Cash and cash equivalents - Uncommingled	\$13,611,343
Prepaid expenses	7,630
Total noncapital assets	<u>13,618,973</u>
Capital assets (net of accumulated depreciation)	
Land	2,534,325
Buildings	6,123,698
Furniture and fixtures	1,125
Operational equipment	417,636
Leasehold improvements	-
Total capital assets	<u>9,076,784</u>
Total assets	<u><u>22,695,757</u></u>
Liabilities	
Accounts payable and accrued expenses - awards	2,654,845
Due to other funds	1,783,706
Total liabilities	<u>4,438,551</u>
Net Position	
Invested in capital assets	9,076,784
Restricted	9,180,422
Total net position	<u><u>18,257,206</u></u>

The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Revenue, Expenditures, and
Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2013**

	Marine Commerce Terminal
Operating revenue	
Grants	\$19,761,201
Total grant revenue	<u>19,761,201</u>
Operating expenses	
Grants	593,663
Personnel	202,528
Program expenses	440,159
Program fees	187,595
Facility expenses	2,403
Total expenditures	<u>1,426,348</u>
Net operating income	18,334,853
Other income (expense)	
Interest and investment income	3,348
Carrying costs	(80,995)
Total other (expense)	<u>(77,647)</u>
Change in net position	<u>18,257,206</u>
Net Position	
Beginning of year	-
End of year	<u>18,257,206</u>

The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2013**

	Marine Commerce Terminal
Cash flows from Operations	
Grant Revenue	19,761,201
Cash and cash equivalents provided to fund operating expenses	3,053,991
Net cash and cash equivalents used by operating activities	<u>22,815,192</u>
Cash flows from capital and related financing activities	
Acquisitions and constructon of capital assets	(9,207,197)
Cash used from financing	<u>(9,207,197)</u>
Cash flows from investing activities	
Interest & other income received	3,348
Net cash provided by investing activities	<u>3,348</u>
Cash	
Net decrease in cash and cash equivalents	13,611,343
Beginning of period	-
End of period	13,611,343
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income	18,334,853
Adjustments to reconcile operating income to net cash provided	
Depreciation	130,414
Carrying costs	(80,995)
Increase in accounts receivable	(7,630)
Increase in accounts payable and other liabilities	4,438,550
Net cash provided by operations	<u>22,815,192</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Clean Energy Center
Statement of Net Position – Proprietary Fund
June 30, 2013

	Wind Technology Testing Center
Assets	
Noncapital assets	
Cash and cash equivalents	\$5,070,268
Other	706,737
Prepaid expenses	67,147
Cash and cash equivalents - restricted for awards	86,324
Total assets committed under programs	<u>86,324</u>
Total noncapital assets	<u>5,930,476</u>
Capital assets (net of accumulated depreciation)	
Buildings	29,992,611
Furniture and fixtures	216,585
Operational equipment	1,366,175
Leasehold improvements	9,642
Total capital assets	<u>31,585,013</u>
Total assets	<u><u>37,515,489</u></u>
Liabilities	
Accounts payable and accrued expenses	770,471
Due to other funds	261,473
Total liabilities	<u>1,031,944</u>
Net Position	
Invested in capital assets	31,585,013
Restricted for Wind Technology Testing Center	4,898,532
Total net position	<u><u>36,483,545</u></u>

The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Revenue, Expenditures, and
Changes in Fund Net Position – Proprietary Fund
Year Ended June 30, 2013**

	Wind Technology Testing Center
Operating revenue	
Testing Revenue	\$1,957,120
Total Revenue	<u>1,957,120</u>
Operating expenses	
Grants	49,354
Personnel	674,282
Program expenses	1,725,101
Program fees	403,156
Facility expenses	561,322
Total expenditures	<u>3,413,215</u>
Net operating income (loss)	(1,456,095)
Other income (expense)	
Interest and investment income	5,430
Net gain from superfund settlement	3,900
Total other income (expense)	<u>9,330</u>
Change in net position	<u>(1,446,765)</u>
Net Position	
Beginning of year	<u>37,930,310</u>
End of year	<u>36,483,545</u>

The accompanying notes are an integral part of these financial statements.

