

Massachusetts Technology Park Corporation

(A Component Unit of the
Commonwealth of Massachusetts)

Financial Statements and
Required Supplementary Information

Year Ended June 30, 2021

Massachusetts Technology Park Corporation
(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements and Required Supplementary Information

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RSM US LLP

Independent Auditor's Report

Board of Directors
Massachusetts Technology Park Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Massachusetts Technology Park Corporation (the Organization), 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 Organization'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Organization as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2021, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
December 16, 2021

Massachusetts Technology Park Corporation

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Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020

This section of the Massachusetts Technology Park Corporation's annual financial report presents management's discussion and analysis of the financial performance during the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the financial statements, which follow this section.

Agency Overview

The Massachusetts Technology Park Corporation does business as the Massachusetts Technology Collaborative ("MassTech Collaborative" or "MassTech"). MassTech strengthens the competitiveness of the tech and innovation economy by driving strategic investments, partnerships, and insights that harness the talent of Massachusetts.

As a unique public agency, MassTech supports business formation and growth in the state's technology sector, helping Massachusetts lead in the global digital economy.

To achieve that goal, MassTech:

- Builds strategies, strengthens connections, assists companies, makes investments, and leads programs;
- Develops meaningful collaborations across industry, academia, and government, turning shared challenges into economic opportunity; and
- Supports the Commonwealth's tech sector with a strategic focus on talent, ecosystems, and innovation infrastructure across key divisions and programs.

MassTech is advancing economic development in key areas such as digital health technology, information technology, broadband deployment, advanced manufacturing, cybersecurity, and other emerging sectors such as robotics and the Internet of Things ("IoT"). Over its 38-year history, MassTech has managed numerous complex projects, overseeing more than \$638 million in public funding by providing grants, loans, and other financial assistance to thousands of projects across the Commonwealth of Massachusetts (the "Commonwealth" or "Massachusetts"). Through its major divisions and centers - the Innovation Institute (the "Innovation Institute"), the Massachusetts eHealth Institute ("MeHI"), the Massachusetts Broadband Institute ("MBI"), the MassCyberCenter, and the Center for Advanced Manufacturing ("CAM"), MassTech is stimulating economic activity throughout the Commonwealth.

The Innovation Institute at MassTech

The Innovation Institute at MassTech is chartered to support the economic conditions for growth for the Commonwealth's technology and innovation-based economy. The Innovation Institute works closely with key stakeholders in academia, industry, public, and nonprofit sectors to strengthen capacities in research, technology and business development, and talent, which lead to new business formation, and job creation. These efforts also attract and grow companies in emerging and established technology sub-sectors such as robotics, financial technology, advanced manufacturing, computing, and cybersecurity.

The Innovation Institute engages in grant activities, manages projects, develop initiatives and provides direct services for civic, industry and nonprofit organizations. The Innovation Institute also:

- Supports rigorous, collaborative, interdisciplinary research and development partnerships at Massachusetts universities;
- Enhances the ability of the Commonwealth's academic research centers to compete for millions of dollars in federal research awards and aligns technology capacities at its research institutions with the needs of industry;
- Secures the economic benefits of downstream production and employment for all regions of the Commonwealth as new research and technologies are commercialized in the marketplace;

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- Analyzes the Massachusetts innovation economy through the development of the annual Index of the Massachusetts Innovation Economy as well as sector and regional specific analyses;
- Partners with and invests in novel talent development initiatives such as internship support and targeted higher education and adult education technology training programs with a focus on diversity and inclusion;
- Provides business assistance services targeted toward firms in the technology sector with the goal of helping businesses relocate to or expand in the Commonwealth. The Innovation Institute provides referrals to state resources as well as assisting startup entrepreneurs and tech firms leverage other resources in the tech ecosystem;
- Develops regional innovation economies and cluster growth through its regional priority grant program by supporting high value innovation based economic development activities including support of targeted cluster growth opportunities in the Tech Sector; analysis of opportunities for growth in technology clusters such as Robotics, Quantum Computing, Artificial Intelligence, FinTech, and Blockchain; and convening key stakeholders in promising clusters to develop consensus around targeted action agendas.

