Massachusetts Development Finance Agency

(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements issued in accordance with *Government Auditing Standards*

June 30, 2021 and 2020

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Index
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Independent Auditor's Report

Board of Directors
Massachusetts Development Finance Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Massachusetts Development Finance Agency (the Agency), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Agency'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 audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Massachusetts Development Finance Agency as of June 30, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the accompanying financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Accordingly, the Massachusetts Development Finance Agency Short Term Asset Reserve Fund has been presented as a separate fiduciary fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the *required supplementary information such as management's discussion and analysis,* as listed on the table of contents, 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The *Statements of Departmental Net Position and Statements of Departmental Revenues, Expenses and Changes in Net Position* (the Statements) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, on our consideration of the Agency's internal control over financial reporting and on 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 the Agency's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
December 21, 2021

As management of the Massachusetts Development Finance Agency (the "Agency"), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the accompanying financial statements.

The Agency was created on September 30, 1998 pursuant to Chapter 23G of Massachusetts General Laws ("MGL") (Chapter 289 of the Acts of 1998). The Agency is a body corporate and politic and a public instrumentality and was created from the statutory merger of, and is the legal successor in all respects to, two previous existing instrumentalities, the Massachusetts Government Land Bank (created in 1975 under Chapter 212 of the Acts of 1975) and the Massachusetts Industrial Finance Agency (created in 1978 pursuant to Chapter 23A of the MGL) and is the legal successor to the Massachusetts Health and Educational Facilities Authority (created pursuant to Chapter 614 of the Acts of 1968). Other powers of the Agency are also set forth in MGL Chapter 40D (with respect to the issuance of tax-exempt bonds) and Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of the former Fort Devens, ("Devens") a former federal military base).

The purpose of the Agency is to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth of Massachusetts (the "Commonwealth"). It does this through its powers to:

- Issue tax-exempt bonds for the benefit of certain industrial and commercial entities, educational, health care and housing facilities and public bodies;
- Make loans and provide credit to eligible borrowers in accordance with its public purpose;
- Aid public and private enterprises in the redevelopment of surplus federal and state property and other blighted, open, underdeveloped property and;
- Administer specific statutory programs directed at certain economic development needs in the Commonwealth, such as, Emerging Technology Program, Cultural Facilities Program, Military Bond Bill Capital Projects Program, Site Readiness Program, redevelopment of the Belchertown State School, Transformative Development Initiative Program, Brownfield Redevelopment Program, Credit Enhancement of Charter School Facilities Program, Transportation Infrastructure Enhancement Trust Program, Innovation Voucher Program, Community Innovation Infrastructure Program and the Massachusetts Export Finance Program.

The Agency is governed by an eleven-member Board of Directors, nine of whom are appointed directly by the Governor and two of whom are public officials, or their designees, serving ex-officio. The Agency is considered a component unit of the Commonwealth for financial statement reporting purposes.

Using the Financial Statements

The Agency's annual report includes three basic financial statements: the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows. The basic financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). The Agency's financial statements are reported as a special purpose business type entity.

The statement of net position reports assets, liabilities and the difference between them as net position. Net position represents the residual interest in the Agency's assets, plus deferred outflows of resources after liabilities, less deferred inflows of resources and consists of three sections: net investment in capital assets; restricted and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Agency's restricted net position is expendable. All other net position is unrestricted.

Revenues and expenses are categorized as either operating or non-operating based upon management's definition of the Agency's principal ongoing operations.

Statements of Net Position

	2021	2020	2019
Assets			
Current assets	$ 263,869,506	$ 252,326,629	$ 354,358,087
Noncurrent assets	165,194,300	161,107,012	148,029,638
Assets held for sale	12,200,516	12,002,543	13,728,200
Capital assets (net of accumulated depreciation)	74,583,716	81,162,147	84,661,896
Total assets	$ 515,848,038	$ 506,598,331	$ 600,777,821
Liabilities			
Current liabilities	$ 42,344,909	$ 48,814,635	$ 135,411,050
Noncurrent liabilities	37,230,065	26,022,721	24,463,427
Total liabilities	79,574,974	74,837,356	159,874,477
Net Position			
Net investment in capital assets	74,958,763	80,312,016	84,572,929
Restricted	177,264,474	169,718,561	169,205,922
Unrestricted	184,049,827	181,730,398	187,124,493
Total net position	436,273,064	431,760,975	440,903,344
Total liabilities and net position	$ 515,848,038	$ 506,598,331	$ 600,777,821

Assets

The Agency's current assets mainly consist of cash and cash equivalents, short-term investments, current portion of loans receivable, interest receivable and accounts receivable and other assets. The Agency's noncurrent assets mainly consist of long-term cash and cash equivalents and investments, investment in joint ventures and net loans receivable.

Current assets increased $11.5 million from 2020 to 2021 mainly due to a combination of the Small Business Recovery Loan Fund being classified as a current asset as of June 30, 2021 versus noncurrent as of June 30, 2020 and increased amounts due from the Commonwealth for grant reimbursements or capital programs, offset by a decrease in current loans receivable at year end.

Noncurrent assets increased $4.1 million from 2020 to 2021 mainly due to the combination of increases in loans receivable, offset by classifying the Small Business Recovery Loan Fund as a current asset as of June 30, 2021 versus noncurrent as of June 30, 2020. The increase in noncurrent loans receivables was mainly due to more loan disbursements than loan repayments during the fiscal year.

Current assets decreased $102.0 million from 2019 to 2020 mainly due to a decrease in short-term investments. In fiscal year 2020, the Agency remitted $86.2 million of sales proceeds to the Commonwealth from the sale of two buildings in Boston, MA which occurred in fiscal year 2019.

Noncurrent assets increased $13.1 million from 2019 to 2020 mainly due to a new loan fund and an increase in loans receivable. During the fiscal year, the Agency remitted $10.0 million to the Massachusetts Growth Capital Corporation's ("MGCC") Small Business Recovery Loan Fund established to assist small businesses impacted by the COVID-19 pandemic. The net amount was $5.0 million as the Agency applied a $5.0 million loss provision due to the nature of the fund. In addition, Agency loans receivables increased from 2019 to 2020 as there were more loan disbursements than loan repayments during the fiscal year.

The Agency's operating cash accounts are held with TD Bank, N.A. The majority of the Devens Electric System Utility bond proceeds are held with the trustee at U.S. Bank. The Agency's investments are held with PFM Asset Management LLC ("PFM") as the Agency's investment advisor. The Agency's cash, cash equivalents and investments are recorded at fair value and consist of guaranteed investment contracts, certificates of deposit, demand deposits, money market mutual funds, Short-Term Asset Reserve Fund ("STAR Fund"), and corporate and government obligations.

The Agency is the administrator of the STAR Fund. The STAR Fund is a fiduciary investment fund that is managed like a money market fund, invests in short-term, high-quality securities and is available for the investment of bond proceeds of the Agency's client institutions. PFM is the STAR Fund's investment advisor. The STAR Fund is designed to preserve principal, provide daily liquidity and earn a reasonable rate of return. The Agency's holdings in the STAR Fund on the statements of net position as of June 30, 2021, 2020 and 2019, were approximately $74.5 million, $87.2 million and $87.2 million, respectively.

Loans receivable consist of loans issued by the Agency (net of the allowance for loan loss) primarily for the following economic development program types:

- Business loans
- Construction loans
- Permanent real estate loans
- Equipment loans
- Development loans
- Emerging technology loans
- Brownfields redevelopment loans
- Export financing

As of June 30, 2021, 2020 and 2019, there were $88.4 million, $81.7 million and $74.9 million, respectively, of net loans receivable.

Net loans receivable increased $6.7 million from 2020 to 2021 due to more loan disbursements as compared to loan repayments during the fiscal year. The total loan disbursements were approximately $26.6 million as compared to $19.0 million of loan repayments, mainly within the General Operations Program and the Emerging Technology Program. The increase of $6.8 million from 2019 to 2020 was also due to more loan disbursements as compared to loan repayments during the fiscal year. The total loan disbursements were approximately $24.5 million as compared to $17.5 million in loan repayments.

Investment in joint ventures includes the Agency's equity investments in Hospital Hill, LLC, the Commonwealth Fund III LLC and ten New Markets Tax Credit ("NMTC") entities as of June 30, 2021. The increases of approximately $0.2 million from 2020 to 2021 and $0.6 million from 2019 to 2020 was mainly due to $0.7 million and $0.8 million share of income, offset by $0.5 million and $0.3 million of distributions for all investments for fiscal years 2021 and 2020, respectively.

During fiscal year 2020, the Agency remitted $10.0 million to the MGCC's Small Business Recovery Loan Fund to assist small businesses impacted by the COVID-19 pandemic. As of June 30, 2021, the net invested balance was $8.1 million. The Agency received $963,313 during fiscal year 2021 from loan repayments and the loss provision was reduced to $1.0 million. The Agency received the $8.1 million from MGCC on August 26, 2021 and this investment was closed out. As of June 30, 2020, the net investment balance was $5.0 million and a $5.0 million loss provision was applied against the fund as it was anticipated that there may be some businesses that would be unable to repay loans. Therefore, there was a $4.0 million provision recovery during fiscal year 2021.

Accounts receivable and other assets include outstanding amounts at year end related to utility usage at Devens, grants, NMTC management fees and reimbursement of expenses, Devens operating fees, real estate consulting services, lease receivables, prepaid insurance and other miscellaneous receivables. The changes from 2020 to 2021 and 2019 to 2020 were insignificant.

Due from the Commonwealth represents amounts owed for grant reimbursements or capital activity at year end. The increase of $8.8 million from 2020 to 2021 was mainly related to outstanding grant reimbursements for the Cultural Facilities Program. The decrease of $4.2 million from 2019 to 2020 is mainly related to decreased reimbursements outstanding for all programs as of June 30, 2020.

Current assets held for sale of $2.9 million, $2.7 million and $4.0 million as of June 30, 2021, 2020 and 2019, respectively, relate to property that is actively being marketed for sale by the Agency that is expected to be sold within the following fiscal year. This includes property in Worcester, MA, Holyoke, MA and Westfield, Massachusetts.

Noncurrent assets held for sale of $9.3 million, $9.3 million and $9.7 million as of June 30, 2021, 2020 and 2019, respectively, relate mainly to the Taunton Development Corporation (TDC) capital assets and property that is actively being marketed for sale by the Agency that is expected to be sold greater than one year from the fiscal year end. In January 2012, the Agency, in partnership with TDC, purchased from the Commonwealth the former Dever State School core campus in Taunton, Massachusetts. The property consisted of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation was formed to take title and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center.

Capital assets mainly relate to land, infrastructure and improvements and equipment assets for Agency operations in Devens, Boston and Springfield, Massachusetts. The decrease of $6.6 million from 2020 to 2021 was mainly due to the combination of depreciation expense and $2.6 million in property sales in Devens, offset by $3.2 million in new Devens capital additions during the fiscal year. The decrease of $3.5 million from 2019 to 2020 was mainly related to the sale of property in Springfield, MA during the fiscal year and depreciation expense. See Note 10 Capital Assets.

Liabilities

The Agency's current liabilities consist of accounts payable and accrued expenses, current portion of bonds payable and loans payable, current advances from the Commonwealth, accrued interest payable, project escrow payables and other current liabilities. Noncurrent liabilities consist of bonds payable, loans payable, advances from the Commonwealth and other noncurrent liabilities.

Current liabilities decreased $6.5 million from 2020 to 2021. The decrease was mainly due to the combination of $12.0 million due to the Commonwealth being moved to noncurrent other liabilities as the Agency has now been directed to retain these funds for future projects in the Commonwealth, offset by increases in accounts payable and accrued expenses and other liabilities. The increase in accounts payable and accrued expenses was mainly due to the timing of payments at year end. The increase in other liabilities was due to decreases in deferred advances received from the Commonwealth for grant awards or capital projects which were recognized during the fiscal year. The decrease of $86.6 million from 2019 to 2020 was mainly due to the remittance in fiscal year 2020 of $86.2 million of sales proceeds to the Commonwealth from the sale of two buildings in Boston, MA which occurred in fiscal year 2019.

Noncurrent liabilities increased $11.2 million from 2020 to 2021 mainly due to increased other liabilities as noted above. The increase of $1.6 million from 2019 to 2020 was mainly due to an increase in other liabilities due to increased longer term deferred funding received from the Commonwealth for future grant awards, capital projects or project expense expected to be used beyond the next fiscal year.

Bonds Payable

Bonds payable consist of the following at the end of June 30:

		2021		2020		2019
Devens Electric System Utility Bonds	$	4,855,000	$	5,255,000	$	5,645,000
Net discount		(823)		(590)		(484)
	$	4,854,177	$	5,254,410	$	5,644,516

Bonds payable decreased $0.4 million from 2020 to 2021 and 2019 to 2020, respectively, due to principal payments on the Devens Electric System Utility bonds during the fiscal years.

Devens Electric System Utility Bond

During fiscal year 2001, the Agency issued the Devens Electric System Revenue Bonds ("Series 2001 Bonds") for the Devens project which totaled $10.6 Million. The Agency acquired the electric transmission and distribution facilities (the "Electric System") serving Devens from the Army in 1996. The Electric System includes four transmission substations that interconnect Devens with the regional transmission system serving New England, as well as electric distribution facilities serving the area within Devens. The Series 2001 Bonds were used to finance the design, construction, installation and associated costs of certain capital improvements to the Electric System at Devens.

In an effort to lower the weighted average interest rate on the bonds, the Agency refunded the Series 2001 Bonds in December 2011 and issued the Devens Electric System Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds"). Principal of $8,775,000 was repaid in relation to the Series 2001 Bonds and new principal of $8,145,000 was issued. The Agency did not issue any new bond debt in fiscal years 2021, 2020 or 2019.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2021, 20120 and 2019 the necessary debt service coverage was met.

See Note 12 to the financial statements for more information on bonds payable.

Loans Payable
Loans payable consist of the following at the end of June 30:

	2021	2020	2019
Taunton Development Corporation	$ -	$ 25,000	$ 25,000
	$ -	$ 25,000	$ 25,000

Loans payable decreased from 2020 to 2021 due to principal payment on the Taunton Development Corporation loan during the fiscal year.

See Note 13 to the financial statements for more information on loans payable.

Advances from the Commonwealth
Advances from the Commonwealth consist of the following at the end of June 30:

	2021	2020	2019
Massachusetts Department of Environmental Protection	$ 6,794,862	$ 7,375,057	$ 7,934,503

Massachusetts Department of Environmental Protection
The Massachusetts Department of Environmental Protection ("DEP") approved loans to the Agency to construct a wastewater treatment facility at Devens. In addition, The Massachusetts Water Abatement Trust currently known as The Massachusetts Clean Water Trust ("MCWT"), issued loans to the Agency. These loans will be paid back to the trust through revenues generated from wastewater processing from Devens and surrounding communities. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on this loan.

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2021, 2020 and 2019, the necessary debt service coverage was met.

See Note 14 to the financial statements for more information on Advances from the Commonwealth.

Net Position

Net position represents the residual interest in the Agency's assets plus deferred outflows of resources after all liabilities plus deferred inflows of resources are deducted. The Agency's net position was as follows at June 30:

	2021	2020	2019
Net investment in capital assets	$ 74,958,763	$ 80,312,016	$ 84,572,929
Restricted	177,264,474	169,718,561	169,205,922
Unrestricted	184,049,827	181,730,398	187,124,493
	$ 436,273,064	$ 431,760,975	$ 440,903,344

Net position increased $4.5 million from 2020 to 2021 mainly due to a combination of a $15.4 million operating loss and $23.1 million of grant award disbursements, offset by a $30.5 million contribution from the Commonwealth and $6.0 million in capital grant revenue.

Net position decreased $9.1 million from 2019 to 2020 mainly due to a combination of a $23.5 million operating loss and $17.4 million of grant award disbursements, offset by an $18.8 million contribution from the Commonwealth and $4.9 million in capital grant revenue.

Revenues and Expenses

	2021	2020	2019
Operating revenues	$ 61,128,034	$ 57,960,941	$ 59,947,736
Operating expenses	(76,520,113)	(81,462,037)	(78,601,041)
Operating loss	(15,392,079)	(23,501,096)	(18,653,305)
Nonoperating revenues, net	6,530,220	8,055,129	7,619,930
Capital contributions (distributions), net	13,373,948	6,303,598	(70,383,875)
Special item	-	-	26,785,121
Increase (decrease) in net position	$ 4,512,089	$ (9,142,369)	$ (54,632,129)

Operating Revenues

	2021	2020	2019
Devens operating revenue	$ 41,468,669	$ 40,045,330	$ 40,939,105
Interest and other loan income	5,278,172	4,928,317	5,771,817
Bond issuance and New Markets Tax Credit fees	6,613,649	8,097,194	8,121,071
Other	6,943,053	4,074,443	4,575,533
Gain on share of joint ventures	670,980	815,657	-
Gain on sale of real estate, net	153,511	-	540,210
	$ 61,128,034	$ 57,960,941	$ 59,947,736

Operating revenues increased $3.2 million from 2020 to 2021 mainly due to increases of $1.4 million in Devens operating revenue and $2.9 million in other operating revenue, offset by a $1.5 million decrease in bond issuance and New Markets Tax Credit fees.

Operating revenues decreased $2.0 million from 2019 to 2020 mainly due to the combination of decreases of $0.9 million in Devens operating revenue and $0.8 million of interest and other loan income, offset by an increase of $0.8 million in gain on share of joint ventures.

Devens operating revenue, which includes utility income and real estate taxes, are an important component of the Agency's operating revenue. The Agency owns the utility systems at Devens and provides electricity, natural gas, water and sewer services to the Devens community. The utility staff works in conjunction with operations and maintenance contractors to maintain, upgrade and expand the utility systems. The current systems consist of five electrical substations, approximately 73 miles of distribution power lines, three miles of transmission power lines, three active drinking water wells and pumping stations, approximately 50 miles of water line, 32 miles of natural gas pipeline, a wastewater treatment facility, six sewer lift stations and 50 miles of sewer. Devens operating revenue increased $1.4 million from 2020 to 2021 mainly due to increased real estate tax revenue due to increased tax rates and new growth and increased electric and water income due to increased usage. The decrease of $0.9 million from 2019 to 2020 was mainly due to decreased electric utility income due to lower electric sales and decreased electric rates in fiscal year 2020.