**Massachusetts Clean Energy Center
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2013**

	Wind Technology Testing Center
Cash flows from Operations	
Testing Revenue	1,957,120
Cash and cash equivalents used to fund operating expenses	(2,161,747)
Net cash and cash equivalents used by operating activities	<u>(204,627)</u>
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	(551,849)
Cash used by financing activities	<u>(551,849)</u>
Cash flows from investing activities	
Interest & other income received	9,330
Net cash provided by investing activities	<u>9,330</u>
Cash	
Net decrease in cash and cash equivalents	(747,146)
Beginning of period	5,903,738
End of period	5,156,592
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	(1,446,765)
Adjustments to reconcile operating income to net cash provided	
Depreciation	1,337,652
Non-cash rent	95,633
Loss on retirement of equipment	1,343
Increase in accounts receivable and other assets	(299,648)
Increase in accounts payable and other liabilities	107,157
Net cash (used) by operations	<u>(204,627)</u>

The accompanying notes are an integral part of these financial statements.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

1. Significant Accounting Principles

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

On August 12, 2008, the Commonwealth of Massachusetts (the "Commonwealth") enacted Chapter 307 of the Acts of 2008, creating the MassCEC and establishing the Massachusetts Alternative and Clean Energy Investment Trust Fund (the "Trust") to financially support its activities. The MassCEC's mission is to accelerate job growth and economic development in the Commonwealth's clean energy industry. The MassCEC serves as a clearinghouse and support center for the clean energy industry. The MassCEC makes direct investments in new and existing companies, provides assistance to enable companies to access capital and other vital resources for growth, and promotes training programs to build a strong clean energy and technology workforce that capitalizes on the job opportunities created by this vital new industry. In addition, the MassCEC directly supports the installation of renewable energy and technology projects throughout the Commonwealth.

On November 23, 2009, Governor Deval Patrick signed an "Act Relative to Clean Energy," which transferred the state's Renewable Energy Trust Fund (the "RETF") from the MTPC to the MassCEC. This act united two entities with complementary missions, consolidated staff and financial resources, and established MassCEC as the lead state entity charged with growing the clean energy sector in the Commonwealth. With the RETF merger, MassCEC has the added mission of supporting the installation of renewable energy projects throughout the Commonwealth. The RETF was created in 1997 by the Massachusetts Legislature pursuant to Section 4E of Chapter 40J.

The MassCEC is governed by a board of directors ("Board") comprised of twelve members, including five members appointed by the governor and seven state officials that serve in an *ex officio* capacity.

Government-Wide and Fund-Level Financial Statements

The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (e.g., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the MassCEC. In the government-wide reporting model, governmental activities (those supported by state appropriations and legislatively mandated surcharges remitted from public utilities) are reported separately from a proprietary fund's business-type activities which rely on testing fees and charges for operational support. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenue. Expenses are those that are clearly identifiable with a specific function. Administrative overhead charges are included in expense totals. Revenue includes: (1) state appropriations that support specific programmatic functions of the MassCEC; (2) legislatively mandated surcharges remitted by public utilities; (3) sponsorship and grant revenue; and (4) Alternative Compliance Payments received and appropriated to the MassCEC from the DOER.

Other income and expenses includes (1) returns on program loan and equity investments; and (2) interest, dividends and capital gains earned on invested, unused funds from the sources noted above.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

In the fund-level reporting model, the MassCEC reports its financial position and results of operations in funds, each of which is considered a separate accounting entity.

The fund-level statements are separate financial statements provided for governmental funds and proprietary funds. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, defined inflows / outflows, fund equity, revenue and expenditures/expenses. The Trust and the REFT are not required to be presented as separate funds for financial reporting purposes and, accordingly, have been co-mingled within the fund-level statements. Transactions between the Trust and the REFT funds have been eliminated.

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid interest-bearing deposits with a creditable banking institution.

Cash and Cash Equivalents – Committed for Awards

The use of this cash and cash equivalents is specified by the DOER.

Cash and Cash Equivalents – Restricted for Awards

Cash and cash equivalents are restricted for the uses stated in our enabling legislation.

Investments – Restricted for Awards

These amounts represent investments in various fixed income and equity mutual funds and investments in United States Treasury Notes with maturities between June 15, 2013 and June 30, 2015 that are restricted for the uses stated in our enabling legislation.

Invested in Capital Assets

These amounts represent building, building improvements, equipment, machinery or tangible assets used in operations that have finite useful lives extending beyond a single reporting period.