As a mechanism to drive growth in industry clusters, the Innovation Institute also administers a \$65 million Collaborative Research Matching Grant Program which was created by the Massachusetts Legislature and recapitalized in 2016 as part of the economic development bill, "An Act Relative to Job Creation and Workforce Development". This program provides matching capital funds for scientific or technology research and development projects sponsored by the University of Massachusetts, research universities, non-profit entities, or non-profit research institutions in the Commonwealth. Two new awards were made under this program in fiscal year 2021. To date, 12 awards have been made under this fund for a total of \$28.8 million of capital investment to fund and help develop large-scale, long-term collaborative research projects sponsored by Massachusetts-based research entities. This program enables the Innovation Institute to strengthen research capacity in the Commonwealth through these research investments and by convening the directors of research centers to share best practices and to promote partnerships with key industry partners.

Two other programs contribute to the goals of the Innovation Institute: the MassTech Intern Partnership and the Massachusetts Innovation Mentoring Initiative. The Intern Partnership pays matching stipends to small- and medium-sized technology companies in Massachusetts to support the hiring of two- and four-year college students as interns. This program has funded more than 1,000 interns at approximately 400 companies. MassTech's Entrepreneur Mentoring effort is designed to support regional entrepreneur mentoring activities in underserved regions of the state through support for organizations that provide seasoned mentors to emerging startups. In fiscal year 2021, the Innovation Institute participated in 12 regional entrepreneur support initiatives helping to expand and enhance programs and activities to reach more people, target diverse communities, and increase the impact.

The MassCyberCenter

The MassCyberCenter was launched in September 2017 with a vision to enhance opportunities for the Massachusetts cybersecurity ecosystem to compete as the national cybersecurity leader while strengthening the "cyber resiliency" of the Commonwealth's municipalities, public infrastructure, and private companies.

The fourth annual Cybersecurity Forum was held in October of 2020 as part of the inaugural Massachusetts Cybersecurity Week. The 2020 Forum, focused on the theme "*Reimagining a Cyber Resilient Future*," built on the momentum of prior events, helping strengthen connections across the cybersecurity ecosystem and solidifying the Commonwealth's global leadership in cybersecurity.

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The Cyber Resilient Massachusetts Working Group ("CRMWG") was established to bring together public and private sector leaders to identify ways the Commonwealth's innovative technology ecosystem can help Massachusetts municipalities and critical institutions protect sensitive data, increase cybersecurity awareness, and respond to emerging threats. Over 45 member organizations participate in the CRMWG and additional sub-working groups focused on municipalities, strategic planning, table top exercises, and critical infrastructure. During fiscal year 2021, the CRMWG held 12 meetings and developed a Minimum Baseline of Cybersecurity for Municipalities to provide municipalities a foundational goal of cyber resiliency. To support the adoption of the Minimum Baseline, MassCyberCenter selected a vendor, eResponders, to build modules to educate municipal leadership. These modules are now posted on the MassCyberCenter website and help promote adoption of the Minimum Baseline.

The Cybersecurity Training and Education Working Group ("CTEWG") meets monthly to support the training and education of cybersecurity professionals in the Commonwealth through collaboration and partnerships. MassCyberCenter hosts these monthly meetings to update the group on initiatives, discuss requirements to support education and training, and provide opportunities for members to collaborate. Based on the working group recommendation, MassCyberCenter now hosts an online Massachusetts Cybersecurity Jobs Board to aid job-seekers and employers.

During fiscal year 2021, MassCyberCenter created the Cybersecurity Mentorship Program to provide opportunities for diverse Massachusetts undergraduate college students to learn about careers in cybersecurity and develop their professional networks through direct engagement with industry professionals. The goal of the Cybersecurity Mentorship Program is to encourage diverse undergraduate college students to continue to pursue a career in cybersecurity and promote the diversity of the cybersecurity workforce in Massachusetts.

The Center for Advanced Manufacturing

The CAM was established to foster the most complete, most connected, and fastest manufacturing ecosystem from innovation through production. The Center builds on the success of the Massachusetts Manufacturing Innovation Institute program (M2I2) and will increase its impacts on the manufacturing sector by:

- Aligning investments in manufacturing with the state's vision;
- Leveraging existing programs for increased regional impact;
- Supporting new initiatives from the Advanced Manufacturing Collaborative (AMC);
- Ensuring a deep pipeline for all programs; and
- Tracking outcomes and efficacy of all programs.

