



# Massachusetts Clean Energy Center

Financial Statements  
Fiscal Year Ended June 30, 2021



**Massachusetts Clean Energy Center**  
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**June 30, 2021**

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## *Independent Auditors' Report*

The Board of Directors  
Massachusetts Clean Energy Center  
Boston, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Massachusetts Clean Energy Center ("MassCEC"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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 these 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the auditor considers internal control relevant to the entity'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 entity'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 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, business-type activities, each major fund, and the aggregate remaining fund information of MassCEC as of June 30, 2021, 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 Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented 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.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2021 on our consideration of MassCEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassCEC's internal control over financial reporting and compliance.

*Maya Hoffman McCann P.C.*

November 17, 2021  
Boston, Massachusetts

# **Massachusetts Clean Energy Center**

## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2021**

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This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Massachusetts Clean Energy Center ("MassCEC"), as well as an overview of financial activities for the fiscal year ended June 30, 2021. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes to those financial statements.

#### **MassCEC General Overview**

MassCEC is a publicly-funded agency dedicated to accelerating the success of clean energy technologies, companies and projects in the Commonwealth of Massachusetts (the "Commonwealth") - while creating high-quality jobs and long-term economic growth for the people of Massachusetts. 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.

MassCEC's mission is to accelerate the clean energy and climate solution innovation that is critical to meeting the Commonwealth's climate goals, advancing Massachusetts' position as an international climate leader while growing the state's clean energy economy. To do so, MassCEC works closely with residents, businesses and municipalities to develop programs that provide renewable energy solutions for their energy needs. MassCEC's programs also connect communities with the most viable clean energy and reduce the energy burden on low- and moderate-income residents, with the goal of fostering the success of the Commonwealth's dynamic clean energy sector.

#### **Enabling Legislation and Funding Sources**

MassCEC was created in 2008 as the result of the passage of several legislative acts described further below. Generally, MassCEC operates outside of the Commonwealth's appropriations process, and is primarily funded through dedicated funding sources received in support of initiatives within MassCEC's mandate. Funding received is presented as revenue in the financial statements. Significant funding sources include:

##### ***Massachusetts Alternative and Clean Energy Investment Trust Fund***

In August 2008, the "Green Jobs Act of 2008" created MassCEC and established the Massachusetts Alternative and Clean Energy Investment Trust Fund ("ACE") to financially support its activities. In accordance with the enabling legislation, ACE is funded through annual transfers from the Massachusetts Renewable Energy Trust Fund. ACE funds support MassCEC's activities to accelerate job growth and economic development in the state's clean energy industry.

##### ***Massachusetts Renewable Energy Trust Fund***

The Massachusetts Renewable Energy Trust Fund ("RET") was created through the Electric Utility Restructuring Act of 1997 and provides for a charge on each kilowatt hour of electricity purchased by consumers in the service territories of investor-owned electric distribution utilities, as well as by municipal lighting plants that have opted to participate in the RET, to support a broad range of activities related to renewable energy. The renewable energy charge of \$.0005/kWh is collected by distribution companies and transferred to MassCEC.

In November 2009, "An Act Relative to Clean Energy," transferred the RET and its staff from the Massachusetts Technology Park Corporation ("MTPC") to MassCEC in an effort to streamline support for the Commonwealth's clean energy economy into one single entity. RET funds support MassCEC's diverse renewable energy initiatives.

# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

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#### ***Alternative Compliance Payments***

In accordance with guidelines set forth by the Massachusetts Department of Energy Resources ("DOER"), any electric supplier that does not secure enough Renewable Energy Certificates ("RECs") to meet the Commonwealth's Renewable Portfolio Standard requirements shall be deemed in compliance if they make an Alternative Compliance Payment ("ACP"). MassCEC acts as the collection agent for ACP funds from electricity suppliers and holds these funds on behalf of DOER. From time to time, DOER, at its sole discretion, may decide to award funds from the ACP to MassCEC for its programs. These funds are reflected in the fiduciary fund financial statements.

#### **Program and Business-Type Activities**

MassCEC runs Clean Energy Programs which encompass the grant making aspects of the organization and two proprietary funds, or business-type organizations: the Wind Technology Testing Center ("WTTC") and the New Bedford Marine Commerce Terminal ("Terminal").

Through its Clean Energy Program work MassCEC is:

- Increasing statewide adoption of clean energy, while driving down the costs and delivering financial, environmental, and economic development benefits to ratepayers.
- Continuing to drive clean energy innovation.
- Supporting the creation of high-quality jobs and developing a trained workforce for a rapidly growing industry.
- Advancing innovative solutions that will lead to energy security and a safe, reliable, and resilient energy infrastructure.

#### **Clean Energy Programs**

MassCEC's Programs support clean energy and climate solution innovation that is critical to meeting the Commonwealth's climate goals, advancing Massachusetts' position as an international climate leader while growing the state's clean energy economy.

The Programs focus on the following areas:

- High Performance Buildings:
  - o Clean Heating and Cooling – programs to increase the use of clean heating and cooling technologies including air-source and ground-source heat pumps to heat and cool buildings, and thermal energy from sunlight for hot water applications
  - o Affordable Access to Clean and Efficient Energy – programs to support expanding access for low- and moderate-income residents to affordable and clean energy
  - o Solar – programs to incentivize homeowners and businesses to adopt the generation of electricity through the use of solar panels, build a standalone solar industry and organize communities and other stakeholder groups to drive down the cost of solar installation
- Clean Transportation – programs that foster the development of cutting-edge, clean transportation technologies, surfacing new finance and business models that address the market barriers to electric vehicle deployment and accelerating the growth of clean transportation companies in Massachusetts
- Commercial Scale Clean Energy Generation – programs to create energy cost-effectively from commercial- and utility-scale renewable energy technologies, including hydroelectric turbines, and organics-to-energy systems
- Offshore Wind – programs to advance a new industry by reducing project risk, increasing market confidence, and supporting the economic development opportunities of the offshore wind sector, including training a workforce to meet specialized needs and supporting the growth of a mature supply chain
- Net Zero Grid – programs funding projects that enable the addition of more clean resources to the grid and unlock greater utilization of those resources, including through energy storage, resiliency upgrades, facilitating interconnection, and increasing load flexibility

# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

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- Technology Development – programs offering competitive grant funding to technology innovators, support for clean energy research and development at Massachusetts-based universities, and operational funding to incubators and accelerators, to advance commercialization of the most innovative, effective, and impactful solutions to high-priority energy challenges facing the Commonwealth
- Workforce Development – programs funding job training for vocational high school students, college students, and recent graduates for the development of a clean energy workforce at all levels of skill and interests
- Investments – programs which stimulate and accelerate the development and commercialization of clean energy technologies in the Commonwealth through their support of promising early and growth stage clean energy companies
- Production Tracking System – a platform for tracking and verifying energy production to ensure state REC (Renewable Energy Certificate) incentives are assessed appropriately, and the sole Independent Verifier for the SREC (Solar Renewable Energy Certificate) Programs
- Other – includes various support for programs and the clean energy ecosystem

#### **Wind Technology Testing Center**

The WTTC is the first commercial-scale 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. MassCEC managed the construction and development of the WTTC in Charlestown, Massachusetts and officially opened the facility in May 2011. The facility was partially funded by a U.S. Department of Energy American Recovery and Reinvestment Act (“ARRA”) grant of approximately \$25 million. The facility has attracted business from companies well-known in the wind industry and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States. In fiscal year 2021, the WTTC provided blade testing services to six companies.

#### **New Bedford Marine Commerce Terminal**

The Terminal is a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. This first in the nation facility has been engineered to sustain mobile crane and storage loads that rival the highest capacity ports in the nation. The construction was primarily funded by \$118.9 million received from the Commonwealth.

The Terminal was placed into service in July 2015 and has since supported a variety of cargoes and customers. In fiscal year 2021, MassCEC leased portions of the Terminal, including office space, to six private businesses and two quasi-government agencies, and portions of the dock to twenty-five private vessel companies. Two offshore wind project developers have signed leases to utilize the Terminal for staging their projects from the Terminal. The first lease is for a period of 24 months beginning in early 2023 and extending through 2024. The second lease agreement begins in early 2025 and extends into late 2027. In fiscal year 2021, the Terminal generated \$0.8 million in revenue.

#### **Overview of 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.

MassCEC's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

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#### *Government-Wide Financial Statements*

The government-wide financial statements present both the governmental activities (governmental fund) and business-type activities (proprietary funds) of MassCEC on a full accrual basis of accounting. These statements include all assets and liabilities of MassCEC (including capital assets). Current year revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain adjustments have occurred to eliminate interfund activity such as payables and receivables.

The Statement of Net Position and the Statement of Activities present MassCEC's consolidated net position and the change from the prior year. Net position is the difference between assets and liabilities and represents a measurement of financial health of the organization. Over time, increases or decreases in net position indicate whether financial health is improving or deteriorating.

#### *Fund Financial Statements*

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. MassCEC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MassCEC can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements include separate statements for: (i) the governmental activities, which are supported by intergovernmental revenues and legislatively mandated surcharges, (ii) the proprietary or business-type activities, which rely on fees and charges for support after the initial development period, and (iii) the fiduciary activities, which are comprised of custodial activities on behalf of other government agencies. All activities - governmental, proprietary, and fiduciary - are performed as part of carrying out MassCEC's essential governmental function.

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. The governmental fund financial statements are prepared using the modified accrual basis of accounting. Governmental fund financial statements focus on the near term inflows and outflows of spendable resources, as well as on the balances remaining at year end that are available for spending. Because this information does not encompass the long-term focus of the government-wide financial statements, a reconciliation is provided that reconciles the governmental fund financial statements to the government-wide financial statements to explain the differences in the two methods of reporting.