Escrow – Restricted

Escrowed balances held with a third party agent for the purpose of satisfying contract obligations related to the REC contracts discussed in Note 6. Funds are invested in United States Treasury Notes and are released upon notification from both counter parties or after the passage of time if the beneficiary declines to exercise its option to sell under the contract terms.

Renewable Energy Surcharge Receivable

The renewable energy surcharge receivable represents legislatively imposed surcharges due from electric companies paid to them by their consumers in support of the renewable energy programs of the MassCEC. No allowances are established against these receivables as all balances are deemed to be fully collectible.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

Program Loans Receivable

Program loans receivable consist of loans to companies to accelerate job growth, economic and/or project development and technological innovation in the Commonwealth. Such amounts are reported net of an allowance for uncollectible loans. This allowance is established based on management's assessment of the collectability of the loan portfolio and are reassessed at least annually. These loans bear interest at rates ranging from 5.25% to 9.5% and mature during calendar years 2013 through 2017, or in some cases not until the project is sold or commences operations. Some project loans provide for the payment of principal and interest in the form of Renewal Energy Certificates which in turn are sold in the open market.

Program Investments

Program investments represent equity investments in new and existing clean energy companies as mandated by the MassCEC's legislative intent. Privately held equity investments are valued based on a fundamental business and operation analysis performed by management on each investment. These investments are carried at fair value or cost less other-than-temporary impairment adjustments.

Capital Assets

Capital assets are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful life of the asset categories are as follows:

Buildings*	30 years
Leasehold improvements	5 years
Operational equipment	7 years
Assets capitalized for New Bedford Port**	50 years
Furniture and fixtures	3-5 years

*Buildings consist of the WTTC's blade test facility and large components and fixtures that are affixed to the facility. **No depreciation is calculated for construction in progress as it has not been placed into service.

Restricted Net Assets and Fund Balances

Restricted net assets and fund balances are legally restricted by enabling legislation or by an outside party to be used for a specific purpose. The MassCEC's restricted net assets and fund balances are restricted for use by the Trust and RETF in accordance with their enabling legislation.

Revenue Recognition

State appropriations and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Other types of revenue are recognized when they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year end. Significant accrued revenues include renewable energy surcharges.

Expenditures

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Grant expenditures are recognized when all material conditions related to the grant agreement have been met. Management reviews all active grant agreements and based on the best available information develops an estimate of incurred grant expenditures where no reimbursement request

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

has been received. As of June 30, 2013, management adopted an adjusted historical average to determine the incurred but not reported grant accrual at June 30, 2013. The primary reasons for the change were the Company's improvements to the estimation process, through implementation of controls over recording and processing of outstanding awards through 2013, changes to the grants awarded in general, as well as a detailed and timely analysis of historical and current year data to be able to estimate this year's accrual.

Investment Valuation

Investments are carried at fair value in accordance with GASB Statement No. 31 and are derived from public prices obtained from each custodian.

Budgets

Annual budgets are prepared by management. An annual budget is presented to the Board of Directors for approval and adoption. Periodically management and the Board of Directors reviews budget-to-actual results and address projected material variances. The budget process is used for management accountability and is not considered a legally adopted budget. Therefore, supplemental information is not required as part of these financial statements.

Income Taxes

Pursuant to Massachusetts General Laws Chapter 307, the operations of the MassCEC constitute the performance of an essential government function and are therefore exempt from taxation by and within the Commonwealth. Additionally, MassCEC is exempt from federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. This statement expands the reporting requirements for classifying spendable and non-spendable assets. The MassCEC adopted GASB Statement No. 54 as of July 1, 2011. The adoption had no impact on our government-wide and government fund financial statements.

Recently Issued Accounting Standards

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The MassCEC adopted GASB Statement No. 61 as of July 1, 2012. The adoption had minimal impact on our government-wide and government fund financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

MassCEC adopted GASB Statement No. 63 as of July 1, 2012. The adoption had minimal impact on our government-wide and government fund financial statements.

In March 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. The MassCEC adopted GASB Statement No. 65 as of July 1, 2012. The adoption had minimal impact on our government-wide and government fund financial statements.

2. Division Activity

The MassCEC utilizes four divisions, each with various distinct programs, to perform its mission.

Renewable Energy Generation

The Renewable Energy Generation division ("REG") of the MassCEC is responsible for supporting renewable energy projects throughout Massachusetts through funding primarily provided by the RETF.