Interest and other loan income represents income related to outstanding loans issued by the Agency. The increase of $0.3 million from 2020 to 2021 is mainly due to increased interest income on loans due to increased loan disbursements. The decrease of $0.8 million from 2019 to 2020 was mainly due to decreased interest income on loans and decreased interest rate swap payments received due to the payoff of the interest rate swap in fiscal year 2019.

Bond issuance fees and NMTC fees represent revenue generated by the Agency as a conduit issuer of taxable and tax-exempt bonds or fees related to the allocation of federal NMTCs. The decrease of $1.5 million from 2020 to 2021 mainly consists of decreased bond issuance fees due to fewer bond closings in fiscal year 2021. The revenues were consistent from 2019 to 2020, but there was an increase of $0.9 million in bond issuance fees due to more bond closings during fiscal year 2020, offset by a decrease of $0.8 million in NMTC issuance fees as there were no new issuances during fiscal year 2020.

Other operating income mainly consists of real estate advisory service fees and lease income for leased property in Worcester, Springfield and Devens, Massachusetts, and other miscellaneous operating revenues. The increase of $2.9 million from 2020 to 2021 was mainly due to a $1.5 million distribution of sales proceeds from Hospital Hill LLC to the Agency during the fiscal year and a $1.5 million receipt from the town of Taunton for demolition and remediation cost reimbursements to TDC. The $0.5 million decrease from 2019 to 2020 was mainly due to the fact that during fiscal year 2019 the Agency received reimbursements for legal fees related to lending and donated water and sewer line to the utility systems.

The gain on sale of real estate, net of $0.1 million in fiscal year 2021, was a combination of the recognition of a gain on sale of a property sold in fiscal year 2019 for which the recognition of the sales had been deferred due to repurchase and future commitment agreements and gains on sale for fiscal year 2021 property sales. The deferred sale had gross proceeds of $0.3 million, offset by $0.2 million cost of sale, for a net gain of $0.1 million. The fiscal year 2021 sales had minimal gross proceeds thus minimal gains on sale.

The gain on share of joint ventures represents the Agency's share of operating gains on the Agency's joint ventures. The gain on share of joint ventures in 2021 and 2020 was mainly related to a $0.7 million gain on the Commonwealth Fund III LLC investment in both fiscal years.

Operating Expenses

	2021	2020	2019
Salaries and related employee expenses	$ 22,614,358	$ 21,632,262	$ 20,985,140
Property, maintenance and utilities	30,344,762	30,054,658	31,111,149
General and administrative	4,024,460	4,044,349	4,397,459
Project and professional expenses	10,593,905	7,731,305	10,182,872
Provision (recovery) for loan loss	1,073,529	851,903	(523,163)
Provision for Predevelopment and Brownfield receivables	4,515,484	2,628,379	1,621,104
(Recovery) provision for Small Business Recovery Loan Fund	(4,077,343)	5,000,000	-
Depreciation	7,430,958	7,479,200	9,048,629
Loss on share of joint ventures	-	-	1,777,851
Loss on sale of real estate, net	-	2,039,981	-
	$ 76,520,113	$ 81,462,037	$ 78,601,041

Operating expenses decreased $4.9 million from 2020 to 2021 mainly due to the combination of a recovery of provision for Small Business Recovery Loan Fund, offset by increases in project and professional expenses and provision for Predevelopment and Brownfield receivables. The increase of $2.9 million from 2019 to 2020 was mainly due to the combination of a new provision on the Small Business Recovery Loan Fund and increased provision for loan loss and Predevelopment and Brownfield receivables, offset by decreases in property, maintenance and utilities, project and professional expenses and depreciation.

Salaries and related employee expenses increased $1.0 million and $0.6 million from 2020 to 2021 and 2019 to 2020, respectively. The increase in fiscal year 2021 is mainly due to increased headcount and small salary increases. The increase in fiscal year 2020 was due to normal salary increases and a small increase in headcount.

Property, maintenance and utilities expenses were consistent from 2020 to 2021. The decrease of $1.1 million from 2019 to 2020 was mainly due to decreased electric utility purchases due to less usage and lower power supply cost during the fiscal year.

General and administrative expenses were consistent from 2020 to 2021. The decrease of $0.4 million from 2019 to 2020 was mainly due to decreased rent expense and bad debt expense.

Project and professional project expenses increased $2.9 million from 2020 to 2021 mainly due to increased project expenses during the fiscal year related to the Transportation Infrastructure Enhancement Trust Program to assist taxicab, livery and hackney businesses. The decrease of $2.4 million from 2019 to 2020 was mainly due to decreased project expenses related to the Belchertown State School project.

Provision (recovery) for loan loss represents the expense (recovery) necessary to maintain an adequate allowance for loan losses. The provision increased in fiscal years 2021 and 2020 mainly due to increased loan disbursements for the General Operations Program and the Emerging Technology Program.

Provision for Predevelopment and Brownfield receivables represents the allowance necessary to absorb probable losses of existing awards that are expected to become uncollectible. The provision increased $1.9 million and $1.0 million from 2020 to 2021 and 2019 to 2020, respectively, due to increased disbursements during the fiscal years.

(Recovery) provision for Small Business Recovery Loan Fund represents the allowance necessary to absorb probable losses on the invested funds. Projections related to the fund as of June 30, 2020 demonstrated that it was not probable that the current invested balance would be recoverable from distributions from future loan repayments due to the nature of the unsecured high-risk loans that MGCC provided to small businesses. Therefore, the Agency recognized a $5.0 million provision loss in fiscal year 2020 to write down the amount expected to be recovered through its net cash flow from the fund. As of June 30, 2021, the Agency has updated information from MGCC and now expects to receive $8.1 million from loan repayments as the Small Business Recovery Loan Fund is closed out. Therefore, there was a recovery provision of $4.1 million during fiscal year 2021 to bring the amount expected to be recovered to $8.1 million. The Agency received the $8.1 million from MGCC on August 26, 2021 and this investment was closed out.

Depreciation was consistent from 2020 to 2021. The decrease of $1.6 million from 2019 to 2020 was mainly due to the sale of the two buildings in Boston, MA as the buildings were moved to assets held for sale and depreciation was stopped in December 2018. Fiscal year 2019 had six months of depreciation related to these buildings versus zero depreciation in fiscal year 2020.

Loss on share of joint ventures represents the Agency’s share of operating losses on the Agency’s joint ventures. The loss on share of joint ventures in 2019 was mainly related to the $1.5 million share of loss for the Hospital Hill LLC investment during the fiscal year. During fiscal years 2021 and 2020 there were gains on share of joint ventures as discussed previously.

The loss on sale of real estate, net of $2.0 million in fiscal year 2020 was mainly related to the sale of a building in Springfield, MA during the fiscal year. This sale had gross proceeds of $0, offset by $2.4 million costs of sale, for a net loss of $2.4 million.

Non-operating Revenues (Expenses)

	2021	**2020**	**2019**
Investment income	$ 6,707,766	$ 8,279,133	$ 7,947,778
Contract assistance	346,443	368,857	382,408
Interest expense	(523,032)	(591,778)	(636,188)
Amortization of bond discount, net	(957)	(1,083)	(1,224)
Financing costs	-	-	(72,844)
	$ 6,530,220	$ 8,055,129	$ 7,619,930

Non-operating revenues (expenses) consist mainly of investment income, contract assistance, interest expense, amortization of bond discount, net, financing costs and other. The decrease of $1.5 million from 2020 to 2021 is mainly related to decreased investment income. Non-operating revenues, net was consistent from 2019 to 2020.

Investment income decreased $1.6 million from 2020 to 2021 mainly due to decreased interest rates and decreased average investment balances during the fiscal year. The increase of $0.3 million from 2019 to 2020 was mainly due to higher investment balances as compared to fiscal year 2019.

Contract assistance represents the debt service for the $13.7 million MCWT loan to build a wastewater treatment plant at Devens. The debt services payments are made by the Commonwealth directly and are recognized as non-operating income by the Agency.

Interest expense of $0.5 million, $0.6 million and $0.6 million was recognized in 2021, 2020 and 2019, respectively. Interest expense includes interest for the Electric System Utility bonds issued for the acquisition of the electric transmission and distribution facility at Devens and the DEP loan for the construction of the wastewater treatment facility at Devens .

Amortization of bond discount, net represents the amortization of the discount for the Electric System Utility bonds over the term of the related bonds.

Financing costs represented the costs associated with the loan payable for the building acquisition and construction loan with Citizens Bank which was repaid in fiscal year 2019.

Capital (Distributions) Contributions

	2021	2020	2019
Contributions from the Commonwealth of Massachusetts	$ 30,538,976	$ 18,813,289	$ 31,362,017
Disbursement to the Commonwealth of Massachusetts	-	-	(98,165,144)
Capital grant revenue	5,961,473	4,850,411	26,862,591
Predevelopment and Brownfield awards	-	(519,292)	(469,612)
Cultural Facilities grant awards	(9,056,713)	(6,915,097)	(9,357,478)
Military Bond Bill grant awards	(1,710,485)	(725,000)	(2,700,000)
Massachusetts Manufacturing Extension Partnership, Inc. grant award	-	(2,000,000)	(2,000,000)
Worcester Business Development Corporation grant award	(532,039)	(3,916,151)	(10,400,375)
Transformative Development Initiative grant awards	(1,550,957)	(1,051,237)	(576,110)
Transportation Infrastructure Enhancement Trust grant awards	(3,988,236)	-	-
Innovation Voucher grant awards	(2,847,475)	-	-
Community Innovation Infrastructure grant awards	(1,129,708)	-	-
Other grant awards	(2,310,888)	(2,233,325)	(4,939,764)
	$ 13,373,948	$ 6,303,598	$(70,383,875)

Capital (distributions) contributions increased $7.1 million from 2020 to 2021 mainly due to increased recognition of contributions from the Commonwealth due to increased grant awards during the fiscal year. There were increases in contributions recognized and grant awards during the fiscal year mainly related to the Transportation Infrastructure Enhancement Trust Program, Innovation Voucher Program, Community Innovation Infrastructure Program, Cultural Facilities Program and Military Bond Bill Program. The increase of $76.7 million from 2019 to 2020 was mainly due to decreased disbursements to the Commonwealth and decreased grant awards, offset by decreased contributions from the Commonwealth and capital grant revenue.

Contributions from the Commonwealth of $30.5 million, $18.8 million and $31.4 million, were recognized in fiscal years 2021, 2020 and 2019, respectively. The fiscal year 2021 amounts mainly include $9.8 million for the Cultural Facilities Program, $7.7 million for the Transportation Infrastructure Enhancement Trust Program, $2.9 million for the Brownfield Capital Program and $2.6 million for the Innovation Voucher Program. The fiscal year 2020 amounts mainly include $7.6 million for the Cultural Facilities Program, $4.0 million for the Worcester Business Development project, $2.1 million for the Brownfield Capital Program and $1.5 million for the Site Readiness Program. The fiscal year 2019 amounts mainly include $10.4 million for the Worcester Business Development project, $9.9 million for the Cultural Facilities Program, $2.7 million for the Military Bond Bill Capital Projects Program, $2.1 million for the Site Readiness Program and $1.6 million for the Transformative Development Initiative Program.

Disbursement to the Commonwealth of $98.2 million in fiscal year 2019 was the accrual of an anticipated payment of $98.2 million to the Commonwealth in fiscal year 2020 in relation to the sales proceeds of the two buildings sold in Boston, MA ("GE transaction") during the fiscal year. During fiscal year 2020, $86.2 million was remitted to the Commonwealth; the remaining $12.0 million will now be used by the Agency to invest in future projects.

Capital grant revenue of approximately $6.0 million, $4.9 million and $26.9 million was recognized in fiscal years 2021, 2020 and 2019, respectively. The fiscal year 2021 amount was mainly related to $2.5 million for the Credit Enhancement of Charter School Facilities guarantee program due to the issuance of new guarantees during the fiscal year and $2.4 million for the CARES Act Revolving Loan Fund program to help alleviate severe economic dislocation caused by the coronavirus pandemic. The fiscal year 2020 amount was mainly related to the $3.3 million recognition of the Credit Enhancement of Charter School Facilities guarantee program funding due to the issuance of new guarantees during the fiscal year. The fiscal year 2019 amount was mainly related to $16.7 million of Massworks funding for the redevelopment of two buildings in Boston, MA, the $6.8 million recognition of Credit Enhancement of Charter School Facilities guarantee program funding due to the issuance of new guarantees during the fiscal year and $2.8 million of Massworks funding for the Belchertown State Hospital redevelopment.

The Agency disbursed $9.1 million, $6.9 million and $9.4 million in fiscal years 2021, 2020 and 2019, respectively, to various recipients in support of acquisition, design, construction, repair, renovation, rehabilitation or capital improvements or deferred maintenance of a cultural facility.

The Agency disbursed $1.7 million, $0.7 million and $2.7 million in fiscal years 2021, 2020 and 2019, respectively, to various recipients in support of military installation development projects across the Commonwealth.

The Agency disbursed $0, $2.0 million and $2.0 million to the Massachusetts Manufacturing Extension Partnership, Inc. in fiscal years 2021, 2020 and 2019, respectively, in support of its mission to invest in the Massachusetts manufacturing economy.

The Agency disbursed $0.5 million, $3.9 million and $10.4 million to the Worcester Business Development Corporation in fiscal years 2021, 2020 and 2019, respectively, in support of the redevelopment of the Worcester State Hospital in Worcester, Massachusetts.

The Agency disbursed $1.6 million, $1.1 million and $0.6 million in fiscal years 2021, 2020 and 2019, respectively, to various recipients in support of the redevelopment of Gateway cities in the Commonwealth.

The Agency disbursed $4.0 million in fiscal year 2021 to various recipients in support of providing financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development.

The Agency disbursed $2.8 million in fiscal year 2021 to various recipients in support of providing a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts.

The Agency disbursed $1.1 million in fiscal year 2021 to various recipients in support of providing grants to businesses to plan and study the feasibility of new collaborative workspaces, building improvements and equipment purchases.

Special Item

During fiscal year 2019, the Agency sold two buildings in Boston, MA relating to the GE transaction that resulted in gross sales proceeds of $98.2 million and a net gain of $26.8 million. These buildings were originally purchased in December 2016 for a purchase price of $57.4 million for GE to move its headquarters to the Commonwealth. During fiscal 2019, GE scaled backed plans to expand this headquarters site, and decided to sell the parcel of land on which they had originally intended to build a main headquarters building. The Commonwealth and the Agency decided to package the two buildings with the GE owned property to create an attractive real estate opportunity. The gross proceeds of $98.2 million will be reimbursed to the Commonwealth as the Commonwealth funded the original purchase price of $57.4 million and subsequent redevelopment costs of $20.1 million. As a result of this unusual transaction, with the Agency being obligated to return some or all of the sale proceeds to the Commonwealth, this was noted as a special item in fiscal year 2019.

Fiduciary Activities

Fiduciary activities are used to account for resources held for the benefit of parties outside of the Agency. These activities are excluded from the financial statements of the Agency because the resources of these funds are restricted and cannot be used to finance the Agency’s operations and are for the benefit of other organizations. The fiduciary activities of the Agency include a fiduciary investment fund, the STAR Fund, for which the Agency serves as the administrator. he STAR Fund is managed like a money market fund, invests in short-term, high-quality securities and is available for the investment of bond proceeds of the Agency’s client institutions. PFM Asset Management LLC is the STAR Fund’s investment advisor. The STAR Fund’s financial statements are reported on a December 1 calendar year end.

The fiduciary activities are reported in the statements of fiduciary net position and the statements of changes in fiduciary net position.

- The **statements of fiduciary net position** present a point-in-time snapshot of the financial position of the STAR Fund and includes all assets and liabilities of the STAR Fund.

- The **statements of changes in fiduciary net position** present the activity of the STAR Fund for the year ended. Major sources of additions include investment income, realized gain on sale of investments and capital shares issued. Major sources of deductions include expenses (investment advisory fees and administrative fees) and capital shares redeemed.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, Massachusetts Development Finance Agency, 99 High Street, 11th Floor, Boston, MA, 02110.