The Baker-Polito Administration established the M2I2 program in fiscal year 2016 as a key pillar of their innovation growth strategy for Massachusetts and established oversight of this initiative at MassTech. This initiative represents a substantial commitment to develop manufacturing infrastructure within the state's academic, research, and manufacturing industry, and is a direct response to Manufacturing USA, a national network of federally sponsored, collaborative communities, each with the mission of securing the future of their respective technologies. M2I2 leverages leading Massachusetts research universities to strengthen the Commonwealth's research-to-manufacturing infrastructure. Through grants administered by the Executive Office of Housing and Economic Development (EOHED), M2I2 provides capital cost share for projects and discovery centers located within the Commonwealth's borders, boosting economic development through its support for job creation and growth in existing and emerging industry clusters across Massachusetts.

During fiscal year 2021, more than \$8.9 million in grants were awarded to four grantees bringing the total M2I2 awards to over \$72.8 million to date.

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In April 2020, as a response to the COVID-19 public health crisis, the Baker-Polito Administration announced a new initiative to mobilize, organize, and operationalize critical path work streams necessary for Massachusetts manufacturers to pivot their operations to produce needed materials in response to the pandemic. Called the Massachusetts Manufacturing Emergency Response Team or MERT, the effort helped produce in-demand personal protective equipment (PPE) and other critical devices such as ventilators. Funding in the amount of \$5.6 million was allocated to the M2I2 program and was administered, with support from MassTech, through Advanced Functional Fabrics of America (AFFOA), a member of the National Network of Manufacturing Innovation Institutes.

In July 2020, MassTech was awarded a \$3.2 million grant from the U.S. Department of Defense's Manufacturing Technology Program ("DoD ManTech") for a manufacturing technician training program that will serve as a national model. This effort, named MassBridge, is being led by the Center for Advanced Manufacturing along with a team of experts from academia, industry, and federal and state agencies. The goal of the MassBridge project is to develop and test a well-connected, state-based training and career pathway model - a "Bridge" for technicians that spans the gaps between the Commonwealth of Massachusetts' state-wide advanced manufacturing programs and the needs of the Manufacturing USA Institutes. The curriculum will be deployed through vocational and academic high schools and community colleges across Massachusetts; with connectivity to supporting universities, for those workers who want to continue their education, to pull students along a pathway toward careers in Manufacturing USA technologies.

Massachusetts eHealth Institute

Through MeHI, MassTech is working to accelerate the growth and adoption of technologies that save lives and reduce healthcare costs. MeHI was created through the passage of Chapter 305 of the Acts of 2008 and tasked with improving healthcare quality and increasing efficiency through the increased adoption of innovative technologies. Chapter 224 of the Acts of 2012 enhanced MeHI's charge to expand its focus on key priorities including implementing electronic health records ("EHRs") in all provider settings statewide, helping providers connect these EHRs to the Commonwealth's health information exchange, the Mass Hlway, identifying and promoting technologies with the potential to improve the quality and reduce the cost of healthcare; helping providers continue to evolve their use of EHRs to comply with future Meaningful Use stages, and promoting the understanding of the benefits of health information technology ("Health IT") to providers, patients, and the general public. This law also created a requirement that providers implement and use electronic health record technology in order to continue to practice in the Commonwealth. MeHI helps providers comply with this requirement through educational programs, technical support, and grants.

In 2016, MeHI's mission was further expanded through the enactment of state economic development legislation which charged MeHI with supporting the growth of a digital health industry sector within the Commonwealth. Under this work, MeHI has served as the implementing agency of the Massachusetts Digital Health Initiative, which was launched to position Massachusetts as the leading global ecosystem for digital health. Digital Health is among the fastest growing industry sectors in the country and Massachusetts is positioned at the forefront of this growth, combining its strengths in both healthcare and technology to drive innovation. Massachusetts is already home to more than 400 digital health companies and the Initiative aims to increase the growth of these firms. MeHI connects policymakers, healthcare experts, physicians, and business leaders to break down the barriers to widespread integration of these advanced technologies.