The Electric Utility Restructuring Act of 1997 provides for a charge on each kilowatt hour of electricity purchased by consumers in the service territories of investor-owned electric distribution utilities to support a broad range of activities related to renewable energy. Under this law a mandatory charge per kilowatt-hour is assessed for all electricity consumers, as well as municipal plants that opt into the RETF. This surcharge is remitted to the MassCEC to fund programs that promote the development of renewable energy projects. From July 1, 2012 through June 30, 2013 the surcharge was based on \$0.0005/KWH and resulted in recognition of \$23,738,347 in revenue, of which \$1,863,379 was receivable as of June 30, 2013. In addition, during this period the RETF recognized \$992,433 in interest income and program gains, mostly from investments and sales of renewable energy certificates from projects supported in previous years.

From July 1, 2012 through June 30, 2013 the MassCEC's REG division awarded \$18,107,666 and recognized \$16,840,622 as expenditures across its programs.

Investments in Clean Technology

Under the terms of its legislation, the MassCEC is authorized to make equity and debt investments in private companies for the purpose of job creation and to stimulate the creation and development of new clean energy ventures that will form the foundation of a strong clean energy industry sector. The MassCEC will also make such investments to support the expansion of operations of existing clean energy companies within the Commonwealth.

During fiscal year 2013, the MassCEC awarded \$6,600,504 to clean energy companies in the form of loans, loan guarantees, grants and equity investments; \$1,389,710 was recognized as expenditures and program investments. In addition, during this period the MassCEC recognized \$753,940 investment program gains and interest income.

The MassCEC has provided a guarantee of up to \$150,000 of a clean energy company's line of credit. As of June 30, 2013, this company had drawn down amounts in excess of our \$150,000 guarantee on its line of credit. The MassCEC has not accrued for this guarantee as a loss is deemed to be remote as of June 30, 2013.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2013

Workforce Development

The MassCEC has made investments in workforce training programs throughout the Commonwealth, and played a lead role with the Executive Office of Labor and Workforce Development and Commonwealth Corporation in applying for ARRA funds focused on workforce development. The MassCEC provides grants to companies and organizations that promote research and workforce training in clean energy technology at the Commonwealth's public institutions of higher education, vocational technical schools, and non-profit organizations intended to create pathways toward economic self-sufficiency for low and moderate-income individuals and communities in the clean energy industry.

Through its work and partnerships with the various Workforce Investment Boards, colleges and universities and vocational technical schools, and other state agencies, the MassCEC made awards of \$2,684,295 and recognized \$1,690,753 as expenditures in fiscal year 2013.

Clean Energy Sector Development

The MassCEC awarded \$1,966,488 and recognized as expenditures \$2,832,829 in fiscal year 2013 towards helping to accelerate the Commonwealth's clean energy and technology sectors by building a sustainable community of clean energy partners that support a world-class cluster of clean energy companies.

3. Alternative Compliance Payments

In accordance with guidelines set forth by the DOER, the MassCEC acts as the collection agent for the ACP mandated upon electricity suppliers. Any electric supplier that did not secure enough RECs to meet the Renewable Portfolio Standard requirements shall be deemed in compliance if they make an ACP to the MassCEC. From July 1, 2012 through June 30, 2013 the MassCEC received \$64,172,940 from electricity suppliers. The funds are held in a restricted custodial depository account that earned \$54,826 of income during 2013 and will be utilized in a manner directed by DOER. In June 2013, the MassCEC was awarded a grant from the DOER of \$2,440,000 from ACP funds to develop several renewable energy programs.

4. Cash and Cash Equivalents

The following summarizes the cash and cash equivalents of the MassCEC and identifies certain types of investment risk as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, at June 30, 2013.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. The MassCEC's cash is held by a creditable banking institution and cash equivalents are held by First Republic Bank and State Street Bank. Both institutions and the credit of those institutions have been reviewed by management and deemed to meet a risk profile consistent with the MassCEC's charter.

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2013

Cash and cash equivalents - insured	\$ 2,250,000
Cash and cash equivalents - uninsured and uncollateralized	222,269,619
Total cash deposits and cash equivalents	\$ 224,519,619

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of our cash equivalents. The MassCEC manages its exposure to interest rate risk by investing in money market securities whose underlying holdings have original maturities of ninety days or less.