MassCEC has two proprietary funds - the WTTC and the Terminal. These funds are used to present our business-type activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

MassCEC uses fiduciary funds to account for assets held on behalf of outside parties, including other governments. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support MassCEC's programs.



# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

#### Government-Wide Financial Analysis

##### Statement of Net Position

A condensed version of the Statement of Net Position for fiscal years ended June 30, 2021 and 2020 follows:

| <i>(in millions)</i>                      | June 30, 2021              |                             |                 | June 30, 2020              |                             |                 |
|---|----------------------------|-----------------------------|-----------------|----------------------------|-----------------------------|-----------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total           | Governmental<br>Activities | Business-Type<br>Activities | Total           |
| Noncapital Assets                         | \$ 209.4                   | \$ (19.9)                   | \$ 189.5        | \$ 191.8                   | \$ (12.3)                   | \$ 179.5        |
| Capital Assets                            | 0.4                        | 139.8                       | 140.2           | 0.5                        | 136.1                       | 136.6           |
| <b>Total Assets</b>                       | <b>\$ 209.8</b>            | <b>\$ 119.9</b>             | <b>\$ 329.7</b> | <b>\$ 192.3</b>            | <b>\$ 123.8</b>             | <b>\$ 316.1</b> |
| Total Liabilities                         | \$ 4.2                     | \$ 2.3                      | \$ 6.5          | \$ 4.1                     | \$ 2.8                      | \$ 6.9          |
| Total Net Position                        | 205.6                      | 117.6                       | 323.2           | 188.2                      | 121.0                       | 309.2           |
| <b>Total Liabilities and Net Position</b> | <b>\$ 209.8</b>            | <b>\$ 119.9</b>             | <b>\$ 329.7</b> | <b>\$ 192.3</b>            | <b>\$ 123.8</b>             | <b>\$ 316.1</b> |

##### Statement of Net Position Highlights

Total assets increased \$13.6 million or 4.3% in the current year, primarily due to an increase in the RET and ACE funds, as awards and expenditures in Clean Energy Programs were less than fiscal year 2021 revenue.

Of MassCEC's total net position, \$140.2 million is comprised of capital assets and \$15.7 million is restricted for various Clean Energy Programs. MassCEC has \$167.3 million in unrestricted net position.

Total liabilities were \$6.5 million, representing a \$0.4 million or 6.0% decrease from the prior year due to accrued expenses at year end related to the Production Tracking System program.

Net position increased \$14.0 million or 4.5% in the current year, largely due to gains on trust investments and external funding provided by offshore wind developers.

**Massachusetts Clean Energy Center**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

**Statement of Activities**

A condensed version of the Statement of Activities for fiscal years ended June 30, 2021 and 2020 follows:

| <i>(in millions)</i>  | June 30, 2021              |                             |               | June 30, 2020              |                             |               |
|---|----------------------------|-----------------------------|---------------|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>Revenue</b>  |                            |                             |               |                            |                             |               |
| Renewable energy surcharge  | \$ 21.6                    | \$ -                        | \$ 21.6       | \$ 21.3                    | \$ -                        | \$ 21.3       |
| Intergovernmental revenue   | 0.6                        | -                           | 0.6           | 0.1                        | -                           | 0.1           |
| Production Tracking System revenue  | 2.1                        | -                           | 2.1           | -                          | -                           | -             |
| Program earnings  | -                          | -                           | -             | 0.1                        | -                           | 0.1           |
| Terminal revenue  | -                          | 0.8                         | 0.8           | -                          | 1.1                         | 1.1           |
| Testing revenue   | -                          | 3.4                         | 3.4           | -                          | 3.0                         | 3.0           |
| <b>Total Revenue</b>  | <b>24.3</b>                | <b>4.2</b>                  | <b>28.5</b>   | <b>21.5</b>                | <b>4.1</b>                  | <b>25.6</b>   |
| <b>Expenditures by Division</b>   |                            |                             |               |                            |                             |               |
| Clean Energy Programs   | 34.3                       | -                           | 34.3          | 34.8                       | -                           | 34.8          |
| Production Tracking System  | 2.0                        | -                           | 2.0           | 2.1                        | -                           | 2.1           |
| New Bedford Marine Commerce Terminal                                      | -                          | 3.9                         | 3.9           | -                          | 3.2                         | 3.2           |
| Wind Technology Testing Center  | -                          | 3.7                         | 3.7           | -                          | 4.0                         | 4.0           |
| <b>Total Expenditures</b>   | <b>36.3</b>                | <b>7.6</b>                  | <b>43.9</b>   | <b>36.9</b>                | <b>7.2</b>                  | <b>44.1</b>   |
| <b>Net operating loss</b>   | <b>(12.0)</b>              | <b>(3.4)</b>                | <b>(15.4)</b> | <b>(15.4)</b>              | <b>(3.1)</b>                | <b>(18.5)</b> |
| Realized gains, interest, and investment income<br>from trust investments | 12.9                       | -                           | 12.9          | 4.0                        | -                           | 4.0           |
| Unrealized gain on trust investments                                      | 8.7                        | -                           | 8.7           | 2.2                        | -                           | 2.2           |
| Other income (expense), net   | 7.8                        | -                           | 7.8           | (1.4)                      | 0.9                         | (0.5)         |
| <b>Total Other income, net</b>  | <b>29.4</b>                | <b>-</b>                    | <b>29.4</b>   | <b>4.8</b>                 | <b>0.9</b>                  | <b>5.7</b>    |
| <b>Capital contributions</b>  | <b>-</b>                   | <b>-</b>                    | <b>-</b>      | <b>-</b>                   | <b>13.9</b>                 | <b>13.9</b>   |
| <b>Change in net position</b>   | <b>17.4</b>                | <b>(3.4)</b>                | <b>14.0</b>   | <b>(10.6)</b>              | <b>11.7</b>                 | <b>1.1</b>    |
| <b>Net Position</b>   |                            |                             |               |                            |                             |               |
| Beginning of year   | 188.2                      | 121.0                       | 309.2         | 198.8                      | 109.3                       | 308.1         |
| End of year   | \$ 205.6                   | \$ 117.6                    | \$ 323.2      | \$ 188.2                   | \$ 121.0                    | \$ 309.2      |

# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

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#### Statement of Activities Highlights

Revenues increased \$2.9 million or 11.3% in the current year, from \$25.6 million in fiscal year 2020 to \$28.5 million in fiscal year 2021. This increase is due to a small increase in surcharge revenue and WTTC testing revenue, along with a \$2.6 million increase in intergovernmental revenue. Intergovernmental revenues can fluctuate significantly year over year depending on the level of one-time sources of funding received.

Expenditures represent funds expended for financial assistance awards in the clean energy sector once the awardee has met the required milestones and terms of their award, business-type activities operational expenses, as well as general and administrative expenditures. Expenditures decreased \$0.2 million or -0.5% in the current year, mainly due to lower levels of awards in FY21, as well as timing differences of when milestones are met and awards are disbursed. There is the potential for timing differences to occur whereby awards are made in one fiscal year and expenditures are recognized in subsequent fiscal years, as for accounting purposes the expenditure is recorded when the recipient has achieved the required milestones per the grant agreement.

General and administrative expenses are included in the expenditure totals for each division. In fiscal year 2021, MassCEC incurred \$10 million of general and administrative expenses, excluding depreciation, which is consistent with the amount from fiscal year 2020.

Total other income and expense increased \$23.7 million in the current fiscal year, largely due to increased realized gains, interest, and investment income from trust investments, primarily as a result of market conditions. In addition, net increase in the carrying value of program investments comprised \$6.4 million of the \$29.4 million total other income which was driven by one of MassCEC's private company investments going public.

#### Awards

During the fiscal year ended June 30, 2021, MassCEC provided financial assistance awards and investments in the clean energy sector totaling \$20.1 million. Financial assistance awards are legal commitments made to award recipients or to projects which directly benefit the Commonwealth. Awards may be contingent upon the grantee or project reaching certain milestones, and therefore are not recorded as grant expenditures in the accompanying financial statements until such time as the recipient achieves those milestones. Awards were as follows:

| Clean Energy Program Awards<br>(in millions) | Year Ended<br>June 30, 2021 | Year Ended<br>June 30, 2020 |
|--|-----------------------------|-----------------------------|
| Clean Heating and Cooling                    | \$ 0.3                      | \$ 2.4                      |
| Solar  | 3.2                         | 5.6                         |
| Clean Transportation                         | 0.1                         | -                           |
| Commercial Generation                        | 0.3                         | 0.8                         |
| Offshore Wind                                | 2.2                         | 4.2                         |
| Buildings                                    | 1.2                         | -                           |
| Technology Development                       | 6.4                         | 7.9                         |
| Workforce Development                        | 3.4                         | 3.5                         |
| Investments                                  | 1.0                         | 2.3                         |
| Production Tracking System                   | 1.0                         | 1.2                         |
| Other  | 1.0                         | 1.7                         |
| Total Awards                                 | <u>\$ 20.1</u>              | <u>\$ 29.6</u>              |

# Massachusetts Clean Energy Center

## Management's Discussion and Analysis (Unaudited)

### June 30, 2021

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Clean Heating and Cooling awards decreased from \$2.4 million in fiscal year 2020 to \$0.3 million in fiscal year 2021, primarily due to the closure of the Air Source Heat Pump program, as incentives for these technologies were taken up by another organization. Financial assistance awards related to solar technologies decreased \$2.4 million year over year from \$5.6 million in fiscal year 2020 to \$3.2 million in fiscal year 2021 primarily due to a decrease in awards for the Solar Loan program. The program transitioned to a lower incentive level part way through fiscal year 2019 and closed out fully in fiscal year 2021. MassCEC administered the Mass Solar Loan program in partnership with DOER. MassCEC awarded \$0.1 million in Clean Transportation awards in fiscal year 2021, related to electric/fuel cell vehicle safety training for first responders. Offshore Wind decreased by \$2.0 million in fiscal year 2021. Investments division awards decreased from \$2.3 million in fiscal year 2020 to \$1.0 million in fiscal year 2021. This decrease is largely due to the conclusion of the BRIDGES program in fiscal year 2020, which was created to help clean energy startups adversely affected by the COVID-19 pandemic. Production Tracking awards decreased \$0.2 million in fiscal year 2021. The Other category represents several programs and decreased \$0.7 million year over year.