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 23,054,963	$ 38,946,743
Cash and cash equivalents-restricted for use	92,000,026	95,559,471
Investments	107,436,411	89,417,343
Loans receivable, net	12,441,398	16,207,690
Interest receivable	711,795	786,419
Accounts receivable and other assets (net of allowance of $682,179 and $639,548 at June 30, 2021 and 2020)	7,891,007	8,162,987
Due from the Commonwealth of Massachusetts	9,947,236	1,112,069
Small Business Recovery Loan Fund (net of allowance of $1,027,657 as of June 30, 2021)	8,114,030	-
Project escrow deposits	2,272,640	2,133,907
Assets held for sale	2,855,161	2,673,578
Total current assets	266,724,667	255,000,207
Noncurrent assets		
Cash and cash equivalents restricted for capital use	22,247,100	12,411,496
Cash and cash equivalents-restricted for use	1,956,559	4,449,232
Investments	58,378,307	67,288,942
Investment in joint ventures	5,737,417	5,525,052
Small Business Recovery Loan Fund (net of allowance of $5,000,000 as of June 30, 2020)	-	5,000,000
Loans receivable (net of allowance of $10,855,182 and $9,948,470 at June 30, 2021 and 2020, respectively)	75,980,525	65,515,360
Predevelopment and Brownfield receivables (net of allowance of $16,084,281 and $11,618,987 at June 30, 2021 and 2020, respectively	894,392	916,930
Assets held for sale	9,345,355	9,328,965
Capital assets, net	74,583,716	81,162,147
Total noncurrent assets	249,123,371	251,598,124
Total assets	$515,848,038	$506,598,331
Liabilities and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 12,489,114	$ 9,990,618
Current portion of bonds payable	410,000	400,000
Current portion of loans payable	-	25,000
Advances from the Commonwealth of Massachusetts	596,793	580,195
Accrued interest payable	194,496	216,266
Project escrow payable	2,487,981	2,324,464
Due to the Commonwealth of Massachusetts	-	11,965,144
Other liabilities	26,166,525	23,312,948
Total current liabilities	42,344,909	48,814,635
Noncurrent liabilities		
Bonds payable	4,444,177	4,854,410
Advances from the Commonwealth of Massachusetts	6,198,069	6,794,862
Other liabilities	26,587,819	14,373,449
Total noncurrent liabilities	37,230,065	26,022,721
Total liabilities	79,574,974	74,837,356
Net position		
Net investment in capital assets	74,958,763	80,312,016
Restricted	177,264,474	169,718,561
Unrestricted	184,049,827	181,730,398
Total net position	436,273,064	431,760,975
Total liabilities and net position	$515,848,038	$506,598,331

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
Operating revenues		
Devens operating revenue	$ 41,468,669	$ 40,045,330
Interest and other loan income	5,278,172	4,928,317
Bond issuance and New Markets Tax Credit fees	6,613,649	8,097,194
Other	6,943,053	4,074,443
Gain on sale of real estate, net	153,511	-
Gain on share of joint ventures	670,980	815,657
Total operating revenues	61,128,034	57,960,941
Expenses		
Operating expenses		
Salaries and related employee expenses	22,614,358	21,632,262
Property, maintenance and utilities	30,344,762	30,054,658
General and administrative	4,024,460	4,044,349
Project and professional expenses	10,593,905	7,731,305
Provision for loan loss	1,073,529	851,903
Provision for Predevelopment and Brownfield receivables	4,515,484	2,628,379
(Recovery) provision for Small Business Recovery Loan Fund	(4,077,343)	5,000,000
Depreciation	7,430,958	7,479,200
Loss on sale of real estate, net	-	2,039,981
Total operating expenses	76,520,113	81,462,037
Operating loss	(15,392,079)	(23,501,096)
Nonoperating revenues (expenses)		
Investment income	6,707,766	8,279,133
Contract assistance	346,443	368,857
Interest expense	(523,032)	(591,778)
Amortization of bond discount, net	(957)	(1,083)
Nonoperating revenues, net	6,530,220	8,055,129
Loss before capital contributions (distributions)	(8,861,859)	(15,445,967)
Capital contributions (distributions)		
Contributions from the Commonwealth of Massachusetts	30,538,976	18,813,289
Capital grant revenue	5,961,473	4,850,411
Predevelopment and Brownfield grant awards	-	(519,292)
Cultural Facilities grant awards	(9,056,713)	(6,915,097)
Military Bond Bill grant awards	(1,710,485)	(725,000)
Massachusetts Manufacturing Extension Partnership, Inc. grant award	-	(2,000,000)
Worcester Business Development Corporation grant award	(532,039)	(3,916,151)
Transformative Development Initiative grant awards	(1,550,957)	(1,051,237)
Transportation Infrastructure Enhancement Trust grant awards	(3,988,236)	-
Innovation Voucher grant awards	(2,847,475)	-
Community Innovation Infrastructure grant awards	(1,129,708)	-
Other grant awards	(2,310,888)	(2,233,325)
Total capital contributions (distributions), net	13,373,948	6,303,598
Increase (decrease) in net position	4,512,089	(9,142,369)
Net position		
Net position - beginning of year	431,760,975	440,903,344
Net position - end of year	$ 436,273,064	$ 431,760,975

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Receipts from interest on loans	$ 5,355,971	$ 4,776,899
Receipts from Devens operating income	41,884,393	40,140,306
Receipts from bond issuance fees	6,870,400	8,039,713
Receipts from other operating income	6,940,112	4,164,778
Payment of salaries and related employees expenses	(22,249,326)	(21,414,878)
Payment of rent, maintenance and utilities expenses	(30,467,371)	(28,978,147)
Payment of general and administration expenses	(4,255,971)	(4,348,821)
Payment of project and professional expenses	(10,324,674)	(8,296,033)
Project escrows, draws	(138,733)	(385,178)
Project escrows, deposits	163,517	393,830
Net cash used in operating activities	(6,221,682)	(5,907,531)
Cash flows from capital and related financing activities		
Acquisition of capital assets	(4,222,749)	(4,063,151)
Principal payments on debt obligations	(871,165)	(836,108)
Proceeds from sale of capital assets	11,100,846	20,060
Receipts from capital grants	5,800,262	3,548,421
Payment of Predevelopment and Brownfield grant awards	-	(519,292)
Payment of Cultural Facilities grant awards	(9,010,926)	(6,633,671)
Payment to Commonwealth of Massachusetts	-	(86,200,000)
Payment of Military Bond Bill grant awards	(984,870)	(725,000)
Payment of Massachusetts Manufacturing Extension Partnership, Inc. grant award	-	(2,000,000)
Payment of Worcester Business Development Corporation grant award	(532,039)	(4,887,957)
Payment of Transformative Development Initiative grant awards	(1,532,257)	(1,205,225)
Payment of Transportation Infrastructure Enhancement Trust grant awards	(3,733,308)	-
Payment of Innovation Voucher grant awards	(2,197,475)	-
Payment of Community Innovation Infrastructure grant awards	(961,596)	-
Payment of other capital grants	(1,746,648)	(2,932,570)
Receipts of contributions from the Commonwealth of Massachusetts	16,214,949	27,301,190
Payment of interest	(324,127)	(343,175)
Net cash provided by/(used in) capital and related financing activities	6,998,897	(79,476,478)
Cash flows from investing activities		
Purchases of investments	(112,893,120)	(2,203,097,000)
Sales of investments	106,660,814	2,305,594,599
Investments in joint venture	(55,930)	(55,410)
Distributions from joint ventures	514,545	320,347
Investment in Small Business Recovery Loan Fund	-	(10,000,000)
Distribution from Small Business Recovery Loan Fund	963,313	-
Disbursements of loans	(24,472,917)	(24,472,917)
Collections and recoveries of loans	16,982,531	16,822,531
Payment of Predevelopment and Brownfield receivables	123,986	1,900
Advance of Predevelopment and Brownfield receivables	(4,616,932)	(2,687,809)
Receipts of investment income	3,908,201	6,801,337
Net cash (used in)/provided by investing activities	(12,885,509)	89,227,578
Net (decrease)/increase in cash and cash equivalents	(12,108,294)	3,843,569
Cash and cash equivalents at beginning of year	151,366,942	147,523,373
Cash and cash equivalents at end of year	$ 139,258,648	$ 151,366,942
Supplemental disclosure of noncash activity:		
Contract assistance	$ 346,443	$ 368,857
Contributions from the Commonwealth	(5,480,597)	4,330,869
Capital grant revenue	(188,394)	(1,595,336)
Interest expense	212,412	255,519
Grant awards	(2,884,995)	(576,566)
Unrealized gain on investments	2,858,128	1,755,662
Capital additions included in accounts payable and accrued expenses	(1,005,911)	(481,755)

(continued)

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Operating loss	$ (15,392,079)	$ (23,501,096)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Bad debt	71,057	175,652
Depreciation and amortization	7,430,958	7,479,200
(Gain)/ loss on sale of real estate, net	(153,511)	2,039,981
Provision for loan loss	1,073,529	851,903
Provision for Predevelopment and Brownfield receivables	4,515,484	2,628,379
(Recovery)/provision for Small Business Recovery Loan Fund	(4,077,343)	5,000,000
Gain on share of joint ventures	(670,980)	(815,657)
Changes in assets and liabilities:		
Project escrows assets	(138,733)	(385,178)
Interest receivable	16,061	(89,345)
Accounts receivable and other assets	157,420	(4,325)
Accounts payable and accrued expenses	935,744	757,879
Project escrow payable	163,517	393,830
Other liabilities	(152,806)	(438,754)
Total adjustments	9,170,397	17,593,565
Net cash used in operating activities	$ (6,221,682)	$ (5,907,531)

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Fiduciary Net Position - Short Term Asset Reserve Fund
Years Ended December 31, 2020 and 2019

	2020	2019
Assets		
Investments	$ 340,126,470	$ 254,335,801
Cash and cash equivalents	31,932	104,142
Prepaid expenses	-	5,958
Interest receivable	303,828	509,208
Subscriptions receivable	1,729	-
Total assets	340,463,959	254,955,109
Liabilities		
Management fees payable	34,251	27,602
Admistration fees payable	24,538	19,428
Audit fees payable	29,005	28,858
Other accrued expenses	13,243	13,788
Total liabilities	101,037	89,676
Net position restricted for pool participants	$ 340,362,922	$ 254,865,433

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Changes in Fiduciary Net Position - Short Term Asset Reserve Fund
Years Ended December 31, 2020 and 2019

	2020	2019
Revenues		
Investment income	$ 3,543,618	$ 8,105,802
Expenses		
Investment management fees	468,094	401,936
Administration fees	344,064	291,789
Audit fees	28,087	28,499
Other expenses	5,414	5,016
Total expenses	845,659	727,240
Less investment advisory fee waivers	(5,408)	-
Net expenses	840,251	727,240
Net investment income	2,703,367	7,378,562
Net realized gain on sale of investments	3,994	33,171
Net increase from investment operations before capital transactions	2,707,361	7,411,733
Capital shares issued	1,309,711,346	2,425,875,997
Capital shares redeemed	(1,226,921,218)	(2,558,109,743)
Increase (decrease) in net position restricted for pool participants	85,497,489	(124,822,013)
Net position restricted for pool participants - beginning of year	254,865,433	379,687,446
Net position restricted for pool participants - end of year	$ 340,362,922	$ 254,865,433

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

1. Authorizing Legislation

Massachusetts Development Finance Agency (the "Agency" or "MDFA") was created on September 30, 1998 pursuant to Chapter 23G of Massachusetts General Laws ("MGL") (Chapter 289 of the Acts of 1998). The Agency is a body corporate and politic instrumentality and was created from the statutory merger of, and is the legal successor in all respects to two previous existing instrumentalities, the Massachusetts Government Land Bank ("Land Bank") (created in 1975 under Chapter 212 of the Acts of 1975) and the Massachusetts Industrial Finance Agency ("MIFA") (created 1978 pursuant to chapter 23A of the MGL) and is the legal successor to the Massachusetts Health and Educational Facilities Authority (created pursuant to Chapter 614 of the Acts of 1968Other powers of the Agency are also set forth in MGL's Chapter 40D (with respect to the issuance of taxable and tax-exempt bonds) and chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of the former Fort Devens ("Devens"), a closed federal military base). The purpose of the Agency is to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth of Massachusetts (the "Commonwealth"). It does this through its powers to issue taxable and tax-exempt bonds for the benefit of industrial and commercial entities, institutions, health care and housing facilities, public bodies and other non-profit organizations; making loans and providing credit to eligible borrowers in accordance with its public purposes; and aiding public and private enterprises in the redevelopment of surplus federal and state property and other blighted, open, underdeveloped property. It also administers specific statutory funds directed at certain economic development needs in the Commonwealth, such as, Brownfields Redevelopment Program ("Brownfields"), Emerging Technology Program ("ETP"), Cultural Facilities Program, Massachusetts Export Finance Program, Credit Enhancement of Charter School Facilities Program, Site Readiness Program, Military Bond Bill Capital Projects Program ("MBB"), Transformative Development Initiative Program ("TDI"), redevelopment of the Belchertown State School, Transportation Infrastructure Enhancement Trust Program, Innovation Voucher Program and Community Innovation Infrastructure Program. The Agency also has the power to issue debt for the redevelopment of Devens.

The Agency is governed by an eleven-member Board of Directors (the "Board"), nine of whom are appointed directly by the Governor and two of whom are public officials, or their designees, serving ex-officio.

In accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units - an Amendment of GASB Statement 14*, GASB No. 61, *the Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB No. 84, *Fiduciary Activities*, the financial statements must present the Agency and its component units. The Agency, itself, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

The Agency's financial statements include the following blended component unit:

Taunton Development MassDevelopment Corporation
In January 2012, the Agency, in partnership with Taunton Development Corporation, purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consists of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation called Taunton Development MassDevelopment Corporation ("TDMDC") was formed to own and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. Grants have been provided by the Commonwealth through MassWorks and by the United States Department of Commerce Economic Development Administration. TDMDC is included in the financial statements of the Agency as the majority of the TDMDC board members are executives of the Agency. The Agency also provides consultant services related to the redevelopment of the property and financial services for TDMDC. The net position of TDMDC was approximately $9.6 million and $10.1 million, respectively, as of June 30, 2021 and 2020. TDMDC does not issue stand-alone financial statements.

STAR Fund
The Massachusetts Development Finance Agency Short Term Asset Reserve Fund (formerly known as the Massachusetts Health and Educational Facilities Authority ("HEFA") Short Term Asset Reserve Fund) (the "STAR Fund") was established on July 16, 1991 under the laws of the Commonwealth, Chapter 614, of the Acts of 1968, to make available comprehensive investment management of proceeds of bonds and other obligations issued by HEFA on behalf of its institutional borrowers. Pursuant to Chapter 240 of the Acts of 2010 of the Commonwealth, HEFA was merged into the Agency effective October 1, 2010. All rights, powers, duties and properties of HEFA related to the STAR Fund transferred to the Agency as of this date and the name was changed. The Agency is the administrator of the STAR Fund. Pursuant to the provisions of GASB No. 84, *Fiduciary Activities*, the STAR Fund qualifies as a fiduciary component unit of the Agency. As a result, the assets and corresponding net position of the STAR Fund are accounted for as a fiduciary activity and included in the statements of fiduciary net position and statements of changes in fiduciary net position as of June 30, 2021 and 2020. The STAR Fund reports on a December 31 year end. If the STAR Fund were to terminate, all remaining funds would be due back to the participants in the STAR Fund. A copy of the financial statements of the STAR Fund can be obtained from the Office of the Chief Financial Officer, Massachusetts Development Finance Agency, 99 High Street, 11^{th} floor, Boston, MA 02110.

Income Taxes
As noted, the Agency has been determined to be a component unit of the Commonwealth. Accordingly, income earned by the Agency is not included within the definition of income as defined in Section 61 of the Internal Revenue Code ("IRC"). Therefore, the Agency is not required to file federal and state income tax returns.

2. Significant Accounting Policies

Accounting and Reporting Standards

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the GASB, which establishes standards for defining and reporting on the financial reporting entity.

The GASB defines the basic financial statements of a business type activity as the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and management's discussion and analysis as required supplementary information. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses and changes in net position.

Operating activities are those that support the mission and purpose of the Agency. Nonoperating activities represent transactions that are capital, investing, legislative or regulated in nature.

Net position represents the residual interest in the Agency's assets plus deferred outflows of resources after liabilities plus deferred inflows of resources are deducted and consist of: net investment in capital assets, restricted, and unrestricted, as follows:

- **Net Investment in Capital Assets**
  The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets plus unspent bond proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted**
  Net position is reported as restricted when there are third-party limitations (statutory, contractual or bond covenant) on its use. The STAR Fund's net position is restricted for pool participants.

  Nonexpendable – Net position subject to externally imposed stipulations such that the Agency maintains them permanently. For the years ended June 30, 2021 and 2020, the Agency did not have any nonexpendable restricted net position.

  Expendable – Net position whose use by the Agency is subject to externally imposed stipulations that can be fulfilled by actions of the Agency pursuant to those stipulations or that expire by the passage of time. Such assets include the Agency's bond funds on hand.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting
The financial statements were prepared using the accrual basis of accounting in conformity with GAAP. Under the accrual basis, revenue is recognized when earned and expenses are recognized when obligations are incurred or when benefits are received.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less at acquisition. Current cash and cash equivalents consist of unrestricted funds available for general operating purposes for the General Operations Program and TDMDC. Current cash and cash equivalents-restricted for use consist of available funds for current operations related to the Devens Electric Utility Division and available funds for loan, guarantee, grant or capital activity for restricted programs. Noncurrent cash and cash equivalents restricted for capital use consist of funds available for future capital improvements. Noncurrent cash and cash equivalents-restricted for use consist of funds available for future debt service payments, project reserves and future operations when there are not sufficient funds available from current operations. Cash and cash equivalents includes the Agency's investments in the STAR Fund, which is a short-term money market portfolio which seeks to preserve principal and maintain liquidity. Pursuant to GASB No. 79, *Certain External Investment Pools and Pool Participants,* the STAR Fund is a qualifying external investment pool that measures for financial reporting purposes all of its short-term money market portfolio at amortized cost. See Note 4 for more information related to the STAR Fund.

Investments
The Agency's investments are reported at fair value using quoted market price as defined by GASB No. 72, *Fair Value Measurement and Application,* except for guaranteed investment contracts ("GIC"), which are reported at contract value. Contract value represents contributions made under the contract plus accrued interest. GASB No. 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumptions.

The Agency has loan agreements within the ETP, established under Sections 27 and 28 of MGL Chapter 23G. Certain loan agreements include separate warrants that qualify as reportable derivative instruments under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The value of these warrants is ultimately dependent upon the fair value of the companies which have issued the warrants. The ETP is a loan program designed to promote economic development in the emerging technologies sector of the Massachusetts economy. These loans are generally issued to companies that are otherwise unable to obtain market-based financing. The majority of these companies are pre-revenue start-up operations funded in part through the ETP to promote economic development in the Commonwealth. The Agency has developed a reliable estimate of the fair value of the related warrants using a comparable company analysis and last round of financing approach. See Note 4 for more information related to these derivative instruments.

All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenue, expenses and changes in net position.

The primary objectives of the Agency's investment policy are to ensure preservation of capital, to grow funds available to meet the expanding needs of lending capital in the Commonwealth, to ensure liquidity of investments to meet current and estimated cash flow needs by investing in instruments with structured maturities that are readily marketable and to provide maximum yield while maintaining safety and liquidity. The maturities of investments range from less than one year to greater than five years. Investments may include money market funds with maturities of three months or less. These money market funds are classified as investments since they are held for the primary purpose of meeting some of the Agency's investment objectives and are due to investment restrictions placed on the related programs.

Loans Receivable and Predevelopment and Brownfield Receivables, net
Loans receivable consist of loans issued by the Agency for various economic development programs. Predevelopment and Brownfield receivables consist of loans issued by the Agency to finance early-stage project costs (i.e., architectural and engineering costs) which are necessary to advance a project to the development stage.

These loans receivable are stated at principal amount outstanding, net of a provision for loan loss. Loans are charged against the provision for loan loss when the Agency believes the collectability of the principal is unlikely. The provision for loan loss is an amount that the Agency believes will be adequate to absorb possible loan losses of existing loans that may become uncollectible.