5. Capital Assets

Capital Assets of the MassCEC at June 30, 2013, are summarized as follows:

Fixed Assets and Accumulated Depreciation				
	Governmental Activities	Business-Type Activities	Business-Type Activities	Total
Land	\$ -	\$ 2,534,325	\$ -	\$ 2,534,325
Buildings	-	6,123,698	32,327,366	38,451,064
Furnitures and fixtures	243,999		98,169	342,168
Computer equipment and software	279,956	1,250	242,906	524,112
Operational equipment	-	547,925	1,692,723	2,240,648
Leasehold improvements	9,999		10,149	20,148
	\$ 533,954	\$ 9,207,198	\$ 34,371,313	\$ 44,112,465
Less accumulated depreciation				
Buildings	\$ -	\$ -	\$ 2,334,755	\$ 2,334,755
Furnitures and fixtures	163,390		41,386	204,776
Computer equipment and software	161,793	125	83,104	245,022
Operational equipment		130,289	326,549	456,838
Leasehold improvements	7,112		507	7,619
	332,295	130,414	2,786,301	3,249,010
Capital Assets (net of accumulated depreciation)	\$ 201,659	\$ 9,076,784	\$ 31,585,013	\$ 40,863,456
Fixed Asset Additions Net of Depreciation				
	Balance June 30, 2012	Additions	Balance June 30, 2013	
Land	\$ -	\$ 2,534,325	\$ 2,534,325	
Buildings	32,327,366	6,123,698	38,451,064	
Furnitures and fixtures	329,231	12,937	342,168	
Computer equipment and software	450,404	73,708	524,112	
Operational equipment	1,177,406	1,063,242	2,240,648	
Leasehold improvements	9,999	10,149	20,148	
	\$ 34,294,406	\$ 9,818,059	\$ 44,112,465	
Less accumulated depreciation				
Buildings	\$ 1,257,175	\$ 1,077,580	\$ 2,334,755	
Furnitures and fixtures	136,918	67,858	204,776	
Computer equipment and software	143,244	101,778	245,022	
Operational equipment	134,016	322,822	456,838	
Leasehold improvements	5,112	2,507	7,619	
	1,676,465	1,572,545	3,249,010	
Capital Assets (net of accumulated depreciation)	32,617,941	8,245,515	40,863,456	

6. Renewable Energy Contract Derivatives

The MassCEC, through the program activities of the RETF, has entered into long-term contracts for the purchase and sale of RECs in an effort to stimulate private investment in the construction of new clean electric-generating facilities. These clean energy facilities are being built to satisfy both voluntary demand for renewable power among the Commonwealth's consumers and the requirements of the mandatory Massachusetts Renewable Portfolio Standard ("RPS") established under Massachusetts General Law.

Private investment in renewable energy facilities is subject to considerable risk, as there is uncertainty regarding future market prices of power and the future value of RECs. Demand for RECs is uncertain as legislative changes can modify or eliminate the RPS, and currently no substantial voluntary demand for RECs exists. As a consequence, there have been few long-term REC contracts executed in the Commonwealth.

The absence of long-term contracts for RECs makes it difficult for developers to secure financing for their renewable energy projects. By providing long-term REC contracts, the RETF reduces the investment uncertainty by assuming the risk that government-mandated demand will persist under substantially similar terms and that a voluntary market for RECs will develop. The MassCEC provides the creditworthiness for investors by escrowing funds to support its REC purchase commitments.

The MassCEC has entered into three types of REC contracts:

Put Options – Put options under which a developer secures the right, but not obligation, to sell RECs to MassCEC over the contract period at the prices set in the agreement. The MassCEC must purchase the RECs if the developer exercises its rights.

Put and Call Options – Put and call options under which a developer secures the right to sell RECs to MassCEC under a put option and, if the put option is not exercised, MassCEC also obtains the right to purchase the RECs from the developer at a specified higher price (call option). This contract type allows MassCEC to share some of the upside potential if the market price for RECs reaches higher levels.

Put-Back Option – Some contracts also include a put-back option with a put option or put and call option. The put-back allows MassCEC to require the seller to buy back the RECs at a set per-unit price that is lower than the put option strike price.

Market Risk

REC contracts are subject to market risk from price fluctuation of RECs, due to changes in the supply and demand for RECs and potential legislative changes related to RPS. As a result, MassCEC may be required to pay the higher contractually obligated purchase or put price when the REC market price is lower.