MeHI has three teams working to promote its mission. MeHI's Medicaid Services team provides technical assistance, enrollment and validation services related to the Medicaid Incentive Program. The Hlway Adoption and Outreach Services team develops and delivers services to promote health information exchange adoption and utilization among healthcare providers. Both of these programs are conducted under agreements with the Commonwealth of Massachusetts Executive Office of Health and Human Services.

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In addition to the above services, MeHI's Digital Health team focused in fiscal year 2021 on the growth of the Commonwealth's digital health ecosystem and support for caregivers in Massachusetts by:

- Administering \$170,000 in additional grant funding for the Commonwealth's two primary digital health innovation labs: MassChallenge HealthTech ("MCHT") in Boston. With this funding, MCHT provided targeted support for 30 digital health startups, helping them grow and compete. MeHI also provided administrative support to three Massachusetts state agencies to act as champions in the 2021 MCHT Program;
- Supporting 45 networking and professional development events related to growing the digital health ecosystem. Most of these events were through partners such as MCHT, the Massachusetts Executive Office of Elder Affairs and the Massachusetts Caregiver Coalition.
- Owning, maintaining, and enhancing the MassDigitalHealth.org web portal, including improving and promoting the only statewide digital health job board in the United States with over 330 companies and approximately 2,400 open digital health jobs as of the end of fiscal year 2021;
- Expanding efforts to support unpaid family caregivers through the launch of the Mass Caregiving Initiative, an extension of the Massachusetts Caregiver Coalition work launched in 2019. This focus on supporting innovation in aging and caregiving is in alignment with one of the Baker-Polito Administration's priorities;
- Continuing the Digital Health Sandbox Network and Grant Program which supports Massachusetts digital health companies in accessing testing and validation opportunities at Massachusetts research and development centers (the 'sandboxes' for innovation). The program has expanded from one Sandbox in fiscal year 2019 to nine Sandbox locations and one Sandbox tool as of the end of fiscal year 2021. MeHI awarded \$247,200 in grants to the Sandboxes to support projects with six Massachusetts digital health companies during the year;
- Running the 'Right Care 4 You' grant program to support the goals of the Massachusetts Employer Health Coalition by offsetting the costs for Massachusetts digital health companies to pilot their products and services with Massachusetts employers. In fiscal year 2020 MeHI awarded \$189,360 to two Massachusetts digital health companies to pilot their products and quantify their impact on their employer partner's healthcare costs. In FY21, MeHI supported the companies in their ongoing work with their employer partners. Results for both pilots are expected in FY22.
- Launching the Digital Health COVID-19 Recovery Challenge Program, funded by a \$682,880 federal grant from the U.S. Department of Commerce's Economic Development Agency as part of their SPRINT Challenge. The program partners with Lever, Inc., a business accelerator and innovation support organization, and leverages MeHI's Sandbox Network to help commercialize digital health solutions that support COVID-19 recovery. The first Challenge, Innovations to Support Family Caregivers, launched in June.

To implement a shared strategy across the Baker-Polito Administration and private sector stakeholders around the direction of the Mass Digital Health Initiative, MassTech continued work on activities advancing the eight near-term priority initiative recommendations identified by Governor Baker's Digital Healthcare Council.

Massachusetts Broadband Institute

The MBI was created as a division within MassTech in 2008. The MBI makes strategic and targeted public investments with the goal of expanding broadband access within unserved and underserved communities in Massachusetts.

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In August 2014, \$50 million of capital bond funding was authorized by the Commonwealth for MBI to develop last mile solutions designed to bring broadband from centralized hubs to individual end users ("Last Mile"). In fiscal year 2018, an additional \$45 million in bond authorization was approved by the Commonwealth. The additional funding was authorized to ensure that all Last Mile towns will have a funded solution, including access to a contingency fund for possible make ready cost overages for municipally-owned, fiber-to-the home projects, as well as funds for required investments in MBI's middle mile broadband network, *MassBroadband 123*.

MBI's Last Mile program was designed to support and co-invest in broadband solutions for the Massachusetts towns who have lacked residential broadband service. This program includes grants to private broadband service providers and direct grants to municipalities.