Small Business Recovery Loan Fund, net
The Agency remitted $10.0 million to the Massachusetts Growth Capital Corporation's ("MGCC") Small Business Recovery Loan Fund to assist small businesses impacted by the COVID-19 pandemic. This fund is stated at invested amount outstanding, net of an allowance for possible losses for which the Agency believes the collectability of the invested amount is unlikely. The allowance is an amount that the Agency believes will be adequate to absorb possible losses that may become uncollectible.

Investment in Joint Ventures
The Agency accounts for its participating interest in its joint ventures using the equity method of accounting. Under the equity method, the investment is carried at cost and adjusted for the Agency's share of net income or loss, cash contributions or distributions to and from its joint ventures as well as impairment losses on the joint ventures. Any impairment loss represents a write down to the carrying value of the investment as projections related to the investment show that it is not probable that the investment balance will be recoverable from distributions generated by future sales. These investments are deemed operating in nature as they support the mission and purpose of the Agency.

Impairment Loss on Joint Ventures
Management analyzes its investments in joint ventures to determine whether the amounts are considered to be permanently impaired based upon its best estimates of the cash flows from the investment. If a permanent impairment in carrying value exists, a provision to write down the investment to the estimated cash flows realizable from the investment will be recorded in the Agency's financial statements. There were no impairment losses recognized in fiscal years 2021 and 2020.

Accounts Receivable and Other Assets
The Agency evaluates the collectability of leases, utility and other accounts receivable after considering payment history. Although collection efforts continue, the Agency charges off any receivable balance that is deemed unlikely to be collected.

Interest Receivable
Interest receivable represents the amount of interest revenue that was earned, but not yet received by the end of the fiscal year in relation to loans receivable and investments.

Interest income on loans is recognized as earned. For loans receivable with interest payments in arrears, the Agency continues to accrue interest until such time as the loan agreement is restructured or the interest receivable is deemed to be uncollectible. When loans are restructured, interest payments in arrears, net of any amounts deemed uncollectible, are typically aggregated with the outstanding principal balance and interest is accrued on the new principal balance.

Project Escrows
The Agency holds funds consisting of cash and investments as collateral for mortgages receivable and as a source of payment for borrowers' obligations including tax and insurance payments. These amounts are recorded at market value and are held in separate bank accounts under the borrowers' tax identification numbers.

Due From the Commonwealth
Due from the Commonwealth represents amounts owed from the Commonwealth as of June 30, 2021 and 2020, totaling $9,947,236 and $1,112,069, respectively. The balance due from the Commonwealth mainly represents reimbursements due to the Agency for Cultural Facilities grant expenses, Devens capital reimbursement, Transformative Development Initiative equity investment projects, community innovation grant expenses and military initiative project expenses incurred during the fiscal years.

Capital Assets, Net
Capital assets are carried at cost less accumulated depreciation. The Agency's threshold for classification of a capital asset is $5,000. Depreciation is recorded using the straight-line method over the estimated useful life of the asset ranging from 1 to 40 years as noted below:

	Depreciable Years
Land	N/A
Building	20-40
Buildings/land/tenant improvements	1-20
Infrastructure	5-20
Equipment	3-10
Office equipment	3-5
Construction in progress	N/A
Assets held for sale	N/A

Maintenance and repairs are charged to expense when incurred while betterments and additions are capitalized. When assets are sold or retired, their cost and related accumulated depreciation are removed from the Agency's accounts and any gain or loss is recognized.

Assets Held for Sale
Certain properties are redeveloped with the intent to ultimately sell the asset to a third-party. When such assets are substantially complete and ready for sale, the capitalized investment is reclassified to assets held for sale.

Capital Assets Impairments
The Agency assesses the carrying value of property whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage are measured using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. The Agency did not record any impairment charges as of June 30, 2021 and 2020 as there were no indicators of impairment.

Accounts Payable and Accrued Expenses
The Agency accrues expenses on a monthly basis based on current contracts and invoices. The Agency accrues amounts for compensated absences as earned up to certain limitations which represent vacation amounts payable to employees upon termination of employment.

Other Liabilities
Other liabilities consists of unearned revenues received from the Commonwealth for future grants or project expenses, deferred rent, deferred gains on property sales, unearned insurance premiums and miscellaneous liabilities.

Bonds Payable
Bonds are recorded at date of issuance, net of related premium or discount amounts. Bond premiums and discounts are amortized or accreted, respectively, over the term of the related bond, and these amounts are recorded as a component of non-operating expense.

Revenue Recognition
Application and processing fees for both tax-exempt and taxable bonds are recorded as bond issuance fee revenue on the date of closing on the bond. Debt servicing fees are recorded as revenue upon receipt. These are fees that are collected for Agency assistance in bond closings.

Organizational fee income for the New Markets Tax Credit (“NMTC”) programs is recognized as NMTC fees on the date of the closing of the related NMTC program. This fee is a one-time cost associated with setting up and organizing the program. Management fee income for the NMTC programs is recorded as services related to managing the operations of the NMTC programs are performed.

Rental income is recognized on a straight-line basis for facility space rentals as it is earned. Advanced receipts of rental income are classified as liabilities until earned. All leases are operating leases. Rental income consists of base rent and reimbursements for certain operating expenses. Rental income is mainly related to properties located in Taunton, Devens, Worcester and Springfield, Massachusetts. Rental income is included in the statements of revenues, expenses and changes in net position operating revenues as Devens operating revenue and other line items.

Guarantee fees received for loans guaranteed by the Agency are reported as unearned and recognized ratably over the term of the guarantee agreement. Guarantee fees are included in the statements of revenues, expenses and changes in net position operating revenues as interest and other loan income.

Capital grant revenue is recognized depending on the terms of the related grant. Charter school grant revenue is recognized as charter school loan guarantees are issued. All other grant revenue is recognized as funds are disbursed for the related project.

Contributions from the Commonwealth are recognized according to the terms of the related agreement. Most are reimbursement type grants and are recognized as qualifying expenses are incurred.

Devens operating revenue consists of fees received for utilities, municipal services and leased space, and are recognized as earned.

The Agency accrues monthly principal and interest reimbursements due under its contract with the Commonwealth for debt service payments associated with the DEP loan and records these amounts as contract assistance which is included in non-operating revenue.

Generally, gains on sales of real estate are recognized as earned. Certain purchase and sale agreements include a repurchase clause; therefore, these gains on sales are not recognized until the conditions in the repurchase clauses are satisfied.

Provision for Loan Loss (Recovery)
Provision for loan loss (recovery) represents the necessary expense (recovery) to maintain an adequate allowance for estimated loan losses. In determining the provision, the Agency evaluates each loan and considers past performance history, collateral value, financial stability of the borrower and the likelihood for foreclosure and such other factors as deemed necessary. The loan portfolio and the Agency's loan loss rating system are evaluated annually by management and an independent consulting firm.

Provision for Predevelopment and Brownfield Receivables, net
Provision for Predevelopment and Brownfield receivables, net, represents the expense necessary to maintain an adequate allowance for estimated losses of receivables that may become uncollectible.

(Recovery) Provision for Small Business Recovery Loan Fund
Provision for Small Business Recovery Loan Fund, represents the probability that the current balance would not be recovered from distributions from future fund loan repayments due to the nature of the fund. During fiscal year 2021, the Agency recognized a $4.1 million recovery of provision in order to bring the invested amount in the Small Business Recovery Loan Fund to its anticipated payout of $8.1 million. As of June 30, 2020, the Agency recognized a $5.0 million provision loss in fiscal year 2020 to write down the amount expected to be recovered through its net cash flow from the fund.

New Accounting Pronouncements

Accounting Standards Effective in Current Year
In January 2017, the GASB issued GASB No. 84, *Fiduciary Activities.* This standard establishes criteria for identifying fiduciary activities of all state and local governments. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Agency adopted this standard for the year ended June 30, 2021. The adoption of this standard is applied retroactively. The adoption resulted in the identification of the STAR Fund as a fiduciary activity-custodial fund. Accordingly, the Agency has included the financial statements of the custodial fund as a fiduciary activity in the Agency's financial statements.

In August 2018, the GASB issued GASB No. 90, *Majority Equity Interests.* The objective of this standard is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The adoption of this standard did not have a significant impact on the Agency's financial statements.

New Accounting Standards Not Yet Effective

In June 2017, the GASB issued GASB No. 87, *Leases.* This standard establishes standards of accounting and financial reporting for leases by lessees and lessors. The objective of this standard is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This standard is now effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In May 2019, the GASB issued GASB No. 91, *Conduit Debt Obligations.* The objective of this standard is to provide a single method of reporting conduit debt obligations by issuers. This standard is now effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In January 2020, the GASB issued GASB No. 92, *Omnibus 2020.* The objectives of this standard are to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature. There are varying effective dates based on the applicable requirements in the related GASB. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In March 2020, the GASB issued GASB No. 93, *Replacement of Interbank Offered Rates.* The objective of this standard is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The removal of IBOR as an appropriate benchmark interest rate is now effect for reporting periods beginning after December 31, 2022. All other requirements of this standard are now effective for reporting periods beginning after June 15, 2022. Earlier application is encourage. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In March 2020, the GASB issued GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this standard is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This standard is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In May 2020, the GASB issued GASB No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this standard is to improve guidance on accounting and financial reporting for subscription-based information technology arrangements. This standard is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency’s financial statements.

In June 2020, the GASB issued GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan.* The primary objectives of this standard are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

In October 2021, the GASB issued GASB No. 98, *The Annual Comprehensive Financial Report.* This standard establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive financial report and its acronym in generally accepted accounting principles for state and local governments. This standard is effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

3. Programs of the Agency

The following describes certain programs or divisions of the Agency. Please also refer to the Supplemental Information on pages 70 and 71.

General Operations Program

The General Operations Program supports five major programs of the Agency: direct lending, investment banking, development/redevelopment of properties, consulting/technical assistance to communities and support of the defense sector in the Commonwealth. The Agency's lending programs consist of business loans, real estate mortgages, equipment loans and development loans. Lending programs generate fee income at closings and interest income. Investment banking acts as a conduit issuer for tax-exempt and taxable bond financing for a variety of borrowers. Investment banking generates fee income from bond issuances.

The Agency invests funds in real estate developments in support of the development/redevelopment of blighted and/or surplus public properties within the Commonwealth. The Agency is actively involved in the development and/or ongoing operations of such properties in Devens, Springfield, Northampton, Belchertown and Taunton, Massachusetts, and certain Massachusetts state piers. The Agency provides technical assistance to communities through various programs, including loans and consulting services. The Agency also devotes staff time toward defense sector work. Current defense sector projects include economic analysis of the importance of the Commonwealth's military installations and work on the Commonwealth's Military Asset and Security Strategy Task Force. The net position of the General Operations Program was approximately $188.9 million and $188.1 million as of June 30, 2021 and 2020, respectively.

Devens Operations Program
The Devens Operations Program was established under Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of Devens, a former federal military base). With financial support from the Commonwealth, the Agency purchased the property and has been redeveloping Devens, a 4,400-acre mixed-use community located in Devens, MA, by creating a sustainable and diverse residential and business community. The Agency currently provides municipal services, education, environmental protection, redevelopment and property leasing services at Devens. The net position of the Devens Operations Program was approximately $60.0 million and $62.6 million as of June 30, 2021 and 2020, respectively.

Brownfield Redevelopment Program ("Brownfield")
Brownfield was established in 1998 as part of the Commonwealth's Brownfield Act to encourage reuse of environmentally contaminated property in economically distressed areas of the Commonwealth. This program is administered by the Agency and all cash balances related to this program must be invested according to an established Agency investment policy related to restricted funds. All related interest income must be utilized for the administration of the program. The Agency had approximately $1.5 million and $1.4 million of gross Brownfield loans receivable with loan loss reserves of approximately $0.1 million for net Brownfield loans receivable of approximately $1.4 million and $1.3 million outstanding as of June 30, 2021 and 2020, respectively. The Agency also issued approximately $0 and $0.5 million of grant awards during fiscal years 2021 and 2020, respectively. As of June 30, 2021 and 2020, approximately $9.1 million and $12.5 million, respectively, was available for disbursement. The restricted net position of this program was approximately $7.6 million and $10.0 million as of June 30, 2021 and 2020, respectively.

Emerging Technology Program ("ETP")
The ETP was established under Sections 27 and 28 of MGL Chapter 23G. ETP leverages private financing to provide capital for businesses, which develop or commercialize emerging technologies. The Agency had approximately $7.7 million and $9.2 million of gross ETP loans receivable with loan loss reserves of approximately $2.0 million and $2.2 million for net ETP loans receivable of approximately $5.7 million and $7.0 million outstanding as of June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the Agency had approximately $33.6 million and $29.4 million, respectively, available for disbursement. The restricted net position of this program was approximately $49.4 million and $44.8 million as of June 30, 2021 and 2020, respectively. The Agency assets at risk due to outstanding ETP guarantees, including unfunded commitments, at June 30, 2021 and 2020, were $0.9 million and $2.0 million, respectively.

The Agency has also committed an additional $5.0 million to an equity investment in the Commonwealth Fund III LLC ("Fund") from the ETP. As of June 30, 2021 and 2020, a total of $4.0 and $3.9 million, respectively, had been contributed to the Fund.

Cultural Facilities Program

The Cultural Facilities Program was established under Section 42 of the MGL Chapter 23G, effective July 13, 2006. The purpose of the Cultural Facilities Program is to make grants or loans for the acquisition, design, construction, repair, renovation, rehabilitation or other capital improvement or deferred maintenance of a cultural facility. All related interest income must be utilized for the administration of the program. New funds are given to the Agency on a reimbursement basis as grants are awarded. The Agency awarded approximately $9.1 million and $6.9 million of grant awards during fiscal years 2021 and 2020, respectively. As of June 30, 2021 and 2020, approximately $0 and $2.8 million, respectively, is on hand and available for disbursement. The Agency has $9.3 million due from the Commonwealth at June 30, 2021 for grant and administrative expense reimbursement for the fiscal year. The restricted net position of this program was approximately $3.0 million as of June 30, 2021 and 2020, respectively.

Massachusetts Export Development Program

This program serves as a guarantee to lending institutions for their working capital loans to Massachusetts exporters. These funds are administered by the Agency and must be invested in securities issued by the Treasury of the United States Government or the Commonwealth. All related investment income must be utilized for the administration of this program. The Agency had designated approximately $3.3 million and $3.5 million at June 30, 2021 and 2020, respectively, for this program. Total Agency assets at risk due to Massachusetts Export Development Program guarantees outstanding, including commitments, aggregated approximately $3.0 million and $3.9 million at June 30, 2021 and 2020, respectively. The restricted net position of this program was approximately $2.8 million as of June 30, 2021 and 2020, respectively. This program is included in the Other column in the Supplemental Information on pages 70 and 71.

Mortgage Insurance Program ("MIP")

The purpose of the MIP is to encourage private sector investment by guaranteeing a portion of bank loans or bond issues. Premium income received and other monies made available to the program are credited thereto. This premium income is amortized over the loan guarantee period. The approved leverage policy for this program is 1) for loans secured by first liens on real estate or equipment three times the cash balance in the program backing such guarantees and 2) for loans secured by second liens on capital assets or first liens on other business assets, no more than one and a half times the cash balance in the program backing such guarantees. The Agency had designated approximately $13.5 million and $13.3 million at June 30, 2021 and 2020, respectively, for the MIP and are considered restricted funds.

Total Agency assets at risk due to mortgage insurance in force, including commitments, under the Guaranteed Loan Program, aggregated approximately $16.1 million and $14.5 million at June 30, 2021 and 2020, respectively. The restricted net position of this program was approximately $12.9 million and $12.8 million as of June 30, 2021 and 2020, respectively.

MassDevelopment/HEFA Trust ("Trust")
The Trust was established on July 8, 1997 as an irrevocable trust. The Trust's net position is subject to restrictions regarding its use. The Trust is authorized to make payments to charitable organizations or governmental entities, such as public colleges and universities, to assist in the form of gifts, grants and loans. The General Operations Program may be eligible to receive the income and up to 10% of the principal from the Trust at the trustees' direction. All payments to the General Operations Program shall be used by the Agency only to reduce charges it would otherwise have to impose upon institutions using the Agency's services, and all payments to charitable institutions or governmental entities must be for their charitable and governmental purposes, respectively.

During the years ended June 30, 2021 and 2020, the Trust awarded grants of $250,000 and $249,973, respectively, to charitable institutions. The Trust also started issuing loans beginning with fiscal year 2014. The net loan receivable balance as of June 30, 2021 and 2020 was $0. As of June 30, 2021 and 2020, approximately $11.3 million and $9.2 million, respectively, is available for future payments. The grants are reported as other grant awards in the accompanying statements of revenues, expenses and changes in net position. The restricted net position of the Trust was approximately $11.3 million and $9.2 million as of June 30, 2021 and 2020, respectively.

Credit Enhancement of Charter School Facilities Program ("Charter School Fund")
The Charter School Fund program currently has a total capitalization of $63,025,000 derived from five grant awards from the U.S. Department of Education ("U.S. DOE"), matching private guarantees from The Boston Foundation and Local Initiatives Support Corporation and matching guarantees from the Agency's General Fund.

During fiscal year 2005, the Agency was awarded $10,025,000 from the U.S. DOE to enable the Agency to facilitate the financing of charter schools through the issuance of loan guarantees. The first tier of the 2005 funding includes the $10,025,000 from the U.S. DOE and a $500,000 matching guarantee provided by the Agency's General Fund. The second tier of the 2005 funding included a $2,000,000 guarantee from Local Initiatives Support Corporation, a $4,000,000 guarantee from The Boston Foundation and a $500,000 guarantee from the Agency's General Fund. During fiscal year 2014, the Agency was awarded another $5,000,000 towards this program by the U.S. DOE and the Agency's General Fund may provide up to $5,000,000 of match funding for guarantees. During fiscal years 2015 and 2016, the Agency was awarded another $3,900,000 and $1,100,000, respectively, under one grant, and the Agency's General Fund may provide up to $5,000,000 of match funding for guarantees. During fiscal year 2018, the Agency was awarded another $8,000,000 towards this program by the U.S. DOE and the Agency's General Fund may provide up to $8,000,000 of match funding for guarantees. During fiscal year 2020, the Agency was awarded another $5,000,000 towards this program by the U.S. DOE. Additionally, second tier support of $5,000,000 was provided in fiscal 2021 and includes support from the Agency's General Fund providing up to $2,500,000 of matching funds and Local Initiatives Support Corporation providing a $2,500,000 guarantee.