Credit and Termination Risk

The REC contracts are subject to credit and termination risk of the project developer if the developer is not able to meet the contractual requirements of the REC. MassCEC has mitigated these risks by escrowing funds equal to the purchase or put price of RECs in future periods. These funds are invested in United States Treasuries with a maturity value equal to the estimated cost of

Massachusetts Clean Energy Center
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the REC obligation. The escrowed funds are released if the project developer defaults on the RECs contractual requirements. The fair values of the REC contracts are based upon the estimated value of RECs and the present value of estimated future cash flows. The MassCEC has based its assumptions upon the current market indications for multiyear REC agreements and projected renewable energy project output that will generate RECs in future years.

REC contracts outstanding at June 30, 2013 are as follows:

	Classification	Change in Fair Value	Fair Value as of 6/30/13	Number of RECs as of 6/30/13	Expiration Date
Commodity Forward - Put	Defined Outflow	132,345	(481,983)	4,725	9/30/2021
Commodity Forward - Put/ Call	Defined Outflow	165,857	270,639	16,320	9/30/2017
Commodity Forward - Putback	Deferred Inflow	-	-	121,440	11/30/2018
		<u>298,202</u>	<u>(211,344)</u>	<u>142,485</u>	

Pricing for RECs has been volatile. This, combined with a decreasing amount of expected RECs to be received, will likely affect future program earnings.

7. Defined Contribution Plans

The MassCEC has adopted a Simplified Employee Pension (SEP) plan and a 457(b) deferred compensation plan, which are administered by Fidelity and Next Step, respectively.

Under the SEP plan, the MassCEC makes a quarterly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2013, MassCEC's total contributions were \$560,752.

Under the 457(b) plan, the MassCEC matches 50% of employees' contributions with a maximum MassCEC contribution of 3% of the employee's salary. For the year ended June 30, 2013, the MassCEC's total contributions were \$79,191.

8. Inter-Fund Activity

The MassCEC reports inter-fund activity between the governmental and business-type activities which primarily consist of accounts receivable and accounts payable transactions between the funds. The balance of the activity presented in the table agrees with the sum of internal balances presented in the governmental and proprietary fund financial statements.

Internal balances between funds at June 30, 2013, consisted of the following:

Receivable Fund	Payable Fund	Amount
Governmental Fund	NBMCT	\$ 1,783,706
Governmental Fund	WTTC	261,473

Inter-fund transfers are used to move funds considered financial expenditures in one fund to support the activities within another fund. The transfers for the year ending June 30, 2013, are related to the Governmental fund, making financial expenditures to fund the activities of the NBMCT and the WTTC.

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9. Program Investments and Investments Restricted for Awards

Program investments are comprised of equity investments in small new private companies. Inherently in making such investments is the risk that all invested capital will be lost. Management performs due diligence procedures before making investments in order to mitigate this risk.

Interest Rate Risk – Investments Restricted for Awards

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments Restricted for Awards includes various short-term and long-term investments that could be impacted by interest rate changes. The MassCEC manages its exposure to interest rate risk by investing the majority of this balance in short-term fixed income mutual funds and Treasury bills.

Custodial Credit Risk – Investments Restricted for Awards

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. The MassCEC's investments restricted for awards are held by First Republic Bank and State Street Bank. Both institutions and the credit of those institutions have been reviewed by management and deemed to meet a risk profile consistent with the MassCEC's charter.

Market Risk – Program Investments and Investments Restricted for Awards

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes. Management has formal quarterly meetings with its investment advisors to review and assess the current health of its portfolio and to perform rebalancing procedures as required and has periodic meetings with the management teams at our program investments to assess the current health of the investment.

10. Leases

Office Leases

On September 15, 2009, the MassCEC entered into an operating lease for office space for a term of sixty-two months beginning on the commencement date. As part of the lease agreement, the MassCEC received seven consecutive months of free rent beginning on the commencement date. The lease commenced in January 2010. Rent expense is recognized on a straight-line basis over the lease term. As of June 30, 2013 MassCEC had a \$134,589 deferred rent liability included in the Accounts payable and accrued expenses – trade line in the Statement of Net Assets. Total future payments are as follows:

Term		Payment Due
Beginning	Ending	
7/1/2013	6/30/2014	\$ 393,934
7/1/2014	6/30/2015	395,934
7/1/2015	6/30/2016	131,978
		<u>\$ 921,846</u>

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Wind Technology Testing Center Land Lease