As part of this effort, the Last Mile Infrastructure Grant Program, launched by the EOHEd in April 2017, was modeled after their existing MassWorks grant program and was designed to provide funding for eligible unserved towns which will develop and build municipally-owned broadband networks. The program empowers communities to use these grants to fund design and engineering, and construction services directly, as they would other local infrastructure projects. The EOHEd is administering the Last Mile Infrastructure Grant Program, with up to \$20 million in MBI's bond funds as approved by the MBI Board of Directors and funds from the 2018 authorization. To date, EOHEd has awarded grants to 22 towns, totaling approximately \$28.5 million.

During fiscal year 2021, MBI continued to identify solutions and award funds for the remaining unserved towns. At the end of the fiscal year, funds have been awarded for a broadband solution for all Last Mile towns and of the original 53 Last Mile towns (including underserved towns), 33 towns have completed and fully operational broadband networks, 15 other towns have broadband networks that are partially lit, with customer installations occurring on a rolling basis until construction is completed. The remaining five town projects are either in the design, make ready, or construction phases.

The *MassBroadband 123* network, which has been fully operational since early 2014, created a robust 'middle mile' fiber-optic network that stretches over 1,200 miles and directly connects approximately 1,100 key community facilities in over 120 communities. *MassBroadband 123* provides these communities with the ability to enhance education, drive healthcare innovation, and strengthen public safety through the direct connection fiber-optic network. The *MassBroadband 123* network also creates an essential foundation to connect homes and businesses currently unserved by broadband, the so-called Last Mile of connectivity highlighted above.

During fiscal year 2021, MassTech was awarded \$9.2 million by the Commonwealth of Massachusetts as part of the 'Partnerships for Recovery' plan for MBI to implement programs to expand internet access. One of these programs, Mass Internet Connect, is a subsidy program that assists unemployed job seekers working with MassHire to help them address technology barriers, including accessing the internet, obtaining an internet-connected device, or online skills training. The Mass Internet Connect program assisted over 2,000 jobseekers. A second program expanded Wi-Fi Hotspots in unserved communities. This program continues to support unserved communities in western and central Massachusetts with outdoor and indoor hotspots, helping provide critical connectivity to communities that are waiting for high-speed internet networks to be built through the state's Last Mile program. Since the inception of the program, MBI has supported community hotspots in over 25 towns.

Campus Operations

MassTech owns, manages, and develops its Westborough, Massachusetts, headquarters as the Massachusetts Technology Park Corporation. The use of the 36-acre campus reflects MassTech's mission to promote partnerships among industrial, educational, and governmental sectors.

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Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MassTech's basic financial statements, which have three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements.

The financial statement presentation includes both government-wide and fund-level financial statements. The government-wide financial statements present both the governmental and business-type activities of MassTech on the full accrual basis of accounting. The fund-level statements include separate statements for (i) the governmental activities, which are supported by state appropriations and federal funding and (ii) the business-type activities, which rely on fees and charges for support. The governmental fund-level financial statements are reported on the modified accrual basis of accounting. A reconciliation of the governmental fund financial statements to the government-wide financial statements is provided in the fund-level statements in the basic financial statement section of the financial statements. All activities, both governmental and business-type, are performed as part of carrying out MassTech's essential governmental function.

Financial Analysis

The statement of net position is a government-wide statement that presents information on all of MassTech's assets, liabilities, with the difference between the two reported as net position. Increases or decreases in net position serve as one indicator of MassTech's financial condition. On the following page is a summary of the statement of net position for fiscal years 2021 and 2020.