As of June 30, 2021 and 2020, approximately $35.0 million and $32.5 million, respectively, are available for loan guarantees. Total Agency assets at risk due to outstanding guarantees, including commitments, aggregated approximately $32.5 million and $32.9 million at June 30, 2021 and 2020, respectively. The restricted net position of this program was approximately $34.2 million and $31.8 million as of June 30, 2021 and 2020, respectively.

Devens Electric Utility Division

In February 2001, the Agency issued Electrical System Revenue Bonds, Series 2001 for the purpose of financing the design, construction, installation and associated costs of the electrical system at Devens, as part of its Devens operations. As required by Section 609 of the Master Trust Indenture by and between the Agency and the Trustee, the Agency accounts for all related revenues and expenditures associated with the electric utilities at Devens as a separate division within the Agency. Net position of the Devens Electric Utility Division was approximately $13.2 million and $23.6 million as of June 30, 2021 and 2020, respectively. See Note 18 Segment Reporting.

Devens Gas, Water and Wastewater Utility Divisions

Devens also provides natural gas, water and sewer services to the residents and businesses of Devens, MA, as part of its Devens operations. The utility divisions pursue programs aimed at increasing energy supply, reliability and efficiency while limiting costs. The Agency tracks each utility division as a separate and distinct program. The net position of these utility divisions was approximately $30.5 million and $19.8 million as of June 30, 2021 and 2020, respectively.

Military Bond Bill Capital Projects Program ("MBB")
MBB was established pursuant to MGL Chapter 6, Section 216. The purpose of this program is to establish a military asset and security task force and provides that the Agency oversee and implement military installations mission improvement and expansion projects or base realignment preparation and mitigation projects, including the acquisition, management and disposition of all or any portion of military installations, buildings and utility systems, equipment and personal property, as well as, acquire title to land, buildings and improvements that comprise all or any portion of military installations upon the transfer or disposition of any portion of the military installations by the federal government. During fiscal years 2021 and 2020, MBB awarded grants totaling $1.7 million and $0.7 million, respectively. The restricted net position of this program was $0 as of June 30, 2021 and 2020. The MBB is included in the other column in the Supplemental Information on pages 70 and 71.

Transformative Development Initiative Program ("TDI")
TDI was established pursuant to MGL Chapter 287, acts of 2014. The purpose of this program is to redevelop Gateway cities to enhance local public-private engagement and community identity; stimulate an improved quality of life for residents and spur increased investment and economic activity. As of June 30, 2021 and 2020, approximately $7.1 million and $9.5 million, respectively, was available for disbursement. During fiscal years 2021 and 2020, TDI awarded grants totaling $1.6 million and $1.1 million, respectively, and had $0.6 million and $0.7 million, respectively, worth of direct project expenses. The net position of this program was approximately $4.7 million and $7.3 million as of June 30, 2021 and 2020, respectively.

Worcester Business Development Project Program ("WBD")
WBD was established in accordance with Section 19 of MGL Chapter 23G to provide Worcester Business Development Corporation a grant of up to $14,850,000 for the demolition and related costs of the former Bryan State Hospital building in Worcester, MA to create a pad-ready site to sell or lease to the bio-services industry. In fiscal year 2018, the Agency received $15.0 million from the Commonwealth in support of this project. During fiscal years 2021 and 2020, the Agency awarded grant funding totaling $0.5 million and $3.9 towards this project. As of June 30, 2021 and 2020, approximately $0 and $0.5 million, respectively, was available for disbursement. The restricted net position of this program was $0 as of June 30, 2021 and 2020. The WBD is included in the other column in the Supplemental Information on pages 70 and 71.

Transportation Infrastructure Enhancement Trust Program ("TNC")
TNC was established pursuant to MGL Chapter 187, acts of 2016. The purpose of this program is to provide financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development. As of June 30, 2021 and 2020, approximately $5.7 million and $9.5 million, respectively, was available for disbursement. During fiscal years 2021 and 2020, TNC awarded grants totaling $4.0 million and $0 million, respectively, and had $3.4 million and $0.6 million, respectively, worth of direct project expenses. The net position of this program was approximately $0.2 million as of June 30, 2021 and 2020, respectively. TNC is included in the other column in the Supplemental Information on pages 70 and 71.

Innovation Voucher Program

The Innovation Voucher Program was established pursuant to MGL Chapter 75, acts of 2017. The purpose of this program is to provide a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts. As of June 30, 2021 and 2020, approximately $4.2 million and $4.4 million, respectively, was available for disbursement. During fiscal years 2021 and 2020, Innovation Voucher awarded grants totaling $2.8 million and $0, respectively. The net position of this program was approximately $0.1 million and $0.4 million as of June 30, 2021 and 2020, respectively. Innovation Voucher is included in the other column in the Supplemental Information on pages 70 and 71.

Community Innovation Infrastructure Program ("CIIP")

The CIIP was implemented through a collaboration between the Agency and the Executive Office of Housing and Economic Development to support the fit-out and feasibility work needed to grow collaborative workspaces. As of June 30, 2021 and 2020, approximately $0.1 million and $0.5 million, respectively, was available for disbursement. During fiscal years 2021 and 2020, CIIP awarded grants totaling $1.1 million and $0, respectively. The net deficit of this program was approximately $0.2 million as of June 30, 2021 and 2020, respectively. CIIP is included in the other column in the Supplemental Information on pages 70 and 71.

CARES Act Revolving Loan Program

In 2021, the Agency was awarded $3,043,469 from the U.S. Department of Commerce's Economic Development Administration to help alleviate severe economic dislocation caused by the coronavirus pandemic. The program was capitalized with $2,850,000 and $193,469 to defray the cost of administering the program. As of June 30, 2021, approximately $0.5 million was available for disbursement. The Agency had approximately $1.7 million of gross loans receivable with loan loss reserves of approximately $0.2 million for net loans receivable of approximately $1.5 million outstanding as of June 30, 2021. The net position of this program was approximately $2.1 million as of June 30, 2021.

Bond Issuance Program

The Bond Issuance Program allows the Agency to offer debt financing by acting as a conduit bond issuer, usually on a tax-exempt basis, for diverse types of borrowers including but not limited to colleges, hospitals and other non-profits, affordable rental housing developments, manufacturing companies, solid waste disposal facilities and public infrastructure. The Agency's conduit bonds are purchased by banks or other types of investors. Principal and interest on the conduit bonds are payable from funds received from the underlying borrowers. Bonds may or may not carry private credit enhancement and are not obligations of the Agency, although in some cases a separate loan guarantee may have been provided by the Agency to a bank purchaser from one of the Agency's Loan Guarantee programs.

4. Cash, Cash Equivalents and Investments

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

June 30, 2021	Carrying Amount
Cash deposits	$139,258,648

June 30, 2020	Carrying Amount
Cash deposits	$151,366,942

General Operations Program allowable investments include: U.S. Treasuries, U.S. government agency issues, bank certificates of deposit or time deposits, banker's acceptance, short-term corporate obligations, repurchase agreements, asset backed securities, and money market funds. The maximum maturity of any investment is five years with the exception of floating rate notes, with 10% of the portfolio always being available in one day.

Restricted Operations Programs allowable investments include: bonds, notes and similar debt instruments issued by corporations, trusts, partnerships and limited liability companies; commercial paper; U.S. time deposits, certificates of deposit and banker's acceptances; fixed, variable and indexed rate notes; repurchase agreements and securities issued by companies, trusts and other entities registered under the 1940 Act or exempt from the 1940 Act under Section 3(c). The maximum allowable dollar-weighted average maturity is 90 days. The maximum maturity of any investment is 397 days, with 10% of the portfolio always being available in one day.

Depository Accounts

	2021	2020
Insured	$ 53,336,462	$ 41,448,524
Uninsured	85,922,186	109,918,418
	$139,258,648	$ 151,366,942

At June 30, 2021 and 2020, investments of approximately $71.4 million and $68.6 million, respectively, were designated for purposes such as specific loan, guarantee or grant programs and are included in investments in the statements of net position.

At June 30, 2021 and 2020, current investments included approximately $69.7 million and $66.3 million, respectively, of restricted investments. Non current restricted investments were approximately $15.6 million and $12.2 million as of June 30, 2021 and 2020, respectively.

The Agency invests some of its funds in the STAR Fund. The STAR Fund is designed to comply with all Massachusetts statutes and regulations for the allowable investment of funds by the Agency. The Agency's STAR Fund holdings as of June 30, 2021 and 2020 were approximately $74.5 million and $87.2 million, respectively. The Agency's investments in the STAR Fund in 2021 and 2020 qualified to be reported as cash equivalents as the STAR Fund adheres to GASB No. 79, *Certain External Investment Pools and Pool Participants,* which establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

As of June 30, 2021, the Agency's investments by maturity are summarized as follows:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5 *	More Than 5	Level Inputs (1, 2, 3)
U.S. Treasury Bonds	$ 21,651,687	$ 11,050,282	$ 10,601,405	$ -	1
Federal Agency Bonds/Notes	25,275,901	7,743,863	17,532,038	-	2
Corporate Notes	14,463,195	14,463,195	-	-	2
Commercial Paper	20,061,029	19,892,232	168,797	-	2
Certificates of Deposit	20,664,994	17,059,846	3,605,148	-	2
Asset Backed Securities	9,694,061	7,412	9,686,649	-	2
PFM Government Money Market Fund	35,019,405	35,019,405	-	-	2
U.S. Bank First American U.S. Treasury Fund	3,283,093	3,283,093	-	-	2
U.S. Bank First American Government Fund	88,083	88,083	-	-	2
Exchange Traded Fund Bond	363,303	-	-	363,303	2
Exchange Traded Fund Equity	4,588,666	-	-	4,588,666	2
Mutual Fund Bond	3,069,191	-	-	3,069,191	2
Mutual Fund Equity	2,327,670	-	-	2,327,670	2
Mutual Fund Other	820,236	-	-	820,236	2
Guaranteed Investment Contracts	255,284	-	-	255,284	N/A
Stock Warrants	2,489,500	-	-	2,489,500	3
Common Stock	1,699,420	-	-	1,699,420	1, 3
	$ 165,814,718	$ 108,607,411	$ 41,594,037	$ 15,613,270	

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

As of June 30, 2020, the Agency's investments by maturity are summarized as follows:

	Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5 *	More Than 5	Level Inputs (1, 2, 3)
U.S. Treasury Bonds	$ 25,379,888	$ 10,366,740	$ 15,013,148	$ -	1
Federal Agency Bonds/Notes	24,373,505	1,276,084	23,097,421	-	2
Corporate Notes	13,395,061	13,395,061	-	-	2
Commercial Paper	9,410,975	9,225,366	185,609	-	2
Certificates of Deposit	22,258,609	18,974,303	3,284,306	-	2
Asset Backed Securities	13,227,434	131,817	13,095,617	-	2
PFM Government Money Market Fund	32,507,835	32,507,835	-	-	2
U.S. Bank First American U.S. Treasury Fund	3,540,137	3,540,137	-	-	2
U.S. Bank First American Government Fund	51,470	51,470	-	-	2
Exchange Traded Fund Bond	1,029,399	-	-	1,029,399	2
Exchange Traded Fund Equity	622,396	-	-	622,396	2
Mutual Fund Bond	2,860,434	-	-	2,860,434	2
Mutual Fund Equity	4,621,932	-	-	4,621,932	2
Guaranteed Investment Contracts	250,450	-	-	250,450	N/A
Stock Warrants	924,000	-	-	924,000	3
Common Stock	2,252,760	-	-	2,252,760	1, 3
	$ 156,706,285	$ 89,468,813	$ 54,676,101	$ 12,561,371	

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

The Devens Electric Utility Division's investments include GIC's with multiple providers who maintain the contributed investments. These GICs are credited with earnings on the underlying investments and charged for withdrawals and expenses. The providers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Devens Electric Utility Division. The contract value represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. In accordance with GASB No. 72, *Fair Value Measurement and Application,* these investments are measured at contract value which falls outside of the fair value hierarchy.

As of June 30, 2021, the Agency's investments by quality rating are summarized as follows:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated *
U.S. Treasury Bonds	$ 21,651,687	$ -	$ 21,651,687	$ -	$ -
U.S. Treasury Bill	-	-	-	-	-
Federal Agency Bonds/Notes	25,275,901	-	25,275,901	-	-
Corporate Notes	14,463,195	-	2,075,135	12,388,060	-
Commercial Paper	20,061,029	-	-	19,892,232	168,797
Certificates of Deposit	20,664,994	-	1,636,198	19,028,796	-
Asset Backed Securities	9,694,061	9,694,061	-	-	-
PFM Government Money Market Fund	35,019,405	35,019,405	-	-	-
US Bank First American U.S. Treasury Fund	3,283,093	3,283,093	-	-	-
U.S. Bank First American Government Fund	88,083	88,083	-	-	-
Exchange Traded Fund Bond	363,303	-	-	-	363,303
Exchange Traded Fund Equity	4,588,666	-	-	-	4,588,666
Mutual Fund Bond	3,069,191	-	-	-	3,069,191
Mutual Fund Equity	2,327,670	-	-	-	2,327,670
Mutual Fund Other	820,236	-	-	-	820,236
Guaranteed Investment Contracts	255,284	-	-	255,284	-
Stock Warrants	2,489,500	-	-	-	2,489,500
Common Stock	1,699,420	-	-	-	1,699,420
	$ 165,814,718	$ 48,084,642	$ 50,638,921	$ 51,564,372	$ 15,526,783

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

As of June 30, 2020, the Agency's investments by quality rating are summarized as follows:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated *
U.S. Treasury Bonds	$ 25,379,888	$ -	$ 25,379,888	$ -	$ -
U.S. Treasury Bill	-	-	-	-	-
Federal Agency Bonds/Notes	24,373,505	-	24,373,505	-	-
Corporate Notes	13,395,061	-	1,660,449	11,734,612	-
Commercial Paper	9,410,975	-	-	9,225,366	185,609
Certificates of Deposit	22,258,609	-	1,654,872	20,603,737	-
Asset Backed Securities	13,227,434	13,227,434	-	-	-
PFM Government Money Market Fund	32,507,835	32,507,835	-	-	-
US Bank First American U.S. Treasury Fund	3,540,137	3,540,137	-	-	-
U.S. Bank First American Government Fund	51,470	51,470	-	-	-
Exchange Traded Fund Bond	1,029,399	-	-	-	1,029,399
Exchange Traded Fund Equity	622,396	-	-	-	622,396
Mutual Fund Bond	2,860,434	-	-	-	2,860,434
Mutual Fund Equity	4,621,932	-	-	-	4,621,932
Guaranteed Investment Contracts	250,450	-	-	250,450	-
Stock Warrants	924,000	-	-	-	924,000
Common Stock	2,252,760	-	-	-	2,252,760
	$ 156,706,285	$ 49,326,876	$ 53,068,714	$ 41,814,165	$ 12,496,530

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

The Agency has loan agreements within the ETP. The ETP is a loan program designed to promote economic development in the emerging technologies sector of the Massachusetts economy. These loans are generally issued to companies that are otherwise unable to obtain market-based financing. The majority of these companies are pre-revenue start-up operations which are being incubated through the ETP to promote economic development in the Commonwealth. Certain loan agreements include warrants that qualify as reportable derivative instruments under GASB No. 53. The value of these warrants is ultimately dependent upon the fair value of the companies which have issued the warrants. The objective of including a warrant in the loan agreement is for the ETP to share in any success the company may achieve if there is an initial public offering or sale of the company. Any successful warrant exercised essentially serves as a yield enhancement to the ETP and any proceeds are deposited back into the ETP.

The Agency has developed a reliable estimate of the fair value of the related warrants using a comparable company analysis and last round of financing approach or Black-Scholes method. Privately held warrant and equity-related securities are valued based on an analysis of various factors including, but not limited to: 1) the related company’s operating performance and financial condition, 2) general economic and industry trends, 3) the company’s latest round of financing: 4) price to enterprise value or price to equity ratios, and discounted cash flow, and 5) valuation comparisons to comparable public companies or other industry benchmarks. When an external event occurs, such as a purchase transaction, public offering, or subsequent equity sale, the pricing indicated by that external event is utilized to corroborate the valuation of the warrant and equity-related securities. The Agency periodically reviews the valuation of its portfolio companies that have not been involved in a qualifying external event to determine if the value of the portfolio company may have increased or decreased since the last valuation measurement date.