On April 30, 2010, the MassCEC entered into an operating lease for the land to build the WTTC. The lease commenced in December 2009 and payments began on July 2011. Rent expense is recognized on a straight-line basis over the lease term. As of June 30, 2013, the MassCEC had a \$732,730 deferred rent liability included in the other liability line in the Statement of Net Position. Total future payments are as follows:

Term		Payment Due
Beginning	Ending	
7/1/2013	6/30/2014	\$ 216,584
7/1/2014	6/30/2015	223,082
7/1/2015	6/30/2016	229,774
7/1/2016	6/30/2017	236,668
7/1/2017	6/30/2018	243,768
7/1/2018	6/30/2019	251,081
Remaining payments through 6/30/2041		<u>7,897,211</u>
		<u>\$ 9,298,168</u>

11. Subsequent Events

In August 2013 a company which the MassCEC has made program loans to was acquired. MassCEC recouped all of the principal and interest it was owed, approximately \$500,000.

As of September 30, 2013, the MassCEC entered into a new eight year lease agreement for 18,605 square feet of office space. The lease term is expected to begin on or about January 1, 2014 with the initial base rent of approximately \$47,288 per month and total base rent over the eight year term equal to approximately \$4,930,325. Per the terms of the agreement MassCEC provided a cash security deposit equal to \$283,728 and has two options to extend the term of the lease for an additional ten years. In addition, and at the same time, the landlord of the new office space has entered into a contract with MassCEC to reimburse MassCEC for the obligation under its current office lease agreement.

Office of Performance Management & Oversight

Massachusetts Clean Energy Center

Fiscal 2014

Economic Development Business Plan



Massachusetts Clean Energy Center

Mission Statement Massachusetts Clean Energy Center accelerates economic growth and job creation in the clean energy sector by deploying strategic initiatives that are replicable and scalable, create a clean energy ecosystem, encourage people to make better energy choices and reduce the real costs of energy.

Business Plan Summary – The following table summarizes objectives, programs, and initiatives planned for FY14 and performance measurements by which to evaluate progress.

Goals	Strategy	Performance Measurement
<p>Create clean energy jobs and increase workforce diversity <i>– Aligns with Category for Action 1:</i></p> <p><i>Advance education and workforce development for middle skill jobs through coordination of education, economic development, and workforce development programs.</i></p>	<p>Increase the attractiveness of STEM careers to both students and teachers</p> <p>Ensure that STEM programs are designed in a way to increase STEM interest and achievement across all populations, especially those currently under-represented in STEM careers to help increase the secondary education pipeline.</p> <p>Increase by 20% annually over the next five years the number of internship placements made by multi-school, multiemployer internship program.</p> <p>Support programs to train low-income populations to work in clean energy.</p> <p>Provide workforce development support and workforce tools to the New Bedford Marine Commerce Terminal</p> <p>Grow the MassCEC internship program to reach a diverse population of students.</p>	<ul style="list-style-type: none"> •Number employed in clean energy jobs in Massachusetts •Number graduating from sponsored clean energy training programs •Number of trainee graduates offered full time employment •Number of trainee graduates retained for 1 year •Number of STEM majors, graduates •Diversity profile of trainees, STEM graduates, sector workforce
<p>Accelerate clean energy technology commercialization– <i>Aligns with Category for Action 2:</i></p>	<p>Provide consistent support for collaborative research and development among universities and businesses.</p>	<ul style="list-style-type: none"> •Number of clean energy companies in Massachusetts •Number of patents filed by supported