#### **Fund Financial Analysis**

The primary fund of MassCEC, the governmental fund, ended the year with a fund balance of \$205.6 million, an increase of \$17.4 million, or 9.2%. The primary factor contributing to this increase is realized and unrealized gains on trust and program investments, along with revenue from the Production Tracking System program and other external funding sources.

The WTTTC proprietary fund ended the year with a net position of \$26.4 million, a decrease of \$0.2 million due to operating and non-operating expenses (including corporate allocations) in excess of testing revenue. \$1.3 million of the total operating expenses relates to depreciation on the building and other WTTTC assets.

The Terminal proprietary fund ended the year with a net position of \$91.2 million, a decrease of \$3.1 million due to operating and non-operating expenses (including corporate allocations) in excess of lease revenue. Expenses related to depreciation on the building and leasehold improvements at the Terminal make up \$2.7 million of the total operating expenses.

The fiduciary fund ended the year with total assets of \$75.5 million. MassCEC acts as the collection agent for Alternative Compliance Payment ("ACP") funds from electricity suppliers and holds these in escrow on behalf of DOER. During the year ended June 30, 2021, MassCEC collected on behalf of DOER \$25.2 million of Alternative Compliance Payments and disbursed \$4.1 million. This asset and the fiduciary fund activity are not presented separately or combined with totals in governmental activities and business-type activities, but are both presented in the fiduciary fund statements.

#### **Economic Factors**

MassCEC's most predictable and consistent form of income is the renewable energy surcharge which is received from participating energy distribution companies in Massachusetts. MassCEC receives surcharge revenue from investor-owned electric distribution utilities, as well as by municipal lighting plants that have opted to participate in the RET. Historically, MassCEC has received on average \$22-24 million in revenue per year. Surcharge revenue increased slightly from \$21.3 million in fiscal year 2020 to \$21.6 million in fiscal year 2021. This revenue is influenced by energy consumption within the Commonwealth, as well as the number of participating distribution companies. In the future, an increase in the energy efficiency measures or clean and alternative energy utilization could cause a decrease in the average kilowatt consumption per year, thus decreasing the surcharge revenue collected and passed to MassCEC. These decreases would likely be offset by increases in energy consumption driven by growth in economic activity as well as growth in electric vehicle usage in the state and a transition toward building electrification over time.

**Massachusetts Clean Energy Center**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

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MassCEC is closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of the organization. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and the President of the United States declared the COVID-19 outbreak a national emergency shortly thereafter. MassCEC has implemented contingency plans, with office-based employees working remotely where possible. MassCEC also has a crisis management team in place monitoring the situation, interpreting the Commonwealth's guidance on returning to the workplace, and recommending risk mitigation actions as deemed necessary. While the COVID-19 pandemic has not had a material adverse impact on MassCEC's operations to date, the future impacts of the pandemic and any resulting economic impact are largely unknown. MassCEC is committed to remaining informed and to evaluating potential impacts on the organization.

**Requests for Information**

To obtain further information regarding current and future programs, prior year financials, current year budget highlights, and contact information for MassCEC employees, please refer to our website at: [www.masscec.com](http://www.masscec.com).

\* \* \* \* \*

**Massachusetts Clean Energy Center**  
**Statement of Net Position**  
**June 30, 2021**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| <b>Assets</b>   |                                    |                                     |                       |
| <b>Noncapital Assets</b>                                    |                                    |                                     |                       |
| Cash and cash equivalents - unrestricted                    | \$ 19,232,459                      | \$ 5,274,272                        | \$ 24,506,731         |
| Cash and cash equivalents - restricted                      | 15,596,922                         | -                                   | 15,596,922            |
| Accounts receivable   |                                    |                                     |                       |
| Renewable energy surcharge receivable                       | 1,800,610                          | -                                   | 1,800,610             |
| Accounts receivable - trade (net of allowance of \$19,108)  | -                                  | 1,485,361                           | 1,485,361             |
| Due from (to) other funds                                   | 26,764,234                         | (26,764,234)                        | -                     |
| Other accounts receivable (net of allowance of \$85,808)    | 835,610                            | -                                   | 835,610               |
| Program loans receivable (net of allowance of \$1,687,123)  | 3,978,926                          | -                                   | 3,978,926             |
| Other assets  | 141,863                            | 39,439                              | 181,302               |
| Prepaid expenses  | 100,253                            | 55,036                              | 155,289               |
| Trust investments - unrestricted                            | 126,948,531                        | -                                   | 126,948,531           |
| Program investments (net of unrealized loss of \$6,156,855) | 14,043,707                         | -                                   | 14,043,707            |
| <b>Total Noncapital Assets</b>                              | <u>\$ 209,443,115</u>              | <u>\$ (19,910,126)</u>              | <u>\$ 189,532,989</u> |
| <b>Capital Assets (net of accumulated depreciation)</b>     |                                    |                                     |                       |
| Land  | -                                  | 3,628,349                           | 3,628,349             |
| Construction in progress                                    | 64,238                             | 1,361,347                           | 1,425,585             |
| Buildings   | -                                  | 22,519,144                          | 22,519,144            |
| Furniture and fixtures                                      | 4,860                              | 3,460                               | 8,320                 |
| Computer equipment and software                             | 238,113                            | 82,366                              | 320,479               |
| Operational equipment                                       | -                                  | 289,509                             | 289,509               |
| Leasehold improvements and other assets                     | 10,629                             | 112,009,612                         | 112,020,241           |
| <b>Total Capital Assets</b>                                 | <u>\$ 317,840</u>                  | <u>\$ 139,893,787</u>               | <u>\$ 140,211,627</u> |
| <b>Total Assets</b>   | <u>\$ 209,760,955</u>              | <u>\$ 119,983,661</u>               | <u>\$ 329,744,616</u> |
| <b>Liabilities</b>  |                                    |                                     |                       |
| Accounts payable and accrued expenses - trade               | \$ 861,664                         | \$ 1,805,523                        | \$ 2,667,187          |
| Accrued expenses - program awards                           | 3,313,887                          | -                                   | 3,313,887             |
| Other liabilities   | -                                  | 540,346                             | 540,346               |
| <b>Total Liabilities</b>                                    | <u>\$ 4,175,551</u>                | <u>\$ 2,345,869</u>                 | <u>\$ 6,521,420</u>   |
| <b>Net Position</b>   |                                    |                                     |                       |
| Invested in capital assets                                  | 317,840                            | 139,893,787                         | 140,211,627           |
| Restricted for:   |                                    |                                     |                       |
| Mass Solar Loan   | 2,435,906                          | -                                   | 2,435,906             |
| Advancing Commonwealth Energy Storage                       | 7,828,261                          | -                                   | 7,828,261             |
| Offshore Wind Energy  | 150                                | -                                   | 150                   |
| Offshore Wind Wildlife Surveys                              | 650,153                            | -                                   | 650,153               |
| Reheat  | 2,231,145                          | -                                   | 2,231,145             |
| HeatSmart   | 1,277,868                          | -                                   | 1,277,868             |
| Affordable Access to Clean and Efficient Energy             | 727,523                            | -                                   | 727,523               |
| Production Tracking System                                  | 527,166                            | -                                   | 527,166               |
| Unrestricted net position                                   | 189,589,392                        | (22,255,995)                        | 167,333,397           |
| <b>Total Net Position</b>                                   | <u>\$ 205,585,404</u>              | <u>\$ 117,637,792</u>               | <u>\$ 323,223,196</u> |
| <b>Total Liabilities and Net Position</b>                   | <u>\$ 209,760,955</u>              | <u>\$ 119,983,661</u>               | <u>\$ 329,744,616</u> |