As of June 30, 2021, the Agency had the following derivative instruments outstanding which are included in noncurrent investments:

Type	Effective Date	Maturity Date	Terms	Valuation Technique	Fair Value
Series B Preferred Share Warrants	6/30/2017	6/30/2027	35,616 shares with exercise price of $3.65	Market Comparable Method	$ 6,000
Series A-2 Warrants	7/30/2019	7/30/2029	174,665 shares with exercise price of $0.63	Comparable Company Analysis	44,000
Series Seed Preferred Warrants	6/30/2021	6/30/2031	391,461 shares with exercise price of $0.374	Contingent Claims Analysis	63,000
Class D Warrants	4/8/2021	4/8/2031	10,227 shares with exercise price of $11.00	Comparable Company Analysis	3,500
Series Seed Preferred Warrants	6/30/2020	6/30/2030	13,783 shares with exercise price of $7.07	Comparable Company Analysis	41,000
Series Seed Preferred Warrants	12/5/2019	12/5/2029	56,471 shares with exercise price of $0.85	Comparable Company Analysis	3,000
Series B-1 Warrants	12/1/2019	12/1/2029	19,930 shares with exercise price of $0.81	Comparable Company Analysis	146,000
Series A-2 Warrants	5/31/2019	5/31/2029	681,368 shares with exercise price of $0.30	Comparable Company Analysis & Last Round of Financing Analysis	3,000
Series D Warrants	8/30/2012	8/30/2022	301,858 shares with exercise price of $0.32	Market Comparable Method	105,000
Series B Preferred Stock Warrants	7/8/2015	7/8/2025	5,066 shares with exercise price of $12.83	Black-Scholes	1,730,000
Series AD-1 Warrants	3/18/2021	4/9/2031	85,607 shares with exercise price of $0.8761	Market Comparable Method	7,000
Series A-1 Warrants	2/22/2017	2/22/2027	128,458 shares with exercise price of $1.265	Comparable Company Analysis	30,000
Class A Warrants	8/30/2019	8/30/2029	106,250 shares with exercise price of $0.80	Black-Scholes	50,000
Series A3 Warrants	5/11/2018	5/11/2028	32,420 shares with exercise price of $3.47	Comparable Company Analysis & Last Round of Financing Analysis	87,000
Class A Warrants	3/20/2020	3/20/2030	57,692 shares with exercise price of $1.30	Black-Scholes	31,000
Series Seed Preferred Warrants	8/18/2014	8/18/2024	93,333 shares with exercise price of $0.45	Comparable Company Analysis	3,000
Simple Agreement for Future Equity	11/30/2018	11/30/2028	To Be Determined Upon next Equity Financing	Black-Scholes	60,000
Equity Equivalent Units	6/27/2018	None	4,400 units with exercise price of $1.00	Comparable Company Analysis	77,000
				Total	$ 2,489,500

As of June 30, 2020, the Agency had the following derivative instruments outstanding which are included in noncurrent investments:

Type	Effective Date	Maturity Date	Terms	Valuation Technique	Fair Value
Series A-2 Warrants	7/30/2019	7/30/2029	174,665 shares with exercise price of $0.63	Comparable Company Analysis	$ 40,000
Series B Preferred Share Warrants	6/30/2017	6/30/2027	35,616 shares with exercise price of $3.65	Comparable Company Analysis & Last Round of Financing Analysis	4,000
Series Seed Preferred Warrants	2/14/2020	2/14/2030	391,461 shares with exercise price of $0.374	Comparable Company Analysis & Last Round of Financing Analysis	49,000
Series Seed Preferred Warrants	6/30/2020	6/30/2030	13,783 shares with exercise price of $7.07	Comparable Company Analysis	40,000
Series Seed Preferred Warrants	12/5/2019	12/5/2029	56,471 shares with exercise price of $0.85	Comparable Company Analysis	8,000
Series D Warrants	8/30/2012	8/30/2022	301,858 shares with exercise price of $0.32	Market Comparable Method	110,000
Series B Preferred Stock Warrants	7/8/2015	7/8/2025	5,066 shares with exercise price of $12.83	Comparable Company Analysis & Last Round of Financing Analysis	383,000
Series A-1 Warrants	2/22/2017	2/22/2027	128,458 shares with exercise price of $1.265	Comparable Company Analysis & Last Round of Financing Analysis	44,000
Class A Warrants	8/30/2019	8/30/2029	106,250 shares with exercise price of $0.80	Black-Scholes	40,000
Series A3 Warrants	5/11/2018	5/11/2028	32,420 shares with exercise price of $3.47	Comparable Company Analysis & Last Round of Financing Analysis	41,000
Class A Warrants	3/20/2020	3/20/2030	57,692 shares with exercise price of $1.30	Black-Scholes	31,000
Series Seed Preferred Warrants	8/18/2014	8/18/2024	93,333 shares with exercise price of $0.45	Comparable Company Analysis	13,000
Series A-2 Warrants	5/31/2019	5/31/2029	681,368 shares with exercise price of $0.30	Comparable Company Analysis & Last Round of Financing Analysis	2,000
Series B-1 Warrants	2/1/2019	2/1/2029	19,930 shares with exercise price of $8.15	Comparable Company Analysis	6,000
Simple Agreement for Future Equity	11/30/2018	11/30/2028	To Be Determined Upon next Equity Financing	Black-Scholes	70,000
Equity Equivalent Units	6/27/2018	None	4,400 units with exercise price of $1.00	Comparable Company Analysis	43,000
				Total	$ 924,000

Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The Agency's policy is to only invest with reputable financial institutions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by investing operating funds primarily in short term investments.

Additionally, the STAR Fund maintains a dollar-weighted average maturity of not greater than 90 days; requires that any investment securities purchased by the STAR Fund have remaining maturities of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or it agencies or instrumentalities, which must have remaining maturities of 762 days or less); and limits the remaining maturity of any commercial paper purchased by the STAR Fund to 270 days or less.

Credit Risk

Credit risk is the risk that the Agency's investments will be negatively impacted due to the default of the Agency's investments. According to the Agency's investment policy, investments must be prime quality and rated no less than A by either Moody's, Standard and Poor's, or Fitch.

Concentration of Credit Risk

Concentration of credit risk is assumed to arise when the amount of cash and investments that the Agency has with any one issuer exceeds 5% of the total value of the Agency's investments. As of June 30, 2021, the cash, cash equivalents and investments held in any one issuer over 5% of the total value of the Agency's investments included $35.0 million invested in a government money market fund (21.1%).

As of June 30, 2020, the cash, cash equivalents and investments held in any one issuer over 5% of the total value of the Agency's investments included $32.5 million invested in a government money market fund (11.7%).

Foreign Currency Risk

The investment policy of the Agency limits the Agency's foreign currency risk by excluding foreign investments as an investment option.

STAR Fund Investment Risks

The following are risk disclosures of the STAR Fund as of December 31, 2020:

Credit Risk

The STAR Fund's investment policies, as outlined in its Information Statement, limit the STAR Fund's investments to those which investors in the STAR Fund can invest under the laws of the Commonwealth. As of December 31, 2020, the STAR Fund was comprised of investments which were, in aggregate, rated by Standard & Poor's ("S&P") as follows:

S&P Rating	%
AA	1.49%
AA-	0.98%
A-1+	21.28%
A-1	54.27%
A+	1.12%
Exempt (1)	20.86%

(1) *Represents investments in U.S. Treasury securities, or repurchase agreements collateralized by U.S. Treasury securities, which are not considered to be exposed to overall credit risk per GASB.*

The ratings in the preceding chart include the ratings of collateral underlying repurchase agreements in effect at December 31, 2020. Securities with a long-term rating of A or higher are equivalent to the highest short-term rating category based on S&P rating methodology.

Concentration of Credit Risk

As outlined in the STAR Fund's Information Statement, the STAR Fund's investment policy establishes certain restrictions on investments and limitations on portfolio composition. At December 31, 2020, the STAR Fund's portfolio included the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the STAR Fund's total investment portfolio:

Issuer	%
BNP Paribas (NY) (1)	5.88%
Credit Agricole Corporate & Investment Bank (NY) (1)	5.94%
Goldman Sachs & Co. (1)	5.88%
U.S. Treasury	11.90%

(1) *This issuer is also counterparty to a repurchase agreement entered into by the STAR Fund. The repurchase agreements are collateralized by U.S. Government Agency and/or U.S. Treasury obligations.*

Interest Rate Risk

The STAR Fund's investment policy limits its exposure to market value fluctuations due to changes in interest rates by requiring that: (1) it maintain a dollar-weighted average maturity of not greater than 60 days; (2) requiring that any investment securities purchased by the STAR Fund have remaining maturities of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less) and (3) limiting the remaining maturity of any commercial paper purchased by the STAR Fund to 270 days or less. At December 31, 2020, the weighted average maturity of the STAR Fund, including cash and cash equivalents and certificates of deposit, was 49 days.

The range of yields to maturity, actual maturity dates, principal values, fair values and weighted average maturities of these types of investments the STAR Fund held at December 31, 2020 are as follows:

Type of Deposits and Investments	Yield-to-Maturity Range	Maturity Range	Principal	Fair Value	Weighted Average Maturity
Asset-Backed Commercial Paper	0.21%-0.37%	1/7/21-9/24/21	$ 70,932,000	$ 70,908,345	52 Days
Cash and Cash Equivalents	n/a	n/a	31,932	31,932	1 Day
Certificates of Deposit – Negotiable	0.24%-0.60%	1/8/21-9/24/21	92,900,000	92,906,708	57 Days
Commercial Paper	0.20%-1.22%	1/6/21-8/10/21	63,465,000	63,421,676	99 Days
Corporate Notes	0.20%-0.71%	1/6/21-8/10/21	12,198,000	12,214,518	27 Days
Repurchase Agreements	0.08%-0.11%	1/4/21-4/1/21	60,200,000	60,200,000	6 Days
U.S. Treasury Bills	0.08%	1/5/21-5/4/21	25,000,000	24,999,250	15 Days
U.S. Treasury Notes	0.10%	1/15/21	15,474,160	15,475,973	15 Days
			$ 340,201,092	$ 340,158,402	

The yields shown in the preceding table represent the yield-to-maturity at original cost except for adjustable rate instruments, for which the rate shown is the coupon rate in effect at December 31, 2020. The weighted average maturities shown in the preceding table are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the securities interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (3) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the security may be recovered through the demand feature and (4) the effective maturity of cash and cash equivalents is assumed to be one day.

5. Investments in Joint Ventures

The Agency has a participating interest in 11 joint ventures, which are accounted for on the equity method of accounting. With this method, the Agency reports its proportional share of revenue or expense on the statements of revenues, expenses and changes in net position. Upon dissolution of the respective joint venture, proceeds will be distributed according to the terms of the joint venture agreements of each respective member.

The following is a summary of the Agency's investment in joint ventures at June 30:

	June 30, 2020	Capital Contributions	Distributions	Share of Operating Income	June 30, 2021
Investment in Hospital Hill LLC	$ 495,322	$ 4,579	$ (511,140)	$ 11,239	$ -
Investment in Commonwealth Fund III LLC	5,013,493	52,152	-	659,484	5,725,129
Investments in NMTC entities	16,237	-	(4,206)	257	12,288
	$ 5,525,052	$ 56,731	$ (515,346)	$ 670,980	$ 5,737,417

	June 30, 2019	Capital Contributions	Distributions	Share of Operating Income	June 30, 2020
Investment in Hospital Hill LLC	$ 699,083	$ 40,910	$ (319,882)	$ 75,211	$ 495,322
Investment in Commonwealth Fund III LLC	4,258,727	14,500	-	740,266	5,013,493
Investments in NMTC entities	16,522	-	(465)	180	16,237
	$ 4,974,332	$ 55,410	$ (320,347)	$ 815,657	$ 5,525,052

The Agency is a 90.1% participant and the managing member in Hospital Hill LLC (the "LLC"). The LLC was formed to acquire and redevelop the former Northampton State Hospital site in Northampton, Massachusetts. he redevelopment effort has focused on office/light industrial space, mixed use space and retail space, approximately 300 housing units consisting of both multi-family housing units and single-family houses and 83 assisted living units. There are three small commercial lots remaining to be sold. No separate financial statements are issued for this LLC.

The Agency is a 98% member in the Commonwealth Fund III LLC Fund (the "Fund"). The managing member is Massachusetts Technology Development Corporation. The primary purpose of the Fund is to invest in entities broadly related to the technology industry, such as robotics, instrumentation, telecom, computers, software, healthcare information technology and mobile applications. The Agency has committed a total of $5.0 million to the Fund investment from the ETP. As of June 30, 2021 and 2020, $3,982,325 and $3,930,172, respectively, had been contributed to the Fund.

The Agency has a 0.01% to 0.10% investment allocation in the Investments in NMTC entities. The Agency, via subsidiary entity MassDevelopment New Markets LLC ("MDNM") was awarded, since the inception of the program, the right to allocate federal NMTC's against $341.0 million of its investors' investments by the United States Department of the Treasury.

NMTC's have been made available to banks, corporations, partnerships and funds that invest in MDNM. The proceeds of their investments will be reinvested in business and commercial development in low-income census tracts. As of June 30, 2021 and 2020, the Agency had investments in 10 and 15 such entities, respectively. See Note 19.

6. Small Business Recovery Loan Fund

The Agency remitted $10.0 million to the MGCC Small Business Recovery Loan Fund established to assist small businesses impacted by the COVID-19 pandemic during fiscal year 2020. he Agency anticipated to be repaid as businesses repay loans to MGCC. As of June 30, 2020, a $5.0 million provision loss was applied against the fund as it was anticipated that there may be some businesses that would be unable to repay loans. As of June 30, 2021, a $4.1 million provision recovery was recognized to bring the fund to $8.1 million, the anticipated repayment amount from MGCC.

The following is a summary of the Agency's Small Business Recovery Loan Fund balance at June 30:

	June 30, 2020	Contributions	Distributions	Provision Gain	June 30, 2021
Small Business Recovery Loan Fund	$ 5,000,000	$ -	$ (963,313)	$ 4,077,343	$ 8,114,030

	June 30, 2019	Contributions	Distributions	Provision Loss	June 30, 2020
Small Business Recovery Loan Fund	$ -	$ 10,000,000	$ -	$ (5,000,000)	$ 5,000,000

7. Loans Receivable

The following is a summary of the Agency's loans receivable as of June 30:

	June 30, 2020	Disbursements (Provisions, net)	(Collections)/ Write-offs	June 30, 2021
Loans receivable	$ 91,671,520	$ 26,597,527	$ (18,991,942)	$ 99,277,105
Less: allowance for loan loss	(9,948,470)	(1,073,529)	166,817	(10,855,182)
	$ 81,723,050	$ 25,523,998	$ (18,825,125)	$ 88,421,923

	June 30, 2019	Disbursements (Provisions, net)	(Collections)/ Write-offs	June 30, 2020
Loans receivable	$ 84,727,344	$ 24,472,917	$ (17,528,741)	$ 91,671,520
Less: allowance for loan loss	(9,802,777)	(851,903)	706,210	(9,948,470)
	$ 74,924,567	$ 23,621,014	$ (16,822,531)	$ 81,723,050

Most loans are collateralized by a first or shared first position in the underlying collateral. As of June 30, 2021 and 2020, 11 loans totaling $4.7 million and 12 loans totaling $6.7 million, respectively, are collateralized by second positions in the underlying property. Also, as of June 30, 2021 and 2020, three loans totaling $0.8 million and $0.7 million, respectively, are collateralized by third and fourth positions. As of June 30, 2021 and 2020, one loan totaling $0.03 million and $0.05 million, respectively, is unsecured.

There were approximately $1.7 million and $2.0 million net loans receivable that were considered nonaccrual loans as of June 30, 2021 and 2020, respectively. All payments received from borrowers for nonaccrual loans are applied to the principal balance of the loan.

8. Interest Receivable

The following is a summary of the Agency's interest receivable at June 30:

	2021	2020
Investment interest	$ 357,564	$ 416,127
Loan interest	354,231	370,292
	$ 711,795	$ 786,419

Interest receivable includes amounts earned but not received on both investments and loans, net of an allowance for doubtful accounts. When the Agency believes the collectability of the interest is unlikely, a reserve against interest is charged as a component of the allowance for doubtful accounts. As of June 30, 2021 and 2020, no allowance was deemed necessary.

9. Predevelopment and Brownfield Receivables

The following is a summary of the Agency's predevelopment and brownfield receivables as of June 30:

	June 30, 2020	Disbursements (Provision, net)	(Collections)/ Write-offs	June 30, 2021
Predevelopment and Brownfield receivables	$ 12,535,917	$ 4,616,932	$ (174,236)	$ 16,978,613
Less: accumulated provision	(11,618,987)	(4,515,484)	50,250	(16,084,221)
	$ 916,930	$ 101,448	$ (123,986)	$ 894,392

	June 30, 2019	Disbursements (Provision, net)	(Collections)/ Write-offs	June 30, 2020
Predevelopment and Brownfield receivables	$ 10,092,989	$ 2,687,809	$ (244,881)	$ 12,535,917
Less: accumulated provision	(9,233,589)	(2,628,379)	242,981	(11,618,987)
	$ 859,400	$ 59,430	$ (1,900)	$ 916,930

Predevelopment and Brownfield receivables represent amounts advanced to organizations for the purpose of conducting market analysis and feasibility studies for expansion of operations.

Advanced funds are recovered in accordance with individual terms as stated in the memoranda of agreement and evaluation of collectability.

In addition to the advances noted above, the Agency awarded approximately $0 and $0.5 million of Predevelopment and Brownfield grant awards during fiscal years 2021 and 2020, respectively, which are included in the statements of revenues, expenses and changes in net position.

10. Capital Assets

A summary of changes in capital assets for the year ending June 30, 2021 is as follows:

	June 30, 2020	Additions/ (Transfers)	Disposals/ Transfers	June 30, 2021
Capital:				
Land	$ 6,624,846	$ -	$ (173,839)	$ 6,451,007
Building	38,763,907	60,141	(365,719)	38,458,329
Buildings/land/tenant improvements	6,062,050	56,621	(19,681)	6,098,990
Infrastructure	146,689,015	1,709,341	(2,148,337)	146,250,019
Equipment	7,446,513	341,809	-	7,788,322
Office equipment	4,758,297	75,847	-	4,834,144
Construction in progress	57,931	775,106	-	833,037
Assets held for sale	12,002,543	197,973	-	12,200,516
Subtotal	222,405,102	3,216,838	(2,707,576)	222,914,364
Less: accumulated depreciation				
Building	(29,265,799)	(902,167)	19,615	(30,148,351)
Buildings/land/tenant improvements	(4,956,695)	(216,388)	12,831	(5,160,252)
Infrastructure	(85,226,760)	(5,661,942)	508,792	(90,379,910)
Equipment	(5,191,641)	(542,571)	-	(5,734,212)
Office equipment	(4,599,517)	(107,890)	-	(4,707,407)
	(129,240,412)	(7,430,958)	541,238	(136,130,132)
Total	$ 93,164,690	$ (4,214,120)	$ (2,166,338)	$ 86,784,232

A summary of changes in capital assets for the year ending June 30, 2020 is as follows:

	June 30, 2019	Additions/ (Transfers)	Disposals/ Transfers	June 30, 2020
Capital:				
Land	$ 6,624,846	$ -	$ -	$ 6,624,846
Building	38,613,160	150,747	-	38,763,907
Buildings/land/tenant improvements	6,029,473	32,577	-	6,062,050
Infrastructure	143,572,320	3,116,695	-	146,689,015
Equipment	6,882,164	618,100	(53,751)	7,446,513
Office equipment	4,696,965	61,332	-	4,758,297
Construction in progress	57,931	-	-	57,931
Assets held for sale	13,728,200	642,935	(2,368,592)	12,002,543
Subtotal	220,205,059	4,622,386	(2,422,343)	222,405,102
Less: accumulated depreciation				
Building	(28,130,578)	(1,135,221)	-	(29,265,799)
Buildings/land/tenant improvements	(4,702,326)	(254,369)	-	(4,956,695)
Infrastructure	(79,786,063)	(5,440,697)	-	(85,226,760)
Equipment	(4,771,824)	(473,568)	53,751	(5,191,641)
Office equipment	(4,424,172)	(175,345)	-	(4,599,517)
	$(121,814,963)	$ (7,479,200)	$ 53,751	$ (129,240,412)
	$ 98,390,096	$ (2,856,814)	$ (2,368,592)	$ 93,164,690

Devens

As of June 30, 2021 and 2020, the Agency had cumulative net costs associated with the development of Devens, including utilities, of approximately $70.4 million and $76.4 million, respectively, which are included in capital assets. The related depreciation expense for the years ended June 30, 2021 and 2020, was approximately $6.7 million.