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<p><i>Support Innovation & Entrepreneurship</i></p>	<p>Launch program to provide operational and event support to incubator and/or accelerator programs.</p> <p>Support the development of shared facilities for the making and testing of product prototypes, to support the growth of small and mid-sized businesses.</p>	<p>clean energy companies in Massachusetts</p> <ul style="list-style-type: none"> •Number of follow-on investment rounds by supported clean energy companies •Volume of follow-on investment raised by supported clean energy companies •Leverage on MassCEC investment
<p>Increase clean energy generation and energy efficiency – <i>Aligns with Action Item 2.3.2 and Category 4: Addressing our Cost Competitiveness</i></p>	<p>Support state and local governments to be “first adopters” of local innovation, e.g. bringing clean energy and energy efficiency innovations into public housing developments.</p> <p>Pursue cost-competitive low carbon alternatives along with renewable generation under the Commonwealth’s renewable portfolio standards.</p>	<ul style="list-style-type: none"> •Installed renewable energy capacity in Massachusetts, by technology type •Annual renewable energy generation in Massachusetts, by technology type •Reduction in installed cost (\$/kW), by technology type •Cost per kilowatt hour generated, by technology type •Kilowatt hours saved by supported energy efficiency projects •Dollars saved by supported energy efficiency projects • Number of cities/towns adopting energy plans & savings (financial and energy)
<p>Eliminate market/industry barriers:</p> <p>1. Facilitate beta testing sites</p> <p>2. Increase access to international markets</p>	<p>1. Participate in inventory of test bed sites throughout the region. Create and launch the InnovateMass program to support clean energy technology demonstrations.</p> <p>2. Establish connections and cooperative</p>	<p>Metrics associated with each barrier necessarily differ. The critical measures of success for MassCEC’s market barrier priorities are:</p> <ul style="list-style-type: none"> •Number of beta testing sites; Number of technologies; Patents, financings,

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<p>3. Facilitate municipal energy planning</p> <p>4. Increase public acceptance of Renewable Energy</p> <p>5. Develop Water Innovation Cluster</p> <p><i>Aligns with Category for Action 2:</i></p> <p><i>Support Innovation and Entrepreneurship</i></p>	<p>agreements with international clean energy governmental partners.</p> <p>3. Implement Clean Energy Strategies Program to support towns and regions to develop comprehensive clean energy plans.</p> <p>4. Develop and launch educational campaign to help increase public acceptance.</p> <p>5. Formalize cluster development to be led by MassCEC</p> <p>Successfully complete second round of Massachusetts Israeli Innovation Partnership (MIIP) grants, resulting in at least one strategic partnership.</p> <p>Stakeholder engagement and strategic planning for developing a water innovation cluster.</p>	<p>and sales by site users.</p> <ul style="list-style-type: none"> •Number of MA companies abroad & sales volume; Number of international companies in MA & related jobs. •Number of towns that address clean energy needs for all sectors: public, private, residential. •Increased number of supporters at public meetings and in letters to the editors and op-eds regarding renewable energy issues and projects. •Hire FTE at MassCEC to lead development of water innovation cluster. •Establish at least one strategic partnership through the Massachusetts Israeli Innovation Partnership (MIIP). •Establish steering committee for Massachusetts water innovation cluster.
<p>Offshore Wind Sector Development – Aligns with Category 1:</p> <p><i>Advance education and workforce development for middle skill jobs through coordination of education, economic development, and workforce development programs.</i></p> <p><i>Aligns with Category for Action 2:</i></p>	<p>Lead construction of New Bedford Marine Commerce Terminal.</p> <p>Promote and support offshore wind sector development.</p> <p>Ensure that an adequately trained work force is available for construction, operations, and maintenance by identifying and providing funding programs for pre-apprentice and apprentice training programs</p> <p>Ensure an adequate and diverse supply chain for construction, operations, and</p>	<ul style="list-style-type: none"> •Complete construction of NBMCT by the end 2014. •Provide early developers with critical port facilities for deployment, operation, and maintenance. •Number of people graduating from sponsored pre-apprentice and apprentice programs. •Host regional vendor forums to identify Massachusetts Companies who can provide materials and equipment in

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<p><i>Support Innovation and Entrepreneurship</i></p>	<p>maintenance of the Offshore Wind Sector</p> <p>Increase MassCEC public engagement and advocacy.</p> <p>Strategy for accelerated and responsible permitting.</p> <p>Determine market barriers to offshore wind.</p>	<p>support of the offshore wind sector.</p> <ul style="list-style-type: none"> •Completing pre-planning activities to facilitate the development of the Massachusetts Call Area.
<p>World Class Wind Technology Testing Center – <i>Aligns with Category for Action 2:</i></p> <p><i>Support Innovation and Entrepreneurship</i></p>	<p>Maintain world class wind turbine large blade (structural) testing facility to provide timely and cost effective testing services to the wind industry. This will support increased reliability of utility scale wind turbines and promote new technologies to be commercialized and move the blades & turbines to larger offshore wind turbines.</p> <p>Generate revenue to help support WTTC operations.</p>	<ul style="list-style-type: none"> •Number blades being tested at WTTC. •\$1.5 to \$2million testing revenues from customers