**Massachusetts Clean Energy Center  
Statement of Activities  
Year Ended June 30, 2021**

| Program Functions  | Expenses             | Program Revenues     |                                    | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|--|----------------------|----------------------|------------------------------------|---|--------------------------|------------------------|
|  |                      | Charges for Services | Operating Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Primary Government</b>  |                      |                      |                                    |   |                          |                        |
| <b>Governmental Activities</b>   |                      |                      |                                    |   |                          |                        |
| Clean Energy Programs  | \$ 34,298,403        | \$ 239,149           | \$ 616,295                         | \$ (33,442,959)                                   | \$ -                     | \$ (33,442,959)        |
| Production Tracking System   | 2,037,305            | -                    | 2,051,252                          | 13,947  | -                        | 13,947                 |
| Total Governmental Activities  | <u>36,335,708</u>    | <u>239,149</u>       | <u>2,667,547</u>                   | <u>(33,429,012)</u>                               | <u>-</u>                 | <u>(33,429,012)</u>    |
| <b>Business-Type Activities</b>  |                      |                      |                                    |   |                          |                        |
| New Bedford Marine Commerce Terminal                                   | 3,848,967            | 823,942              | -                                  | -   | (3,025,025)              | (3,025,025)            |
| Wind Technology Testing Center   | 3,705,759            | 3,406,789            | -                                  | -   | (298,970)                | (298,970)              |
| Total Business-Type Activities   | <u>7,554,726</u>     | <u>4,230,731</u>     | <u>-</u>                           | <u>-</u>  | <u>(3,323,995)</u>       | <u>(3,323,995)</u>     |
| <b>Total Primary Government</b>  | <b>\$ 43,890,434</b> | <b>\$ 4,469,880</b>  | <b>\$ 2,667,547</b>                | <b>\$ (33,429,012)</b>                            | <b>\$ (3,323,995)</b>    | <b>\$ (36,753,007)</b> |
| <b>General Revenue</b>   |                      |                      |                                    |   |                          |                        |
| Realized gains, interest, and investment income from trust investments |                      |                      |                                    | 12,904,481  | -                        | 12,904,481             |
| Unrealized gain on trust investments                                   |                      |                      |                                    | 8,679,240   | -                        | 8,679,240              |
| Other income (expense), net  |                      |                      |                                    | 7,573,272   | (9,364)                  | 7,563,908              |
| Renewable energy surcharge   |                      |                      |                                    | 21,582,227  | -                        | 21,582,227             |
| Total general revenue  |                      |                      |                                    | <u>50,739,220</u>                                 | <u>(9,364)</u>           | <u>50,729,856</u>      |
| Change in net position   |                      |                      |                                    | 17,310,208  | (3,333,359)              | 13,976,849             |
| <b>Net Position</b>  |                      |                      |                                    |   |                          |                        |
| Beginning of year  |                      |                      |                                    | 188,275,196                                       | 120,971,151              | 309,246,347            |
| End of year  |                      |                      |                                    | <u>\$ 205,585,404</u>                             | <u>\$ 117,637,792</u>    | <u>\$ 323,223,196</u>  |

**Massachusetts Clean Energy Center  
Balance Sheet - Governmental Fund  
June 30, 2021**

**Assets**

|   |                       |
|---|-----------------------|
| Cash and cash equivalents                                   |                       |
| Cash and cash equivalents - unrestricted                    | \$ 19,232,459         |
| Cash and cash equivalents - restricted                      | 15,596,922            |
| Total cash and cash equivalents                             | <u>34,829,381</u>     |
| Receivables   |                       |
| Renewable energy surcharge receivable                       | 1,800,610             |
| Due from other funds  | 26,764,234            |
| Other accounts receivable (net of allowance of \$85,808)    | 835,610               |
| Program loans receivable (net of allowance of \$1,687,123)  | 3,978,926             |
| Total receivables   | <u>33,379,380</u>     |
| Other assets  | 141,863               |
| Prepaid expenses  | 100,253               |
| Trust investments - unrestricted                            | 126,948,531           |
| Program investments (net of unrealized loss of \$6,156,855) | 14,043,707            |
| Total other assets  | <u>141,234,354</u>    |
| Total assets  | <u>\$ 209,443,115</u> |

**Liabilities**

|   |                  |
|---|------------------|
| Accounts payable and accrued expenses - trade | \$ 824,151       |
| Accrued expenses - program awards             | 3,313,887        |
| Total liabilities                             | <u>4,138,038</u> |

**Fund Balance**

|                    |                    |
|--------------------|--------------------|
| Nonspendable       | 242,116            |
| Restricted         | 15,596,922         |
| Committed          | 59,523,677         |
| Assigned           | 19,849,293         |
| Unassigned         | 110,093,069        |
| Total fund balance | <u>205,305,077</u> |

|   |                       |
|---|-----------------------|
| <b>Total Liabilities and Fund Balance</b> | <u>\$ 209,443,115</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 financial resources and therefore are not reported in funds (net of accumulated depreciation) | \$ 317,840            |
| Straight-line rent calculated for reporting purposes is not considered an expense and therefore is not reported in funds                             | <u>(37,513)</u>       |
| Net position of governmental activities  | <u>\$ 205,585,404</u> |



**Massachusetts Clean Energy Center  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Governmental Fund  
Year Ended June 30, 2021**

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**Revenues**

|  |                      |
|--|----------------------|
| Renewable energy surcharge                                     | \$ 21,582,227        |
| Intergovernmental revenue                                      | 616,295              |
| Production Tracking System                                     | 2,051,252            |
| Net increase in realizable value of program loans              | 185,503              |
| Net increase in carrying and fair value of program investments | 6,410,209            |
| Interest and investment income from trust investments          | 2,159,554            |
| Net realized gains of trust investments                        | 10,744,927           |
| Net increase in unrealized fair value of trust investments     | 8,679,240            |
| Net increase in other revenues                                 | 1,149,226            |
| Total revenues   | <u>\$ 53,578,433</u> |

**Expenditures**

|                                 |                      |
|---------------------------------|----------------------|
| Renewable Energy Generation     | 13,414,762           |
| Offshore Wind                   | 2,970,078            |
| Investments in Clean Technology | 988,066              |
| Innovation and Industry Support | 16,621,569           |
| Clean Energy Programs           | 33,994,475           |
| Production Tracking System      | 1,983,275            |
| Capital outlay                  | 133,469              |
| Total expenditures              | <u>\$ 36,111,219</u> |

Net operating gain 17,467,215

|                                |                              |
|--------------------------------|------------------------------|
| Fund balance beginning of year | <u>\$ 187,837,862</u>        |
| Fund balance end of year       | <u><u>\$ 205,305,077</u></u> |

Amounts reported for governmental funds above and those reported for governmental activities in the statement of activities 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 capital outlay exceeds depreciation in the current period.

\$ (201,187)

Straight-line rent calculated for reporting purposes is not considered an expense for Fund perspective reporting and therefore is not reported in Funds.

44,180

Change in net assets of governmental activities \$ 17,310,208

**Massachusetts Clean Energy Center**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2021**

|  | <b>Wind<br/>Technology<br/>Testing Center</b> | <b>New Bedford<br/>Marine Commerce<br/>Terminal</b> | <b>Total<br/>Business-Type<br/>Activities</b> |
|--|---|---|---|
| <b>Assets</b>                                      |   |   |   |
| <b>Current Assets</b>                              |   |   |   |
| Cash and cash equivalents - unrestricted           | \$ 5,274,272                                  | \$ -  | \$ 5,274,272                                  |
| Accounts receivable (net of allowance of \$19,108) | 1,403,858                                     | 81,503  | 1,485,361                                     |
| Due to other funds                                 | (2,092,068)                                   | (24,672,166)  | (26,764,234)                                  |
| Other assets                                       | 39,439  | -   | 39,439  |
| Prepaid expenses                                   | 7,146   | 47,890  | 55,036  |
| Total noncapital assets                            | <u>4,632,647</u>                              | <u>(24,542,773)</u>                                 | <u>(19,910,126)</u>                           |
| <b>Non-Current Assets</b>                          |   |   |   |
| Land   | -   | 3,628,349   | 3,628,349                                     |
| Construction in progress                           | 1,361,347                                     | -   | 1,361,347                                     |
| Building   | 21,376,931                                    | 1,142,213   | 22,519,144                                    |
| Furniture and fixtures                             | -   | 3,460   | 3,460   |
| Computer equipment and software                    | 82,366  | -   | 82,366  |
| Operational equipment                              | 287,516                                       | 1,993   | 289,509                                       |
| Leasehold improvements and other assets            | 54,561  | 111,955,051   | 112,009,612                                   |
| Total capital assets                               | <u>23,162,721</u>                             | <u>116,731,066</u>                                  | <u>139,893,787</u>                            |
| <b>Total assets</b>                                | <u>\$ 27,795,368</u>                          | <u>\$ 92,188,293</u>                                | <u>\$ 119,983,661</u>                         |
| <b>Liabilities</b>                                 |   |   |   |
| <b>Current Liabilities</b>                         |   |   |   |
| Accounts payable and accrued expenses - trade      | 1,351,841                                     | 453,682   | 1,805,523                                     |
| Other liabilities                                  | 5,626   | 534,720   | 540,346                                       |
| Total liabilities                                  | <u>\$ 1,357,467</u>                           | <u>\$ 988,402</u>                                   | <u>\$ 2,345,869</u>                           |
| <b>Net Position</b>                                |   |   |   |
| Invested in capital assets                         | 23,162,721                                    | 116,731,066   | 139,893,787                                   |
| Unrestricted                                       | 3,275,180                                     | (25,531,175)  | (22,255,995)                                  |
| Total net position                                 | <u>\$ 26,437,901</u>                          | <u>\$ 91,199,891</u>                                | <u>\$ 117,637,792</u>                         |
| <b>Total Liabilities and Net Position</b>          | <u>\$ 27,795,368</u>                          | <u>\$ 92,188,293</u>                                | <u>\$ 119,983,661</u>                         |

**Massachusetts Clean Energy Center  
Statement of Revenue, Expenditures, and  
Changes in Net Position - Proprietary Funds  
Year Ended June 30, 2021**