The Agency had a total of five lot sales at Devens during fiscal year 2021. Two lot sales were fully recognized during the fiscal year resulting in gross sales proceeds of $68,387 and net gains of $65,781. Three lot sales were deferred and the gains on sale were reported as other liabilities at June 30, 2021 as the conditions in the repurchase clauses had not been satisfied by year end. The sales resulted in gross sales proceeds of $11,510,753 and net gains of $8,868,742. There were no sales at Devens during fiscal year 2020.

Springfield

The Agency purchased a building at 1550 Main Street in Springfield, Massachusetts in September 2009 for a purchase price of $2.5 million. The Agency has cumulative net costs associated with 1550 Main Street of approximately $3.8 million and $4.3 million as of June 30, 2021 and 2020, respectively, which is included in capital assets. The related depreciation expense for the years ended June 30, 2021 and 2020 was $566,772 and $619,676, respectively.

The Agency purchased a building at 8-12 Stearns Square in Springfield, Massachusetts in October 2015 for a purchase price of $604,350 and had $1,872,520 of improvements to the building. During fiscal year 2020, the Agency sold this building, resulting in gross sales proceeds of $100 and a net loss of $2,368,592.

Taunton

In January 2012, the Agency, in partnership with TDMDC, purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The Agency has cumulative net redevelopment capital on the property of approximately $9.3 million as of June 30, 2021 and 2020, which is included in assets held for sale.

The Agency had one lot sale at the Taunton property during fiscal year 2019 resulting in gross sales proceeds of $1,638,500 and a net gain of $335,809. The gain on sale was deferred and reported as other liabilities at June 30, 2019 as the conditions in the repurchase clause had not been satisfied at year end. This net gain on sale was recognized during fiscal year 2020 as the conditions in the repurchase clause were satisfied during the fiscal year. There were no lot sales during fiscal year 2020.

Leases

The Agency leases office, commercial and retail space in Springfield, Devens and Taunton, Massachusetts. Rental income is included in other revenues in the statements of revenues, expenses and changes in net position. At June 30, 2021, the Agency had minimum future rental income, under long-term non-cancelable operating leases with various expiration dates through fiscal year 2026, for facilities over the next five years as follows:

Operating Leases

Fiscal Year	Rental Income
2022	$ 2,470,392
2023	1,827,065
2024	1,679,452
2025	1,282,709
2026	824,490
Total	$ 8,084,108

11. Outstanding Loan and Other, Commitments, Leases and Revenue Bonds Issued

The Agency issued loans under its economic development programs aggregating $26.6 million and $24.5 million during fiscal years 2021 and 2020, respectively. The Agency has committed to issuing an additional $25.6 million and $12.3 million of loans as of June 30, 2021 and 2020, respectively.

Leases

At June 30, 2021, the Agency had minimum future rental commitments under long-term non-cancelable operating leases for facilities for the next five years as follows:

Fiscal Year	Rent Expense
2022	$ 1,482,413
2023	1,304,742
2024	1,321,558
2025	1,187,549
2026	-
Total	$ 5,296,262

The Agency leases office space in Boston and Devens, Massachusetts and various other cities for regional offices throughout Massachusetts. Rent expense included in the accompanying statements of revenues, expenses and changes in net position was approximately $1.4 million, for fiscal years 2021 and 2020.

Bond Issuance Program

The Agency's Bond Issuance Program assisted in the issuance of taxable and tax-exempt bonds and lease transactions on behalf of client institutions through its bond financing program on 57 projects aggregating approximately $1.8 billion during fiscal year 2021 and 75 projects aggregating approximately $2.6 billion during fiscal year 2020. These debt obligations are conduit transactions and do not constitute a debt or liability of the Agency, therefore, these financing transactions are not included in the accompanying financial statements. The Agency earned bond issuance fee revenues related to these financings of approximately $5.3 million and $6.4 million in fiscal years 2021 and 2020, respectively, and are included as a component of bond issuance and new markets tax credit fees in the statements of revenues, expenses and changes in net position.

Commitments

The Devens Electric Utility Division uses Master Power Supply Agreements to procure necessary power supply requirements from time to time as market and load growth conditions dictate. The Devens Electric Utility Division secured 55% of its 2021 power supply requirements using confirmations in place with NextEra and Shell Energy. 20% was provided by wind, solar and hydro renewables with the balance of 25% being secured through the ISO-NE Day Ahead and Real Time energy market. Additional confirmation transactions are in place with these same providers plus BP Energy and MacQuarie in varying quantities to secure between 40% - 60% of the load requirements from 2022 through 2025. 20% of its future power supply needs are met through long-term contracts in place with several solar providers, one wind turbine provider and a hydroelectric provider. The energy supply portfolio is reviewed every quarter with our power supply consultant, Energy New England, to make additional hedging transactions as needed.

The renewable power supply portfolio mentioned above consists of solar generated power from 10 MW's of 3rd party owned PV projects at Devens, wind turbine power generated by a 12 turbine project located in Carthage, Maine, and hydroelectric power produced by the Cabot/Turner Falls hydro plant located in Montague, Massachusetts. This represents approximately 20% of the total power supply needs of the Devens electric utility supplied from renewable resources.

The Agency has concluded that the contracts noted above are not subject to GASB No. 53. The hedging contracts noted above entered into by the Devens Electric Utility Division are considered normal purchases and sales contracts for utilities as part of the ongoing operations of the Devens Electric Utility Division. These activities are subject to the normal use exclusion provided for in GASB No. 53 and are not required to be reported as derivative instruments.

The Devens Electric Utility Division has also entered into an Operation and Maintenance Agreement with the Town of Wellesley, MA for the management and operation of the Electric System. The current agreement expires June 30, 2024.

12. Bonds Payable

Electric System Utility Bond

During fiscal 2001, the Agency issued Electric System Revenue Bonds, Series 2001 for the Electric System at Devens which totaled approximately $10.6 million. The Series 2001 Bonds were used to finance the design, construction, installation and associated costs of certain capital improvements to the Electric System at Devens and to fund reserves for future capital upgrades.

In an effort to lower the weighted average interest rate on the bonds, the Agency refunded the bonds in December 2011 and issued Devens Electric System Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds"). Principal of $8,775,000 was repaid in relation to the Series 2001 Bonds and new principal of $8,145,000 was issued.

The following is a summary of the Agency's bonds payable activity for the years ended June 30:

	Weighted Average Interest Rate at June 30, 2021	June 30, 2020	Principal Payments/ Amortization	June 30, 2021	Current Portion
Devens Electric System Utility Bond	3.95%	$ 5,255,000	$ (400,000)	$ 4,855,000	$ 410,000
Less Discount		(590)	(233)	(823)	-
		$ 5,254,410	$ (400,233)	$ 4,854,177	$ 410,000

	Weighted Average Interest Rate at June 30, 2020	June 30, 2019	Principal Payments/ Amortization	June 30, 2020	Current Portion
Devens Electric System Utility Bond	3.88%	$ 5,645,000	$ (390,000)	$ 5,255,000	$ 400,000
Less Discount		(484)	(106)	(590)	-
		$ 5,644,516	$ (390,106)	$ 5,254,410	$ 400,000

The Series 2011 Bonds are collateralized by a pledge of the Electric System's revenues and certain funds and accounts established under the bond. The Series 2011 Bonds carry a long-term Standard & Poor's rating of A. The credit rating was upgraded from A- to A as part of the issuance of the bonds during fiscal year 2012. Total principal and interest remaining on the bonds is $5,941,360, payable through June 30, 2031. For the current fiscal year, principal and interest paid was $599,408 and total funds and debt service related accounts of the Devens Electric Utility System were $3,319,143. Total revenues of the Devens Electric Utility System were $19,518,413, for the current fiscal year.

The bond documents require the maintenance of certain funds. Below are certain funds balances as of June 30, 2021 and 2020 which are included in restricted cash and cash equivalents on the statements of net position.

- The Revenue Fund had balances of $3,057,466 and $8,539,856, respectively, which are included in the current cash and cash equivalents-restricted for use balances of $3,355,923 and $8,838,311, respectively, as shown on the statements of net position. All revenues generated by the Electric System, exclusive of interest income, are deposited into the Revenue Fund. Funds are transferred from the Revenue Fund to other funds of the Electric System according to the bond resolution agreement. The Revenue Fund received transfers of $1,982,000 from the Capital Upgrade Reserve Fund and $2,347,026 from the Operating/Rate Stabilization Reserve Fund and transferred $11,629,026 to the Devens Water Utility Division Program of the Agency during fiscal year 2021 to assist with capital upgrades for the water system in Devens.

- The Capital Upgrade Reserve Fund had balances of $2,839,471 and $5,561,883, respectively. The Capital Upgrade Reserve Fund may be used to fund capital improvements to the Electric System. If excess funds exist in the Capital Upgrade Reserve Fund, then these excess funds may be used to cover any operating shortfalls. The Capital Upgrade Reserve Fund transferred $1,982,000 to the Revenue Fund during fiscal year 2021. No funds were transferred during fiscal year 2020.

- The Operating/Rate Stabilization Reserve Fund had balances of $1,001,688 and $3,347,948, respectively, which are included in the noncurrent cash and cash equivalents-restricted for use balances of $1,008,081 and $3,354,338, respectively, as shown on the statements of net position. The Operating/Rate Stabilization Reserve Fund may be used to fund operating expenses of the Electric System when there are not sufficient funds available from operations. The Operating/Rate Stabilization Reserve Fund transferred $2,347,026 to the Revenue Fund during fiscal year 2021. No funds were transferred in fiscal year 2020.

Excess balances in the Revenue Fund may be transferred to the Agency, free and clear of the lien of the bond resolution, if all funding requirements are met and the debt service coverage requirement of 1.5 has been met, cumulatively, during the 12 consecutive months prior to the transfer date.

Principal payments are due annually through 2031. Interest expense related to this bond was $199,408 and $211,256 for the years ended June 30, 2021 and 2020, respectively.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default, as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2021 and 2020, the necessary debt service coverage was met.

Scheduled principal (excluding discounts and premiums) and estimated interest payments on all the bonds payable are shown below.

Fiscal Year	Principal	Interest	Total Debt Service
2022	$ 410,000	$ 187,256	$ 597,256
2023	425,000	173,934	598,934
2024	435,000	159,150	594,150
2025	455,000	142,438	597,438
2026	470,000	123,938	593,938
2027-2031	2,660,000	299,644	2,959,644
	$ 4,855,000	$ 1,086,360	$ 5,941,360

13. Loans Payable

The following is a summary of the Agency's loans payable activity for the years ended June 30:

	2020	Advances	Repayments	2021	Current Portion
Taunton Development Corporation	$ 25,000	$ -	$ (25,000)	$ -	$ -
	$ 25,000	$ -	$ (25,000)	$ -	$ -

	2019	Advances	Repayments	2020	Current Portion
Taunton Development Corporation	$ 25,000	$ -	$ -	$ 25,000	$ 25,000
	$ 25,000	$ -	$ -	$ 25,000	$ 25,000

TDMDC repaid its loan from Taunton Development Corporation during fiscal year 2021.

14. Advances from the Commonwealth

The following is a summary of the Agency's Advances from the Commonwealth as of June 30:

	2020	Repayments	2021	Current Portion
Massachusetts Department of Environmental Protection	$ 7,375,057	$ (580,195)	$ 6,794,862	$ 596,793

	2019	Repayments	2020	Current Portion
Massachusetts Department of Environmental Protection	$ 7,934,503	$ (559,446)	$ 7,375,057	$ 580,195

During the year ended June 30, 1998, the DEP approved loans to the Agency. In addition, The Massachusetts Water Abatement Trust, currently known as the Massachusetts Clean Water Trust ("MCWT"), issued loans to the Agency. Collectively, these loans were advanced to construct a wastewater treatment facility at Devens. These loans are being paid back to MCWT through revenues generated from wastewater usage at Devens and surrounding communities. These loans are part of a pooled loan program bond within the MCWT. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on these loans. Repayment of the loans began on February 1, 2002.

The loans mature in August 2024 and February 2031. Principal and interest expense related to these loans was $605,195 and $311,764 and $559,446 and $363,959 for the years ended June 30, 2021 and 2020, respectively.

During fiscal years 2021 and 2020, the Commonwealth paid $134,030 and $113,338 in principal payments and $212,412 and $255,519 in interest expense, respectively.

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2021 and 2020, the necessary debt service coverage was met.

The scheduled principal and interest payments on the DEP loans at June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2022	$ 596,793	$ 303,095	$ 899,888
2023	617,541	289,265	906,806
2024	638,289	140,950	779,239
2025	659,037	112,164	771,201
2026	663,935	198,187	862,122
2027-2031	3,619,267	496,046	4,115,313
	$ 6,794,862	$ 1,539,707	$ 8,334,569

15. Tax Incremental Financing Agreements/Special Tax Assessments

The Agency is committed to providing a supportive environment for business and economic development in the Devens Regional Enterprise Zone established by Chapter 498 of the Massachusetts Acts of 1993, as amended. The Agency may agree to temporary exemptions of incremental property taxes ("TIF") or special tax assessments ("STA") with businesses which agree to locate or expand in Devens.

The Agency had two TIF agreements outstanding as of June 30, 2021:

Purpose	Percentage of Tax Reduction		Value
Tax Incremental Financing:			
Biopharmaceutical company to construct and operate large scale cell culture facility	40-50%		$ 1,051,664
Manufacturing, research and development facility	85%	*	52,553
			$ 1,104,217

* TIF percentage is based on qualifying project incremental value for the fiscal year (change in value each fiscal year only)

The Agency had two TIF agreements and one STA agreement outstanding as of June 30, 2020:

Purpose	Percentage of Tax Reduction		Value
Tax Incremental Financing:			
Biopharmaceutical company to construct and operate large scale cell culture facilit	45-50%		$ 1,255,823
Manufacturing, research and development facility	90%	*	55,833
			$ 1,311,656

* TIF percentage is based on qualifying project incremental value for the fiscal year (change in value each fiscal year only)

Each TIF agreement was negotiated under provisions of MGL Chapter 59, Section 5, clause 51 and MGL Chapter 40, Section 59 allowing the Agency to grant temporary incremental property tax exemptions. The STA was granted in accordance with Chapter 23A, Section 3E of the MGL, allowing the Agency to grant special tax assessments.

The Agency uses the TIF and STA agreements as an economic development incentive at Devens. The execution of such agreements is intended to promote the creation or retention of full-time jobs in Devens, increase the Devens tax and revenue base and enhance the overall quality of life in Devens. All agreements contain annual reporting requirements to the Agency on employment levels. If a business fails to comply with its obligations under an agreement, the Agency will give written notice of such failure and provide an opportunity to meet with the Agency to discuss such failure. Continued failure to comply with obligations could result in the revocation of the related agreement.

16. Other Related Party Transactions

The following related party transactions are not reflective of consideration of what these arrangements might have been if they occurred in an arms-length transaction.

The Agency oversees the management and development of the Jodrey State Fish Pier (the “Pier”) facilities, which are leased to the Agency by the Department of Conservation and Recreation (representing the Commonwealth). The Pier reimburses the Agency for the Pier’s direct salary costs paid by the Agency, which amounted to $195,844 and $199,797 for the years ended June 30, 2021 and 2020, respectively. The Pier also reimburses the Agency for Agency staff time and operating expenses paid by the Agency, which amounted to $155,230 and $115,714 for the years ended June 30, 2021 and 2020, respectively.

The Agency also oversees management services for Cape Ann Fisheries Development Corporation ("Cape Ann"), a non-profit corporation formed for construction and management of a multi-tenant seafood processing facility at the State Fish Pier in Gloucester. In fiscal year 2001, the Agency provided two loans to Cape Ann in the amounts of $2.3 million and $500,000 for construction expenses and remediation of environmental conditions at the seafood processing facility. In fiscal year 2013, these loans were refinanced into four separate notes (Notes A and B for each loan). The balance on the Notes A loans receivable, net of allowance for loan loss, as of June 30, 2021, was $461,935 and $128,232. The balance as of June 30, 2020, was $506,225 and $139,974. The Agency wrote off both Notes B during fiscal year 2013 as they were deemed uncollectible. These loans are included in loans receivable on the statements of net position.

In September 2009, the Agency refinanced another Cape Ann loan in the amount of $2.7 million. In fiscal year 2013, this loan was refinanced into two separate notes (Notes A and B). The balance on the Note A loan receivable, net of allowance for loan loss, was $737,250 and $804,758 as of June 30, 2021 and 2020, respectively. The Agency wrote off Note B during fiscal year 2013 as it was deemed uncollectible.

The Agency donated approximately $108,959 and $34,561 of Agency staff time and $74,560 and $17,241 of Cape Ann direct salary costs to Cape Ann during fiscal years 2021 and 2020, respectively. These donated costs covered management services provided to Cape Ann during the fiscal years.

The Agency is eligible to receive an administrative fee of up to 0.09% of the average daily assets of the STAR Fund. The Agency's STAR Fund holdings held on its own account as of June 30, 2021 and 2020, were approximately $74.5 million and $87.2 million, respectively, and are included in cash and cash equivalents in the statements of net position. During the years ended June 30, 2021 and 2020, the Agency received administrative fees of $240,868 and $317,968, respectively, from the STAR Fund. The administrative fees are reported in bond issuance and new markets tax credit fees in the statements of revenues, expenses and changes in net position.