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Summary of Statements of Net Position
June 30, 2021 and 2020

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Noncurrent assets	\$ 110,723	\$ -	\$ 110,723	\$ 110,723	\$ -	\$ 110,723
Other noncapital assets	31,730,606	9,017,512	40,748,118	27,321,880	8,515,991	35,837,871
Capital assets (net of accumulated depreciation)	44,361,575	3,887,706	48,249,281	50,032,726	4,401,307	54,434,033
Total assets	76,202,904	12,905,218	89,108,122	77,465,329	12,917,298	90,382,627
LIABILITIES						
Noncurrent liabilities	532,853	144,931	677,784	598,321	141,231	739,552
Other liabilities	10,409,301	18,073	10,427,374	7,931,880	274,879	8,206,759
Total liabilities	10,942,154	163,004	11,105,158	8,530,201	416,110	8,946,311
NET POSITION						
Net investment in capital assets	\$ 44,361,575	\$ 3,887,706	\$ 48,249,281	\$ 50,032,726	\$ 4,401,307	\$ 54,434,033
Restricted for:						
Massachusetts e-Health Institute	8,593,838	-	8,593,838	9,457,427	-	9,457,427
Innovation Institute	9,710,455	-	9,710,455	8,816,643	-	8,816,643
MassCyberCenter	460,104	-	460,104	-	-	-
Center for Advanced Manufacturing	133,398	-	133,398	-	-	-
Massachusetts Broadband Institute	2,001,380	-	2,001,380	2,001,529	-	2,001,529
Campus Development/other corporate purposes	-	3,699,300	3,699,300	-	3,697,247	3,697,247
Unrestricted	-	5,155,208	5,155,208	(1,373,197)	4,402,634	3,029,437
Total net position	\$ 65,260,750	\$ 12,742,214	\$ 78,002,964	\$ 68,935,128	\$ 12,501,188	\$ 81,436,316

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Assets

MassTech's total assets were approximately \$89.1 million as of June 30, 2021, a decrease of approximately \$1.3 million from the prior year.

Non-capital assets were approximately \$40.9 million and include restricted, committed, and unrestricted cash and cash equivalents totaling \$31.7 million, receivables of \$8.5 million, and prepaid and other assets of \$0.7 million.

MassTech's investment in capital assets for its governmental and business-type activities as of June 30, 2021 is approximately \$48.2 million net of depreciation. The investment in capital assets includes buildings, improvements, furniture, equipment, and broadband infrastructure. The decrease in investment in capital assets for the current fiscal year was approximately \$6.2 million primarily attributable to depreciation of the MassBroadband 123 network and the sale of an intangible asset. Refer to Note 3 of the financial statements for more detailed information about capital assets.

Liabilities

Liabilities were approximately \$11.1 million as of June 30, 2021, an increase of approximately \$2.2 million from the prior year. Of this change, approximately \$5.4 million relates to an increase in accrued expenses (\$3.4 million in Innovation Institute, primarily related to more R&D Matching Grant financial assistance expenses, \$1.7 million in MBI, related to more Last Mile grants expenses, and \$0.2 million in Center for Advanced Manufacturing for MassBridge subrecipient expenses); offset by a \$1.4 million decrease in Funding Received in Advance due to MBI funds received in the prior year being expended, a decrease in due to other funds of \$1.3 million primarily related to capital contributions, and a \$0.5 million decrease in accounts payable.

MassTech has no long-term debt outstanding.

Net Position

Between fiscal years 2021 and 2020, the net position has decreased by approximately \$3.4 million to approximately \$78 million.

Net investment in capital assets represents approximately 61.9% of net position as of June 30, 2021. Of the remaining approximately 38.1% of MassTech's net position at June 30, 2021, approximately 12.4% is attributable to the Innovation Institute, approximately 11% to MeHI, approximately 2.6% to MBI, approximately 0.6% to MassCyberCenter, approximately 0.2% to Center for Advanced Manufacturing, approximately 4.7% to Campus Operations and other corporate purposes and the remaining approximately 6.6% is classified as unrestricted.

Unrestricted net position of the governmental activities increased by \$1.4 million compared to prior year, primarily as a result of capital contributions transferred to the business-type activities in the prior year.

Approximately \$48.2 million of net position is invested in capital assets. Of this amount, \$44.3 million is related to the MassBroadband 123 network.

Restricted net position of Massachusetts e-Health Institute decreased by approximately \$0.9 million as a result of the net impact of approximately \$3.7 million in revenues, primarily from the Commonwealth, offset by operating expenses, financial assistance expenses, and capital expenditures of approximately \$4.6 million.