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|  | <b>Wind<br/>Technology<br/>Testing Center</b> | <b>New Bedford<br/>Marine Commerce<br/>Terminal</b> | <b>Total<br/>Business-Type<br/>Activities</b> |
|--|---|---|---|
| <b>Operating revenue</b>                 |   |   |   |
| Testing revenue                          | \$ 3,406,789                                  | \$ -  | \$ 3,406,789                                  |
| Terminal revenue                         | -   | 823,942   | 823,942                                       |
| Total revenue                            | <u>3,406,789</u>                              | <u>823,942</u>                                      | <u>4,230,731</u>                              |
| <b>Operating expenses</b>                |   |   |   |
| Personnel                                | 932,089                                       | 244,021   | 1,176,110                                     |
| Operational expenses                     | 899,443                                       | 634,617   | 1,534,060                                     |
| Facility expenses                        | 614,366                                       | 235,583   | 849,949                                       |
| Depreciation expense                     | 1,259,861                                     | 2,734,746   | 3,994,607                                     |
| Total expenditures                       | <u>3,705,759</u>                              | <u>3,848,967</u>                                    | <u>7,554,726</u>                              |
| Net operating loss                       | (298,970)                                     | (3,025,025)   | (3,323,995)                                   |
| <b>Non-operating revenues / expenses</b> |   |   |   |
| Interest income                          | 2,636   | -   | 2,636   |
| Other income (expenses)                  | 110,000                                       | (122,000)   | (12,000)                                      |
| Total non-operating revenues (expenses)  | <u>112,636</u>                                | <u>(122,000)</u>                                    | <u>(9,364)</u>                                |
| Change in net position                   | <u>(186,334)</u>                              | <u>(3,147,025)</u>                                  | <u>(3,333,359)</u>                            |
| <b>Net Position</b>                      |   |   |   |
| Beginning of year                        | 26,624,235                                    | 94,346,916  | 120,971,151                                   |
| End of year                              | <u>\$ 26,437,901</u>                          | <u>\$ 91,199,891</u>                                | <u>\$ 117,637,792</u>                         |

**Massachusetts Clean Energy Center**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2021**

|  | Wind<br>Technology<br>Testing Center | New Bedford<br>Marine Commerce<br>Terminal | Total<br>Business-Type<br>Activities |
|--|--------------------------------------|--|--------------------------------------|
| <b>Cash flows from operations</b>  |                                      |  |                                      |
| Receipts from customers  | \$ 3,406,789                         | \$ 823,942                                 | \$ 4,230,731                         |
| Payments to suppliers  | (2,773,669)                          | (3,604,945)                                | (6,378,614)                          |
| Payments to employees  | (932,089)                            | (244,021)                                  | (1,176,110)                          |
| Non-cash depreciation  | 1,259,861                            | 2,734,746                                  | 3,994,607                            |
| Other inflows (outflows)   | (394,366)                            | 7,524,586                                  | 7,130,220                            |
| Net cash provided by operating activities  | <u>\$ 566,526</u>                    | <u>\$ 7,234,308</u>                        | <u>\$ 7,800,834</u>                  |
| <b>Cash flows from capital and related financing activities</b>                      |                                      |  |                                      |
| Acquisitions and construction of capital assets                                      | (676,526)                            | (7,112,308)                                | (7,788,834)                          |
| Other cash flows from non-operating activities                                       | -                                    | (122,000)                                  | (122,000)                            |
| Net cash used for capital and related financing activities                           | <u>(676,526)</u>                     | <u>(7,234,308)</u>                         | <u>(7,910,834)</u>                   |
| <b>Cash flows from investing activities</b>  |                                      |  |                                      |
| Interest and other income received   | 112,636                              | -  | 112,636                              |
| Net cash provided by investing activities  | <u>112,636</u>                       | <u>-</u>                                   | <u>112,636</u>                       |
| <b>Cash</b>  |                                      |  |                                      |
| Net increase (decrease) in cash and cash equivalents                                 | 2,636                                | -  | 2,636                                |
| Beginning of period  | 5,271,636                            | -  | 5,271,636                            |
| End of period  | <u>\$ 5,274,272</u>                  | <u>\$ -</u>                                | <u>\$ 5,274,272</u>                  |
| <b>Reconciliation of operating loss to net cash provided by operating activities</b> |                                      |  |                                      |
| Operating loss   | (298,970)                            | (3,025,025)                                | (3,323,995)                          |
| Adjustments to reconcile operating loss to net cash used for operating activities    |                                      |  |                                      |
| Depreciation expense   | 1,259,861                            | 2,734,746                                  | 3,994,607                            |
| Non-cash rent  | 39,532                               | -  | 39,532                               |
| Decrease (increase) in prepaid expenses and other assets                             | 1,299                                | (47,890)                                   | (46,591)                             |
| Decrease (increase) in accounts receivable and other assets                          | (707,887)                            | 203,019                                    | (504,868)                            |
| Decrease in deposits   | 20,000                               | -  | 20,000                               |
| Decrease in accounts payable and other liabilities                                   | 252,691                              | 7,369,458                                  | 7,622,149                            |
| Net cash provided by operating activities  | <u>\$ 566,526</u>                    | <u>\$ 7,234,308</u>                        | <u>\$ 7,800,834</u>                  |

**Massachusetts Clean Energy Center  
Statement of Net Position - Fiduciary Fund  
June 30, 2021**

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|                           | <b>Alternative<br/>Compliance<br/>Payments</b> |
|---------------------------|--|
| <b>Assets</b>             |  |
| Cash and cash equivalents | \$ 75,523,746                                  |
| <b>Total assets</b>       | <u>\$ 75,523,746</u>                           |
| <br>                      |  |
| <b>Liabilities</b>        | \$ -   |
| <b>Total Liabilities</b>  | <u>\$ -</u>                                    |
| <br>                      |  |
| <b>Net Position</b>       | <u>\$ 75,523,746</u>                           |

**Massachusetts Clean Energy Center**  
**Statement of Changes in Net Position - Fiduciary Fund**  
**June 30, 2021**

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|   | <b>Alternative<br/>Compliance<br/>Payments</b> |
|---|--|
| <b>Additions</b>                              |  |
| Alternative compliance payments               | \$ 25,159,417                                  |
| Interest                                      | 32,265   |
| <b>Total additions</b>                        | <u>\$ 25,191,682</u>                           |
| <b>Deductions</b>                             |  |
| Department of Energy Resources grants         | \$ 1,750,000                                   |
| Grants to MassCEC                             | 2,051,252                                      |
| Department of Environmental Protection grants | 331,455  |
| <b>Total deductions</b>                       | <u>\$ 4,132,707</u>                            |
| <b>Net Position</b>                           |  |
| Beginning of year                             | \$ 54,464,771                                  |
| End of year                                   | <u>\$ 75,523,746</u>                           |

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 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 Massachusetts Clean Energy Center (“MassCEC”) and establishing the Massachusetts Alternative and Clean Energy Investment Trust Fund (“ACE”) to financially support its activities. MassCEC’s mission is to accelerate the clean energy and climate solution innovation that is critical to meeting the Commonwealth’s climate goals, advancing Massachusetts’ position as an international climate leader while growing the state’s clean energy economy.

On November 23, 2009, “Act Relative to Clean Energy,” was signed, which transferred the state’s Renewable Energy Trust Fund (the “RET”) from the Massachusetts Technology Park Corporation (“MTPC”) to 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. The RET was created in 1997 by the Massachusetts Legislature pursuant to Section 4E of Chapter 40J, with a mission of supporting renewable energy throughout the Commonwealth.

MassCEC is governed by a board of directors (the “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

MassCEC’s basic financial statements contain three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

The government-wide financial statements provide an overview of MassCEC’s financial position using the accrual basis of accounting. The Statement of Net Position presents information on all of the non-fiduciary assets and liabilities of MassCEC as a whole. The difference between assets and liabilities is reported as net position. Changes in net position may serve as an indicator of whether the financial position of MassCEC is improving or deteriorating. The Statement of Activities presents information showing how MassCEC’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying economic transactions occur, regardless of when cash is received or paid. Therefore, some of the revenue and expenses reported in the Statement of Activities will have cash flows in future fiscal periods.

The government-wide financial statements presentation distinguishes between activities that are supported primarily by surcharges and intergovernmental revenues (governmental activities) and activities that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities include MassCEC’s programs. The business-type activities of MassCEC include the New Bedford Marine Commerce Terminal (the “Terminal”) and the Wind Technology Testing Center (the “WTTC”).

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### Government-Wide and Fund-Level Financial Statements (Continued)

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MassCEC uses fund accounting to ensure and demonstrate compliance with legal, legislative, contractual, and other finance-related provisions. All of the funds of MassCEC may be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

With the economic resources measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. With the accrual method of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Government-wide financials, proprietary fund financial statements, and fiduciary fund financial statements show increases (revenues) and decreases (expenses) in net position.

Governmental fund financial statements are presented using the current financial resources and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of this fund shows increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when they are both measurable and available to pay liabilities of the current period. For this purpose, MassCEC considers revenues to be available if they are collected within 60 days of year-end. Revenues not considered available are recorded as deferred inflows.

Most of MassCEC's basic services are reported in governmental funds, which focus on how money or other spendable financial resources flow into and out of those funds and the balances left at year-end that are available for spending. The governmental fund financial statements are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of MassCEC's general operations and the basic services it provides. The measurement focus is based upon determination of changes in financial resources. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance MassCEC's programs. There is a reconciliation of the governmental activities presented in the Statement of Net Position and the Statement of Activities to the governmental fund presented in the fund financial statements.

The governmental fund is used to account for and report all financial resources not accounted for and reported in another fund and is the primary operating fund of MassCEC.

MassCEC maintains one type of proprietary fund, the enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. MassCEC uses enterprise funds to account for the Terminal and the WTTC. These two operations are considered to be major proprietary funds of MassCEC. The measurement focus is based on changes in economic resources. MassCEC's two proprietary funds are described below:

The Terminal Fund is used to account for the operations of the Terminal.

The WTTC Fund is used to account for the operations of the WTTC.



# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### **Government-Wide and Fund-Level Financial Statements (Continued)**

MassCEC maintains one type of fiduciary fund, an agency fund, in which funds related to Alternative Compliance Payments (“ACP”) are recorded. In accordance with guidelines set forth by the Department of Energy Resources (“DOER”), MassCEC acts as the collection agent for ACPs mandated upon electricity suppliers and the funds are disbursed based on direction from DOER.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, the effect of interfund activity has been eliminated in the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Overall, interfund receivables and payables have been eliminated from the government-wide State of Net Position, except for the residual amounts due between governmental and business-type activities.