17. Benefit Plans

The Agency contributed approximately $1.8 million and $1.7 million to employee benefit plans described below during the years ended June 30, 2021 and 2020, respectively.

Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees of the Agency, permits employees to defer a portion of their salaries. The Agency matches employees' deferrals up to 5% of the participants' salary, which are contributed to the 401(a) defined contribution plan. The participants' rights to the Agency contributions vest immediately. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All contributions made under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

Effective December 31, 1997, Section 401(a) of the IRC was amended by Section 1448 of the Small Business Job Protection Act of 1996 which provides that governmental deferred compensation plans must hold all assets and income of the plan in trust for the exclusive benefit of participants and their beneficiaries. In accordance with the legislation described above, the vested assets and associated liability of the deferred compensation plan assets are not included in the statements of net position.

401(a) Defined Contribution Plan

The Agency provides for retirement through a contribution to a 401(a) plan for eligible employees. The contribution is equal to a percentage of the employee's gross compensation earned each pay period. Currently, the Agency's contribution is 7.5% of the employee's gross compensation. Employees who began employment with the Agency on or after January 1, 1999 are subject to a three-year vesting schedule.

Certain employees of the Agency are eligible to participate in the Commonwealth State Retirement Systems Pension Plan (the "State Plan") under a special funding situation where the Commonwealth is the non-employer sole contributor under GASB No. 68, *Accounting and Financial Reporting for Pensions*. An Actuarial valuation has been performed for the State Plan. The Agency's employees were included in the actuarial analysis with a net pension liability of $4,757,481 and $4,054,705 as of June 30, 2021 and 2020, respectively, which is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The State Plan's net pension liability and the State Plan's net position are disclosed in the footnotes and other required supplementary information of the Comprehensive Annual Financial Report of the Commonwealth as there are no liabilities to be recorded in the Agency's financial statements. The Agency has not included all required GASB No. 68 disclosures as GASB No. 68 is deemed immaterial to the Agency. Employees participating in the State Plan are not eligible for the contribution to the 401(a) plan.

Employees may borrow up to 50% of their vested accrued balance in the 401(a) account. Otherwise, the vested balance is not available to employees until termination, retirement, permanent disability, or death.

The unvested portion of the 401(a) plan is recorded as an asset on the statements of net position. The total unvested portion of the 401(a) plan as of June 30, 2021 and 2020, was approximately $531,625 and $498,140, respectively.

As discussed in Note 1, in 1998, the Land Bank and MIFA merged to create the Agency. Prior to this merger, all Land Bank employees were participants in the State Plan; MIFA employees were not. All former Land Bank employees were given the option to stay in the State Plan or take part in the retirement plans being offered by the Agency. Any new employees hired after the merger were not eligible to participate in the State Plan, except for the union firefighters at Devens. The State Plan provides benefits including retiree health benefits to qualifying retirees. The programs are carried out by the Commonwealth. There are currently 23 employees in the State Plan. Neither the Land Bank nor the Agency have ever been charged for post-retirement benefits for its current employees or its retirees from the Commonwealth Group Insurance Commission. The Agency's management has reviewed the requirements of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")*, and believes the Agency is not liable for OPEB costs for current active or retired employees due to the following: there is no statutory requirement holding the Agency liable for OPEB costs; the Agency has never been billed by the Group Insurance Commission for any OPEB costs and it is the legal opinion of the Agency's outside attorney that no evidence exists that indicates that the Agency is liable for these costs.

18. Segment Reporting

Devens Electric Utility Division

A separate financial statement for the Devens Electric Utility Division is published and is available upon request.

Summary financial information for the Devens Electric Utility Division is presented below:

Statement of Net Position as of June 30:

	2021	2020
Assets		
Current assets	$ 6,490,035	$ 12,084,205
Due from Massachusetts Development Finance Agency	368,099	-
Noncurrent assets	4,102,836	9,166,672
Capital assets, net	9,272,777	10,515,926
Total assets	$20,233,747	$31,766,803
Liabilities and Net Position		
Current liabilities	$ 2,559,856	$ 2,034,903
Due to Massachusetts Development Finance Agency	-	1,271,634
Noncurrent liabilities	4,440,409	4,849,452
Total liabilities	7,000,265	8,155,989
Net position		
Net investment in capital assets	4,440,433	5,284,535
Restricted	8,793,049	18,326,279
Total net position	13,233,482	23,610,814
Total liabilities and net position	$ 20,233,747	$ 31,766,803

Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30:

	2021	2020
Operating revenues	$ 19,518,413	$ 18,695,845
Operating expenses	(16,785,003)	(15,082,790)
Depreciation	(1,297,981)	(1,319,391)
Operating income	1,435,429	2,293,664
Nonoperating (expenses) revenues, net	(183,735)	26,983
Income before distributions and transfers	1,251,694	2,320,647
Interfund transfer to Devens Water Utility Division	(11,629,026)	-
(Decrease) increase in net position	(10,377,332)	2,320,647
Net position at beginning of year	23,610,814	21,290,167
Net position at end of year	$ 13,233,482	$ 23,610,814

Condensed Statement of Cash Flows for the years ended June 30:

	2021	2020
Net cash provided by operating activities	$ 1,694,753	$ 2,468,677
Net cash used in capital and related financing activities	(12,257,553)	(601,256)
Net cash provided by investing activities	11,743	183,833
Net (decreased) increase in cash and cash equivalents	(10,551,057)	2,051,254
Cash and cash equivalents at beginning of year	17,754,532	15,703,278
Cash and cash equivalents at end of year	$ 7,203,475	$ 17,754,532

19. New Markets Tax Credit Program

The Agency has accounted for its 0.01% to 0.10% ownership interests in the NMTC entities using the equity method of accounting. The total amount invested in these NMTC entities was $12,288 and $16,237 as of June 30, 2021 and 2020, respectively.

As part of the closing of the NMTC entities, the Agency receives sub-allocation fees from the capitalized funds and such fees are included in bond issuance and NMTC fees in the statements of revenues, expenses and changes in net position as of June 30, 2021 and 2020. The Agency receives such fees as organizational fees for structuring and organizing the sub-allocation of the new markets tax credits of the NMTC entities. The sub-allocation fees recognized during fiscal years 2021 and 2020 were $0 and $80,548, respectively.

The Agency receives an annual management fee for services related to managing the operations of the NMTC entities, including accounting, legal, management, technical and other services, as needed by the NMTC entities. Total management fees earned for fiscal years 2021 and 2020 were $762,374 and $836,008, respectively. As of June 30, 2021 and 2020, management fees of $325,271 and $428,767, respectively, remain unpaid to the Agency, and are included in accounts receivable and other assets on the statements of net position.

The Agency may, from time to time, loan operating cash to the NMTC entities for professional services and be reimbursed at a later date. As of June 30, 2021 and 2020, $72,014 and $108,805, respectively, remains unpaid to the Agency.

20. Legal Matters

The Agency is subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Agency.

21. Risk Management

The Agency is exposed to various risks of loss related to general property and casualty losses. Accordingly, the Agency carries general liability and property insurance policies. The Agency also carries insurance coverage for business automobile, workers compensation, director and officer liability, professional liability, cyber liability, crime and special excess liability.

22. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Agency.

23. Subsequent Events

Management has evaluated subsequent events through December 21, 2021, the date the financial statements were available for issuance, noting no additional material events to disclose other than the items noted below.

The Agency refunded the Series 2011 Bonds in September 2021 and issued Devens Electric System Refunding Revenue Bonds, Series 2021. Principal of $4,855,000 was repaid in relation to Series 2011 Bonds and new principal of $4,755,000 was issued.

Masschusetts Development Finance Agency
Supplementary Information
June 30, 2021
(unaudited)

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	MassDevelopment/ HEFA Trust	Charter School Facilities	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Assets															
Current assets	$ 81,037,277	$ 12,927,463	$ 30,689,189	$ 3,797,569	$ 13,369,133	$ 10,036	$ 32,569,975	$ 9,554,451	$ 17,031,844	$ 12,084,205	$ 7,896,581	$ 33,672,496	$ 1,324,538	$ (3,638,128)	$ 252,326,629
Noncurrent assets	122,538,917	1,470,095	14,069,157	-	(351,601)	9,185,632	(724,475)	-	8,685,936	9,166,672	5,556,569	(36,130)		(8,453,760)	161,107,012
Capital assets, net	5,344,305	-	-	-	-	-	-	1,390,754	40,214,003	10,515,926	25,692,844	677,893	9,328,965		93,164,690
Total assets	$ 208,920,499	$ 14,397,558	$ 44,758,346	$ 3,797,569	$ 13,017,532	$ 9,195,668	$ 31,845,500	$ 10,945,205	$ 65,931,783	$ 31,766,803	$ 39,145,994	$ 34,314,259	$ 10,653,503	$ (12,091,888)	$ 506,598,331
Liabilities															
Current liabilities	$ 20,338,888	$ 3,890,182	$ 864	$ 832,547	$ -	$ 5,052	$ -	$ 2,537,511	$ 2,181,871	$ 3,306,537	$ 3,865,838	$ 14,937,982	$ 580,490	$ (3,663,127)	$ 48,814,635
Noncurrent liabilities	498,575	538,744	-	-	182,236	-	92,409	1,088,617	1,173,690	4,849,452	15,466,148	10,561,611	-	(8,428,761)	26,022,721
Total liabilities	20,837,463	4,428,926	864	832,547	182,236	5,052	92,409	3,626,128	3,355,561	8,155,989	19,331,986	25,499,593	580,490	(12,091,888)	74,837,356
Net position															
Net investment in capital assets	5,344,305	-	-	-	-	-	-	1,390,754	40,214,003	5,284,535	18,101,866	677,892	9,268,511	30,150	80,312,016
Restricted	502,263	9,968,632	44,757,482	2,965,022	12,835,296	9,190,616	31,753,091	5,928,323	22,362,219	18,326,279	1,712,142	7,732,453	804,502	880,241	169,718,561
Unrestricted	182,236,468	-	-	-	-	-	-	-	-	-		404,321	-	(910,391)	181,730,398
Total net position	188,083,036	9,968,632	44,757,482	2,965,022	12,835,296	9,190,616	31,753,091	7,319,077	62,576,222	23,610,814	19,814,008	8,814,666	10,073,013	-	431,760,975
Total liabilities and net position	$ 208,920,499	$ 14,397,558	$ 44,758,346	$ 3,797,569	$ 13,017,532	$ 9,195,668	$ 31,845,500	$ 10,945,205	$ 65,931,783	$ 31,766,803	$ 39,145,994	$ 34,314,259	$ 10,653,503	$ (12,091,888)	$ 506,598,331

Statements of Departmental Revenues, Expenses and Changes in Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	MassDevelopment/ HEFA Trust	Charter School Facilities	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Operating revenues	$ 15,000,059	$ 92,239	$ 1,280,303	$ -	$ 396,855	$ 73,297	$ 182,635	$ 3,436,114	$ 11,463,821	$ 18,695,845	$ 11,232,838	$ 1,109,592	$ 2,064	$ (5,004,721)	57,960,941
Operating expenses	(21,781,621)	(3,458,225)	(1,642,280)	(661,761)	(202,091)	(137,519)	(494,449)	(5,481,015)	(15,939,068)	(16,402,181)	(12,587,216)	(3,046,445)	(236,678)	608,512	(81,462,037)
Operating income (loss)	(6,781,562)	(3,365,986)	(361,977)	(661,761)	194,764	(64,222)	(311,814)	(2,044,901)	(4,475,247)	2,293,664	(1,354,378)	(1,936,853)	(234,614)	(4,396,209)	(23,501,096)
Nonoperating revenues (expenses)	4,328,805	250,812	1,462,608	45,183	71,818	502,682	402,714	211,691	295,685	26,983	(124,597)	368,285	(1,983)	214,443	8,055,129
Capital contributions (distributions)	(4,818,269)	1,552,332	-	661,760	(71,818)	(249,973)	3,347,500	(834,803)	511,580	-	-	2,023,523	-	4,181,766	6,303,598
Special item	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position	(7,271,026)	(1,562,842)	1,100,631	45,182	194,764	188,487	3,438,400	(2,668,013)	(3,667,982)	2,320,647	(1,478,975)	454,955	(236,597)	-	(9,142,369)
Net position-beginning of year	195,354,062	11,531,474	43,656,851	2,919,840	12,640,532	9,002,129	28,314,691	9,987,090	66,244,204	21,290,167	21,292,983	8,359,711	10,309,610	-	440,903,344
Net position-end of year	$ 188,083,036	$ 9,968,632	$ 44,757,482	$ 2,965,022	$ 12,835,296	$ 9,190,616	$ 31,753,091	$ 7,319,077	$ 62,576,222	$ 23,610,814	$ 19,814,008	$ 8,814,666	$ 10,073,013	$ -	$ 431,760,975

Masschusetts Development Finance Agency
Supplementary Information
June 30, 2020
(unaudited)

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	MassDevelopment/ HEFA Trust	Charter School Facilities	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Assets															
Current assets	$ 81,037,277	$ 12,927,463	$ 30,689,189	$ 3,797,569	$ 13,369,133	$ 10,036	$ 32,569,975	$ 9,554,451	$ 17,031,844	$ 12,084,205	$ 7,896,581	$ 33,672,496	$ 1,324,538	$ (3,638,128)	$ 252,326,629
Noncurrent assets	122,538,917	1,470,095	14,069,157	-	(351,601)	9,185,632	(724,475)	-	8,685,936	9,166,672	5,556,569	(36,130)		(8,453,760)	161,107,012
Capital assets, net	5,344,305	-	-	-	-	-	-	1,390,754	40,214,003	10,515,926	25,692,844	677,893	9,328,965		93,164,690
Total assets	$ 208,920,499	$ 14,397,558	$ 44,758,346	$ 3,797,569	$ 13,017,532	$ 9,195,668	$ 31,845,500	$ 10,945,205	$ 65,931,783	$ 31,766,803	$ 39,145,994	$ 34,314,259	$ 10,653,503	$ (12,091,888)	$ 506,598,331
Liabilities															
Current liabilities	$ 20,338,888	$ 3,890,182	$ 864	$ 832,547	$ -	$ 5,052	$ -	$ 2,537,511	$ 2,181,871	$ 3,306,537	$ 3,865,838	$ 14,937,982	$ 580,490	$ (3,663,127)	$ 48,814,635
Noncurrent liabilities	498,575	538,744	-	-	182,236	-	92,409	1,088,617	1,173,690	4,849,452	15,466,148	10,561,611	-	(8,428,761)	26,022,721
Total liabilities	20,837,463	4,428,926	864	832,547	182,236	5,052	92,409	3,626,128	3,355,561	8,155,989	19,331,986	25,499,593	580,490	(12,091,888)	74,837,356
Net position															
Net investment in capital assets	5,344,305	-	-	-	-	-	-	1,390,754	40,214,003	5,284,535	18,101,866	677,892	9,268,511	30,150	80,312,016
Restricted	502,263	9,968,632	44,757,482	2,965,022	12,835,296	9,190,616	31,753,091	5,928,323	22,362,219	18,326,279	1,712,142	7,732,453	804,502	880,241	169,718,561
Unrestricted	182,236,468	-	-	-		-	-	-	-	-		404,321	-	(910,391)	181,730,398
Total net position	188,083,036	9,968,632	44,757,482	2,965,022	12,835,296	9,190,616	31,753,091	7,319,077	62,576,222	23,610,814	19,814,008	8,814,666	10,073,013	-	431,760,975
Total liabilities and net position	$ 208,920,499	$ 14,397,558	$ 44,758,346	$ 3,797,569	$ 13,017,532	$ 9,195,668	$ 31,845,500	$ 10,945,205	$ 65,931,783	$ 31,766,803	$ 39,145,994	$ 34,314,259	$ 10,653,503	$ (12,091,888)	$ 506,598,331

Statements of Departmental Revenues, Expenses and Changes in Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	MassDevelopment/ HEFA Trust	Charter School Facilities	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Operating revenues	$ 15,000,059	$ 92,239	$ 1,280,303	$ -	$ 396,855	$ 73,297	$ 182,635	$ 3,436,114	$ 11,463,821	$ 18,695,845	$ 11,232,838	$ 1,109,592	$ 2,064	$ (5,004,721)	57,960,941
Operating expenses	(21,781,621)	(3,458,225)	(1,642,280)	(661,761)	(202,091)	(137,519)	(494,449)	(5,481,015)	(15,939,068)	(16,402,181)	(12,587,216)	(3,046,445)	(236,678)	608,512	(81,462,037)
Operating income (loss)	(6,781,562)	(3,365,986)	(361,977)	(661,761)	194,764	(64,222)	(311,814)	(2,044,901)	(4,475,247)	2,293,664	(1,354,378)	(1,936,853)	(234,614)	(4,396,209)	(23,501,096)
Nonoperating revenues (expenses)	4,328,805	250,812	1,462,608	45,183	71,818	502,682	402,714	211,691	295,685	26,983	(124,597)	368,285	(1,983)	214,443	8,055,129
Capital contributions (distributions)	(4,818,269)	1,552,332	-	661,760	(71,818)	(249,973)	3,347,500	(834,803)	511,580	-	-	2,023,523	-	4,181,766	6,303,598
Special item	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position	(7,271,026)	(1,562,842)	1,100,631	45,182	194,764	188,487	3,438,400	(2,668,013)	(3,667,982)	2,320,647	(1,478,975)	454,955	(236,597)	-	(9,142,369)
Net position-beginning of year	195,354,062	11,531,474	43,656,851	2,919,840	12,640,532	9,002,129	28,314,691	9,987,090	66,244,204	21,290,167	21,292,983	8,359,711	10,309,610	-	440,903,344
Net position-end of year	$ 188,083,036	$ 9,968,632	$ 44,757,482	$ 2,965,022	$ 12,835,296	$ 9,190,616	$ 31,753,091	$ 7,319,077	$ 62,576,222	$ 23,610,814	$ 19,814,008	$ 8,814,666	$ 10,073,013	$ -	$ 431,760,975

RSM US LLP

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*

Board of Directors
Massachusetts Development Finance Agency

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 business-type activities and the aggregate remaining fund information of Massachusetts Development Finance Agency (the Agency), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency'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.*

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

RSM US LLP

Boston, Massachusetts
December 21, 2021