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Restricted net position of the Innovation Institute increased by approximately \$0.9 million as a result of the net impact of approximately \$11.3 million in revenues, primarily from the Commonwealth, offset by operating expenses, financial assistance expenses, transfers and capital expenditures of approximately \$10 million, and the reclassification of MassCyberCenter and Center for Advanced Manufacturing to its own net position.

Restricted net position of the MBI remained flat as a result of the net impact of approximately \$9.2 million in revenues, primarily from the Commonwealth, offset by operating, financial assistance expenses, transfers and capital expenditures of approximately \$9.2 million.

The net position of the business-type activities was approximately \$12.8 million as of June 30, 2021, an increase of approximately \$0.3 million from the prior year-end. This increase is primarily a result of revenues of \$0.9 million and transfers from governmental activities of \$0.2 million offset by operating expenses of \$0.7 million. The primary function of the business-type activities is the Campus Operations, the fund that relates to the development and maintenance of the 36-acre campus in Westborough, Massachusetts. Of the total net position, approximately \$3.9 million was invested in capital assets, approximately \$3.7 million was restricted for future investment in the campus and its buildings and other restricted purposes, and the remaining balance of approximately \$5.2 million was unrestricted.

The summary statements of net position show how the fiscal year activities impacted the net position. The following page contains the summary of changes in the statement of net position for the fiscal years 2021 and 2020:

Massachusetts Technology Park Corporation

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Management's Discussion and Analysis (Unaudited)
 Summary of Statements of Activities
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	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue:						
State funding	\$ 25,515,972	\$ -	\$ 25,515,972	\$ 18,936,674	\$ -	\$ 18,936,674
Federal funding	1,182,177	-	1,182,177	-	-	-
Outsourced corporate services	90,000	-	90,000	90,000	-	90,000
Other revenue	247,115	-	247,115	1,940,211	-	1,940,211
Campus operations	-	853,243	853,243	-	831,719	831,719
Total revenue	<u>27,035,264</u>	<u>853,243</u>	<u>27,888,507</u>	<u>20,966,885</u>	<u>831,719</u>	<u>21,798,604</u>
Expenses:						
Innovation Institute	10,005,162	-	10,005,162	8,904,340	-	8,904,340
MassCyberCenter	975,540	-	975,540	-	-	-
Center for Advanced Manufacturing	1,612,116	-	1,612,116	-	-	-
Massachusetts e-Health Institute	4,537,831	-	4,537,831	4,801,768	-	4,801,768
Massachusetts Broadband Institute	13,284,020	-	13,284,020	10,192,990	-	10,192,990
Economic Development/Other	162,167	-	162,167	111,861	-	111,861
Campus operations	-	803,808	803,808	-	765,787	765,787
Total expenses	<u>30,576,836</u>	<u>803,808</u>	<u>31,380,644</u>	<u>24,010,959</u>	<u>765,787</u>	<u>24,776,746</u>
Net position	(3,541,572)	49,435	(3,492,137)	(3,044,074)	65,932	(2,978,142)
Transfers	(177,643)	177,643	-	(1,489,597)	1,489,597	-
Investment earnings	44,837	13,948	58,785	438,766	122,498	561,264
Change in net position	<u>(3,674,378)</u>	<u>241,026</u>	<u>(3,433,352)</u>	<u>(4,094,905)</u>	<u>1,678,027</u>	<u>(2,416,878)</u>
Net position - beginning of year	68,935,128	12,501,188	81,436,316	73,030,033	10,823,161	83,853,194
Net position - end of year	<u>\$ 65,260,750</u>	<u>\$ 12,742,214</u>	<u>\$ 78,002,964</u>	<u>\$ 68,935,128</u>	<u>\$ 12,501,188</u>	<u>\$ 81,436,316</u>