The accounting and financial reporting treatment of transactions is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets less all liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid interest-bearing deposits and money market accounts with a credible banking institution, and are determined to be restricted or unrestricted based on the intention of fund usage. Restricted cash is funding designated for a specific purpose and therefore not available for general business use. Restricted cash consists of funding for the following programs: Mass Solar Loan, Advancing Commonwealth Energy Storage (ACES), Affordable Access to Clean and Efficient Energy (AACEE), HeatSmart, ReHeat, the Production Tracking, Renewable Thermal Standard, and Clean Peak Standard Systems (PTS), Offshore Wind Energy, and Offshore Wind Wildlife Surveys.

#### **Renewable Energy Surcharge Receivable**

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

#### **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 5.75% to 9.0% and mature during calendar years 2021 through 2026, or in some cases not until the project is sold or commences operations.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### Program Investments

Program investments represent mainly privately-held equity investments in clean energy companies consistent with MassCEC's legislative intent. These investments are valued using the cost method in accordance with GASB No. 62, meaning investments are held at cost or cost less other than temporary impairment adjustments. In order to assess other than temporary impairment, privately-held equity investments are evaluated based on a fundamental business and operation analysis performed by management on each investment.

In December 2020, a MassCEC portfolio investment company merged with a publicly traded special purpose acquisition company. MassCEC's stock is currently subject to a lock-up restriction, therefore this investment is recorded at fair value in accordance with GASB No. 31 and GASB No. 72.

Investment expenses consist of external expenses directly related to MassCEC's investment operations, as well as the internal administrative expenses associated with MassCEC's investment program.

#### Trust Investments

Trust investments are made up of various fixed income, equity securities, mutual funds and other investments that are categorized as committed, assigned, and unassigned. All categories are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities and common stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

#### Fair Value Measurements

MassCEC reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for the particular item in accordance with fair value measurement standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Recurring fair value measures include trust investments. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, MassCEC reports certain investments using the Net Asset Value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require MassCEC to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique. Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1—Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on an exchange.

Level 2—Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### Fair Value Measurements (Continued)

Level 3—Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of MassCEC's financial instruments, see Note 6 – Fair Value Measurements.

#### Capital Assets

Capital assets are recorded at cost, net of accumulated depreciation. 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 - 40 years                          |
| Leasehold improvements –<br>New Bedford Marine Commerce Terminal | 30 - 50 years                          |
| Leasehold improvements and other assets                          | Lesser of 5 years or life of the lease |
| Operational equipment  | 7 years                                |
| Computer equipment and software                                  | 3 - 5 years                            |
| Furniture and fixtures   | 5 years                                |

#### Capitalization Policy

All costs over \$1,000 related to leasehold improvements and other assets, operational equipment, furniture and fixtures, and computer equipment and software are capitalized.

#### Fund Balance

Fund balances are reported in classifications based on whether the amounts are non-spendable or spendable.

Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples include prepaid assets and deposits.

Spendable amounts are classified based on the extent to which there are external and/or internal constraints in how the fund balance amounts may be spent.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### Fund Balance (Continued)

Amounts that are restricted to specific purposes either by constraints (a) placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances.

Amounts that are constrained for specific purposes that are internally imposed by MassCEC's highest level of decision-making authority, the Board, are classified as committed fund balances.

Amounts that are constrained by MassCEC's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.

Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is MassCEC's policy to use restricted resources first, then unrestricted resources as needed. When unrestricted resources are available for use, it is MassCEC's policy to use committed resources first, then assigned resources and then unassigned resources as needed.

MassCEC has not formally adopted a minimum fund balance policy.

#### Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. MassCEC's net position is comprised of three categories:

*Net investment in capital assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

*Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors, laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This category presents the amount of net position that is not restricted or invested in capital assets.

#### Revenue Recognition

Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Under modified accrual accounting, revenues are recognized as soon as 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.

Renewable Energy Surcharge revenue is recognized when it is both measurable and available. Intergovernmental revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, and the funds are available. WTTC testing revenue and Terminal revenue is recognized when it is earned. Significant accrued revenues include earned renewable energy surcharges.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### 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 invoice has been received. These amounts are recorded as “Accrued expenses – program awards” in the Statement of Net Position and Governmental Fund Balance Sheet. Management uses a historical average to determine the incurred but not reported grant accrual. General capital asset acquisitions are reported as expenditures in governmental funds.

#### 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 review budget-to-actual results and address projected material variances. The budget process is used for management purposes 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 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 and State income taxes.

#### Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“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. Significant estimates include, but are not limited to, allowances for doubtful accounts and program loans receivable, the valuation of program investments, accrued expenses – program awards, and the useful lives of capital assets.

#### Recent Accounting Pronouncements

In January 2017, the GASB issued GASB No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, as amended by GASB No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The standard has been adopted in fiscal year 2021, thus the financial statements now present a statement of fiduciary net position and a statement of changes in fiduciary net position. The adoption resulted in opening net position being restated from \$0 to \$54,464,771.

In June 2017, the GASB issued GASB No. 87 – *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as amended by GASB No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The implications on the fiscal practices and financial reports are being evaluated.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 1. Significant Accounting Principles (Continued)

#### Recent Accounting Pronouncements (Continued)

In May 2020, the GASB issued GASB No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB No. 87 – *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The implications on the fiscal practices and financial reports are being evaluated.

#### Risks and Uncertainties

MassCEC is closely monitoring the impact of the 2019 novel coronavirus, or COVID-19, on all aspects of the organization. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020 and the President of the United States declared the COVID-19 outbreak a national emergency shortly thereafter. MassCEC has implemented contingency plans, with office-based employees working remotely where possible. MassCEC also has a crisis management team in place monitoring the situation, interpreting the Commonwealth's guidance on returning to the workplace, and recommending risk mitigation actions as deemed necessary. While the COVID-19 pandemic has not had a material adverse impact on MassCEC's operations to date, the future impacts of the pandemic and any resulting economic impact are largely unknown. MassCEC is committed to remaining informed and to evaluating potential impacts on the organization.

#### Subsequent Events

MassCEC has evaluated subsequent events through November 17, 2021, the date that the financial statements were available to be issued, see Note 10.

### 2. Activity

MassCEC distributes grants through its programs and has two business-type operations: the WTTC and the Terminal.

Through its program efforts, MassCEC is prioritizing the following focus areas, while remaining flexible and opportunistic outside of these areas:

- *High Performance Buildings* – MassCEC will accelerate the most impactful, resilient and cost-effective electrification technologies and approaches to decarbonizing the building sector.
- *Clean Transportation* – MassCEC will foster the development of cutting-edge, clean transportation technologies, surfacing new finance and business models that address the market barriers to electric vehicle deployment and accelerating the growth of clean transportation companies in Massachusetts.
- *Net Zero Grid* – MassCEC is well positioned to support the technologies that will enable a transition to a modernized and smarter grid, such as microgrids and energy storage, and demonstrate innovative business models and market development policies for delivering resilience, risk management, clean energy and other benefits.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 2. Activity (Continued)

- *Offshore Wind* – MassCEC is an essential link to advance a new industry by working to reduce project risk, increase market confidence, and support the economic development opportunities of offshore wind sector, including training a workforce to meet the industry’s specialized needs and supporting the growth of a mature supply chain of Massachusetts suppliers and service providers.

#### **MassCEC Programs**

MassCEC’s programs accelerate the clean energy and climate solution innovation that is critical to meeting the Commonwealth’s climate goals, advancing Massachusetts’ position as an international climate leader while growing the state’s clean energy economy. A number of MassCEC’s programs promote clean energy market and industry development by supporting Massachusetts residents, businesses, and developers to deploy a variety of clean energy technologies and increase renewable energy penetration in Massachusetts. MassCEC also makes investments, which stimulate and accelerate the development and commercialization of clean energy technologies in the Commonwealth through support to promising early and growth stage clean energy companies. This support often supplements funding received from private sources and is provided in the form of loans or equity investments to address funding gaps from early product development through commercial scale-up. The resulting economic development advances MassCEC’s goals of advancing the state of technology and growing the clean energy industry, and leads to the creation of high value, private sector jobs.

Some MassCEC programs help make Massachusetts a leading destination for clean energy technology companies by stimulating innovation and creating an environment for technological advancement. Other programs stimulate private investment in emerging companies and markets, support mentoring and provide other resources for clean energy companies, and help to train the workforce to meet the industry’s needs. Moreover, MassCEC engages with workers to provide job training and employment opportunities in the clean energy field, provides support to incubators and business accelerators that nurture fledgling clean energy businesses and supports clean energy entrepreneurs.

Funding for MassCEC’s programs is provided by the RET and the ACE. 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 investor-owned electric utility consumers, as well as municipal plants that opt into the RET. This surcharge is remitted to MassCEC to fund programs that promote the development of renewable energy projects. From July 1, 2020 through June 30, 2021, the surcharge was based on \$0.0005/KWH and resulted in recognition of \$21,582,227 in revenue, of which \$1,800,610 was recorded as renewable energy surcharge receivable on the Statement of Net Position at June 30, 2021.

In total, MassCEC’s programs recognized \$36,335,708 as expenditures in fiscal year 2021. MassCEC’s programs recognized gross revenues of \$27,605,297 in interest, investment, and Renewable Energy Certificates (REC) income, offset by a loss of \$2,533,881 due to write downs in certain program investments which are included in the General revenues section of the Statement of Activities.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 2. Activity (Continued)

#### **MassCEC Programs (Continued)**

In addition, MassCEC received funding from the Bureau of Ocean Management (“BOEM”) to administer Offshore Wind studies. In fiscal year 2021, MassCEC received \$616,295 from BOEM for such projects. Finally, MassCEC manages the Production Tracking, Renewable Thermal Standard, and Clean Peak Standard Systems for DOER. These platforms are used to track and verify energy production to ensure state incentives are assessed appropriately. In fiscal year 2021, MassCEC received \$2,051,252 from DOER to administer the systems.

#### **New Bedford Marine Commerce Terminal**

MassCEC manages the operations of the New Bedford Marine Commerce Terminal, a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. The Terminal was placed into service in July 2015 and has since supported a variety of cargoes and customers. In fiscal year 2021, MassCEC leased portions of the Terminal, including office space, to six private businesses and two quasi-government agencies, and portions of the dock to twenty-five private vessel companies. Two offshore wind project developers have signed leases to utilize the Terminal for staging their projects from the Terminal. The first lease is for a period of 24 months beginning in early 2023 and extending through 2024. The second lease agreement begins in early 2025 and extends into late 2027.

#### **Wind Technology Testing Center**

The WTTTC is the first commercial-scale 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 business from companies well-known in the wind industry and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States. In fiscal year 2021, the WTTTC provided blade testing services to six companies.

### 3. Alternative Compliance Payments

In accordance with guidelines set forth by Massachusetts legislation, MassCEC acts as the collection agent for the ACP mandated upon electricity suppliers. Any electric supplier that did not secure enough Renewable Energy Certificates (“RECs”) to meet the Renewable Portfolio Standard requirements shall be deemed in compliance if they make an ACP to MassCEC. From July 1, 2020 through June 30, 2021, MassCEC received \$25,159,417 from electricity suppliers in ACP payments. The funds are held in a restricted custodial depository account that earned \$32,265 of income during fiscal year 2021 and will be utilized in a manner directed by the DOER. For the year ended June 30, 2021, MassCEC was awarded grants from the DOER of \$2,051,252 from ACP funds for the development of programs. These amounts are included within the Intergovernmental Revenues on the Governmental Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balance and presented in the Statement of Changes in Net Position – Fiduciary Fund.

### 4. Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the WTTTC and the Terminal are charges to customers for services, lease revenues, and dockage fees. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**Massachusetts Clean Energy Center**  
**Notes to Financial Statements**  
**June 30, 2021**

**5. Cash and Cash Equivalents and Investments**

The following summarizes the cash and cash equivalents of MassCEC and identifies certain types of investment risk as defined by GASB No. 40 – *Deposit and Investment Risk Disclosures*, at June 30, 2021.

**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. MassCEC’s cash and cash equivalents are held by a credible banking institution, while MassCEC’s trust investments are held with a reputable custodial institution. The credit of these institutions and the credit of the underlying investments has been reviewed by management and deemed to meet a risk profile consistent with MassCEC’s Investment Policy.

|  |           |                    |
|--|-----------|--------------------|
| Cash and cash equivalents              |           |                    |
| Primary government                     | \$        | 40,103,653         |
| Fiduciary fund                         |           | 75,523,746         |
|  |           | <hr/>              |
| <b>Total cash and cash equivalents</b> | <b>\$</b> | <b>115,627,399</b> |
|  |           | <hr/>              |
| Insured                                | \$        | 500,000            |
| Uninsured and uncollateralized         |           | 115,127,399        |
|  |           | <hr/>              |
| <b>Total cash and cash equivalents</b> | <b>\$</b> | <b>115,627,399</b> |
|  |           | <hr/>              |

**Concentration of Investment Credit Risk**

Concentration of investment credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. MassCEC’s trust investment policy contains guidelines as to how much can be invested with any asset class. The table below summarizes the ratings of relevant fixed income investments of MassCEC which include Level 1 and Level 2 investments as reported in Note 6.

| Investment Type                                | Credit Risk (Moody's / S&P / Fitch) |                     |                     |                      |                     | Not Investment Grade | Total               |
|--|-------------------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
|  | aaa                                 | aa                  | a                   | bbb                  |                     |                      |                     |
| Debt Securities-Corporate, Muni's              | \$ 6,950,987                        | \$ 3,619,020        | \$ 4,652,595        | \$ 11,916,607        | \$ 8,141,127        |                      | <b>\$35,280,336</b> |
| Fixed Income Securities-Treasury Notes, GNMA's | 10,202,562                          | -                   | -                   | -                    | -                   |                      | <b>10,202,562</b>   |
| Foreign Government Bonds                       | 5,652,435                           | -                   | -                   | -                    | -                   |                      | <b>5,652,435</b>    |
| Portfolio Total                                | <b>\$22,805,984</b>                 | <b>\$ 3,619,020</b> | <b>\$ 4,652,595</b> | <b>\$ 11,916,607</b> | <b>\$ 8,141,127</b> |                      | <b>\$51,135,333</b> |

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of MassCEC’s cash equivalents and trust investments. MassCEC manages its exposure to interest rate risk in cash equivalents by investing in money market securities whose underlying holdings have original maturities of ninety days or less. Trust investments include various short-term and long-term investments that could be impacted by interest rate changes. MassCEC manages its exposure to interest rate risk in trust investments by investing a substantial portion of this balance in short-term fixed income mutual funds and Treasury bills.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

### 5. Cash and Cash Equivalents and Investments (Continued)

#### Market Risk – Program Investments and Trust Investments

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 periodic meetings with its investment advisors to review and assess the current health of its portfolio and to perform rebalancing procedures as necessary.

Program investments are comprised of equity investments in small private companies. Inherent 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. Additionally, management has periodic meetings with the management teams at our program investments to assess the current health of the company and related investment.

### 6. Fair Value Measurements

The following table presents financial assets at June 30, 2021, that MassCEC measures fair value on a recurring basis, by level, within the fair value hierarchy:

| Trust Investments          | Level 1              | Level 2              | Investments<br>Measured at<br>NAV | Total                 |
|----------------------------|----------------------|----------------------|-----------------------------------|-----------------------|
| <b>Bonds</b>               |                      |                      |                                   |                       |
| US Government              | \$ -                 | \$ 21,424,694        | \$ -                              | \$ 21,424,694         |
| Corporate                  | -                    | 19,717,384           | -                                 | 19,717,384            |
| International              | -                    | 5,415,216            | -                                 | 5,415,216             |
| Municipal                  | -                    | 4,578,039            | -                                 | 4,578,039             |
| <b>Equity funds</b>        |                      |                      |                                   |                       |
| Domestic                   | 19,497,472           | -                    | -                                 | 19,497,472            |
| Foreign                    | 680,643              | -                    | -                                 | 680,643               |
| <b>Mutual funds</b>        |                      |                      |                                   |                       |
| Domestic                   | 40,195,409           | -                    | -                                 | 40,195,409            |
| International              | 10,517,655           | -                    | -                                 | 10,517,655            |
| <b>Private equity fund</b> | -                    | -                    | 4,922,019                         | 4,922,019             |
| <b>Total Fair Value</b>    | <b>\$ 70,891,179</b> | <b>\$ 51,135,333</b> | <b>\$ 4,922,019</b>               | <b>\$ 126,948,531</b> |

**Massachusetts Clean Energy Center**  
**Notes to Financial Statements**  
**June 30, 2021**

**7. Capital Assets**

Capital Assets of MassCEC at June 30, 2021 are summarized as follows:

|  | <b>Governmental Activities</b>                     |                     |                                   |                                  |
|--|--|---------------------|-----------------------------------|----------------------------------|
|  | <b>Capital Asset Additions Net of Depreciation</b> |                     |                                   |                                  |
|  | <b>Balance<br/>June 30, 2020</b>                   | <b>Additions</b>    | <b>Transfers /<br/>Write Offs</b> | <b>Balance<br/>June 30, 2021</b> |
| Construction in progress                         | \$ 4,795   | \$ 59,443           | \$ -                              | \$ 64,238                        |
| Furniture and fixtures                           | 348,514  | -                   | (10,721)                          | 337,793                          |
| Computer equipment and software                  | 1,546,861  | 74,026              | (307,562)                         | 1,313,325                        |
| Leasehold improvements                           | 153,439  | -                   | -                                 | 153,439                          |
|  | <u>2,053,609</u>                                   | <u>133,469</u>      | <u>(318,283)</u>                  | <u>1,868,795</u>                 |
| <b>Less accumulated depreciation</b>             |  |                     |                                   |                                  |
| Furniture and fixtures                           | 335,094  | 8,560               | (10,721)                          | 332,933                          |
| Computer equipment and software                  | 1,079,499  | 303,275             | (307,562)                         | 1,075,212                        |
| Leasehold improvements                           | 119,988  | 22,822              | -                                 | 142,810                          |
|  | <u>1,534,581</u>                                   | <u>334,657</u>      | <u>(318,283)</u>                  | <u>1,550,955</u>                 |
| Capital Assets (net of accumulated depreciation) | <u>\$ 519,028</u>                                  | <u>\$ (201,188)</u> | <u>\$ -</u>                       | <u>\$ 317,840</u>                |

|  | <b>Business-Type Activities - Combined</b>         |                     |                                   |                                  |
|--|--|---------------------|-----------------------------------|----------------------------------|
|  | <b>Capital Asset Additions Net of Depreciation</b> |                     |                                   |                                  |
|  | <b>Balance<br/>June 30, 2020</b>                   | <b>Additions</b>    | <b>Transfers /<br/>Write Offs</b> | <b>Balance<br/>June 30, 2021</b> |
| Land   | \$ 3,628,349                                       | \$ -                | \$ -                              | \$ 3,628,349                     |
| Construction in progress                         | 2,154,169  | 459,505             | (1,252,327)                       | 1,361,347                        |
| Buildings  | 33,582,055   | 7,250               | -                                 | 33,589,305                       |
| Furniture and fixtures                           | 107,195  | -                   | (2,233)                           | 104,962                          |
| Computer equipment and software                  | 390,321  | 82,733              | (15,875)                          | 457,179                          |
| Operational equipment                            | 3,003,335  | 91,941              | (1,516,226)                       | 1,579,050                        |
| Leasehold improvements                           | 116,715,981  | 7,147,405           | 1,360,436                         | 125,223,822                      |
|  | <u>159,581,405</u>                                 | <u>7,788,834</u>    | <u>(1,426,225)</u>                | <u>165,944,014</u>               |
| <b>Less accumulated depreciation</b>             |  |                     |                                   |                                  |
| Buildings  | 9,961,109  | 1,109,052           | -                                 | 11,070,161                       |
| Furniture and fixtures                           | 101,929  | 1,806               | (2,233)                           | 101,502                          |
| Computer equipment and software                  | 364,088  | 26,600              | (15,875)                          | 374,813                          |
| Operational equipment                            | 2,656,154  | 149,613             | (1,516,226)                       | 1,289,541                        |
| Leasehold improvements                           | 10,398,565   | 2,707,536           | 108,109                           | 13,214,210                       |
|  | <u>23,481,845</u>                                  | <u>3,994,607</u>    | <u>(1,426,225)</u>                | <u>26,050,227</u>                |
| Capital Assets (net of accumulated depreciation) | <u>\$ 136,099,560</u>                              | <u>\$ 3,794,227</u> | <u>\$ -</u>                       | <u>\$ 139,893,787</u>            |

**8. Defined Contribution Plans**

MassCEC has adopted a Simplified Employee Pension ("SEP") plan, and a 457(b) and 401(a) deferred compensation plan, which are administered by Fidelity Investments and Alerus Retirement Solutions, respectively.

Under the SEP plan, 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, 2021, MassCEC's total contributions were \$759,152.

# Massachusetts Clean Energy Center

## Notes to Financial Statements

June 30, 2021

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### 8. Defined Contribution Plans (Continued)

Under the 457(b) and 401(a) plans, MassCEC matches 50% of employees' contributions with a maximum MassCEC contribution of 3% of the employee's salary. Employee contributions to the 457(b) account are subject to the annual IRS limits, while the employer match is housed in the related 401(a) account. For the year ended June 30, 2021, MassCEC's total contributions were \$124,912.

### 9. Inter-Fund Activity

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 balances presented in the table agree with the sum of internal balances presented in the governmental and proprietary fund financial statements.

Internal balances between funds at June 30, 2021 consisted of the following:

| Receivable Fund   | Payable Fund | Amount               |
|-------------------|--------------|----------------------|
| Governmental Fund | Terminal     | \$ 24,672,166        |
| Governmental Fund | WTTC         | \$ 2,092,068         |
|                   | <b>Total</b> | <b>\$ 26,764,234</b> |

These balances are made up of inter-fund transfers, which are used to move funds considered financial expenditures in one fund to support the activities within another fund. The transfers made within fiscal year 2021 are related to the governmental fund, making financial expenditures to fund the activities of the Terminal and the WTTC.

### 10. Leases

#### Office Leases

MassCEC has an operating lease agreement for office space in Boston, Massachusetts for a term of ninety-seven months, which began on January 6, 2014 and ends on January 31, 2022. The eight-year lease includes rent escalation every two years. Rent expense is recognized on a straight-line basis over the lease term. At June 30, 2021, MassCEC had a \$37,513 deferred rent liability on the office lease included in the accounts payable and accrued expenses line in the Statement of Net Position. Actual rent payments for the year ended June 30, 2021 totaled \$660,478.

Total future lease payments are as follows:

| Year Ended June 30: |                   |
|---------------------|-------------------|
| 2022                | \$ 330,239        |
|                     | <u>\$ 330,239</u> |

On November 2, 2021, MassCEC entered into a lease agreement for office space in Boston, Massachusetts for a term of sixty-four months. The base rent of the lease is \$382,750 per year and includes an annual rent escalation.

**Massachusetts Clean Energy Center**  
**Notes to Financial Statements**  
**June 30, 2021**

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**10. Leases (Continued)**

**Wind Technology Testing Center Land Lease**

MassCEC has an operating lease for the land on which the WTTC was built. The lease commenced in December 2009 and payments began in July 2011. Rent expense is recognized on a straight-line basis over the lease term, which ends in June 2041, including four automatic extensions. At June 30, 2021, MassCEC had a \$1,254,034 deferred rent liability included in the accounts payable and accrued expenses line in the Statement of Net Position. Actual rent payments for the year ended June 30, 2021 totaled \$266,372.

Total future lease payments are as follows:

| <u>Year Ended June 30:</u> |                     |
|----------------------------|---------------------|
| 2022                       | \$ 274,363          |
| 2023                       | 282,594             |
| 2024                       | 291,071             |
| 2025                       | 299,803             |
| 2026                       | 308,798             |
| Thereafter                 | <u>5,915,598</u>    |
|                            | <u>\$ 7,372,227</u> |

**New Bedford Marine Commerce Terminal**

MassCEC has a lease with the New Bedford Redevelopment Authority for a portion of the land for the Terminal. The lease commenced on July 1, 2015, with MassCEC agreeing to pay an annual base rent of \$1.00 per year for 99 years. The lease was amended on April 15, 2020 to include an Annual Payment to the landlord, which will commence when the first offshore wind developer lease commences. The amount of the Annual Payment shall be \$148,000 for the first five years. Thereafter, the Annual Payment shall be adjusted from the previous year's amount by the change in the Consumer Price Index. Additionally, MassCEC through 2022 will pay the New Bedford Harbor Development Commission \$122,000 each year for three years to support the New Bedford Ocean Cluster's work to promote the wind energy industry in New Bedford. MassCEC remitted the second \$122,000 payment in fiscal year 2021.

**11. Commitments and Contingencies**

MassCEC, through the program activities of the RET, 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. As of June 30, 2021, MassCEC is committed to purchasing certain RECs through 2030, as stipulated by the long-term contracts held with various clean energy facilities.

Additionally, through the program activities of the RET, MassCEC has provided loan guarantees, among other incentives, to local banks to participate in a loan program for solar energy. The total amount of the guarantee for qualified loans was \$5,105,529 as of June 30, 2021, \$433,031 of which has already been paid out. As of June 30, 2021, MassCEC has established an accrual based on historical experience for the remaining claims of \$431,175.

**Massachusetts Clean Energy Center**  
**Notes to Financial Statements**  
**June 30, 2021**

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**11. Commitments and Contingencies (Continued)**

MassCEC participates in various Federal grant programs from time to time, which are subject to program compliance audits pursuant to the Single Audit Act as amended. In fiscal year 2020, MassCEC entered into a cooperative agreement with the U.S. Department of Energy (“DOE”) for the expansion of the WTTC. The award, entitled Offshore Wind Turbine Blade (85 to 120 Meters Ultra-Long Blade) Static and Fatigue Test (Award Number DE-EE0008961, CFDA Number 81.087), totals \$3,743,008 and spans a performance period of January 1, 2020 through November 30, 2022. The DOE will fund \$1,864,997 of the project and MassCEC’s cost share will total \$1,878,011. As of June 30, 2021, MassCEC had recognized \$418,250 in costs related to this project, all representing MassCEC’s cost share.

During the ordinary course of operations, MassCEC is involved in certain other legal matters or proceedings. MassCEC does not believe the results of any of these matters would be material to the financial statements.

## **Reporting Under Government Auditing Standards**



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*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With Government Auditing Standards*

The Board of Directors  
Massachusetts Clean Energy Center  
Boston, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Massachusetts Clean Energy Center ("MassCEC" or the "Organization"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise MassCEC's basic financial statements, and have issued our report thereon dated November 17, 2021.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.





### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether MassCEC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Organization's Response to Findings***

The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of MassCEC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassCEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maya Heyman McCann P.C.*

November 17, 2021  
Boston, Massachusetts

**Massachusetts Clean Energy Center**

***Schedule of Findings and Questioned Costs***

***Year Ended June 30, 2021***

**Section 1**

**Summary of Auditors' Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | Yes        |
| 3. Noncompliance material to financial statements noted?  | No         |

**Section 2**

**Financial Statement Findings**

**2001-001**

Finding – Financial Reporting

Criteria

Controls should be in place to detect significant errors in financial statement account reconciliations.

Condition

An error in an investments balance as reported by a third party trustee during fiscal 2020 was not identified and corrected by the Organization's reconciliation process until fiscal 2021.

Cause

The third party's consolidated investments report did not report all investments held by the Organization.

Effect

Investments and investment income were understated as of and for the year ended June 30, 2020 and investment income was overstated for the year ended June 30, 2021.

Recommendation

Management should implement controls to separately reconcile each investment account instead of using the consolidated reports that are provided by the third party.

Views of Responsible Officials and Planned Corrective Actions

See Corrective Action Plan.

***Corrective Action Plan***

***Year Ended June 30, 2021***

**Corrective Action Plan**

**2021-001**

Finding – Financial Reporting

Condition

An administrative error in an investments balance as reported by a third party custodian during fiscal 2020 was not identified and corrected by the Organization's reconciliation process until fiscal 2021.

Views of Responsible Officials and Planned Corrective Actions

MassCEC identified the error as part of its account reconciliation process in fiscal 2021. Subsequent to its discovery MassCEC implemented additional internal control procedures over the monthly and quarterly reconciliations. Such procedures include reconciling the individual investment statements instead of using the consolidated investments reports. Additionally, MassCEC worked with its investment advisor to be provided with additional reporting and to improve communications between the parties.

Responsible Official: Rachel Perez, Acting CFO

Expected Completion Date: February 2021