Massachusetts Technology Park Corporation

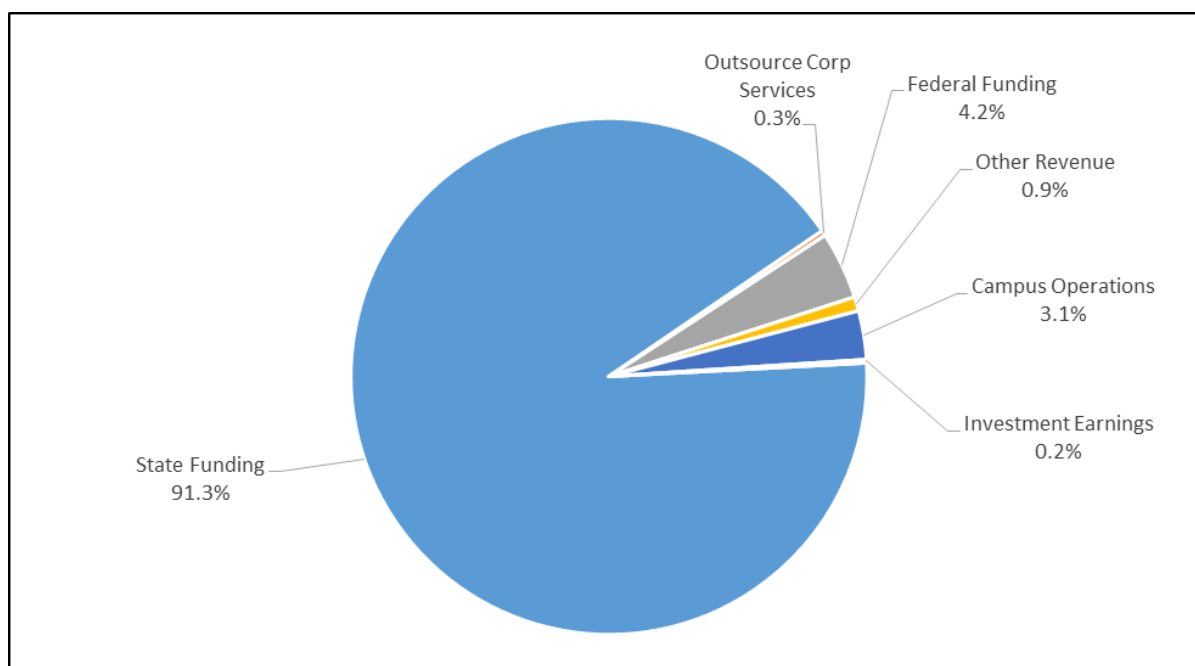
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020

Total governmental and business-type revenues, including investment earnings, were approximately \$27.9 million for the fiscal year ended on June 30, 2021, which was an increase of approximately \$5.6 million from the prior year. The change in revenue results from an increase of approximately \$6.6 million in state revenue, and increase of \$1.2 million in federal funding, offset by a decrease in investment earnings of \$0.5 million, and a decrease in other revenue of \$1.7 million, primarily related to a capital contribution in the prior year. The state funding increased primarily due to increased bond funding for the MBI Last Mile Program and Research & Development Matching Grant Fund program as well as MBI Recovery Program funding. Total expenses increased by approximately \$6.6 million. MeHI's expenses decreased by approximately \$0.3 million, primarily as a result of a slight decrease across all personnel and program support expenses. MBI expenses increased by approximately \$3.1 million, primarily as a result of an increase in financial assistance, offset by a decrease in Network Operation expenses. The Innovation Institute's expenses increased by approximately \$1.1 million, primarily as a result of increased financial assistance expenses for the R&D Matching Grant Fund program, offset by a decrease in personnel and program support expenses, additionally in the prior fiscal year the MassCyberCenter and Center for Advanced Manufacturing costs were included in Innovation Institute but are now broken out. The MassCyberCenter expenses totaled approximately \$1 million and the Center for Advanced Manufacturing expenses totaled \$1.6 million, with a majority of the expenses relating to MassBridge. The Economic Development Fund's expenses increased by approximately \$0.1 million primarily due to increased personnel expenses. The proprietary fund's expenses increased by approximately \$0.04 million primarily due to an increase in professional fees related to the intangible asset sale.

Revenue

The total revenues of MassTech for the fiscal year ended June 30, 2021, were \$27.9 million, including investment earnings. Total revenues break down by source as follows:



MassTech's primary source of programmatic revenue during this fiscal year was state funding. The state funding included bond funds for MBI and the Innovation Institute's R&D Matching Grant Fund, the Innovation Institute appropriations, MBI Recovery funding, and various State Agency service contracts.

Massachusetts Technology Park Corporation

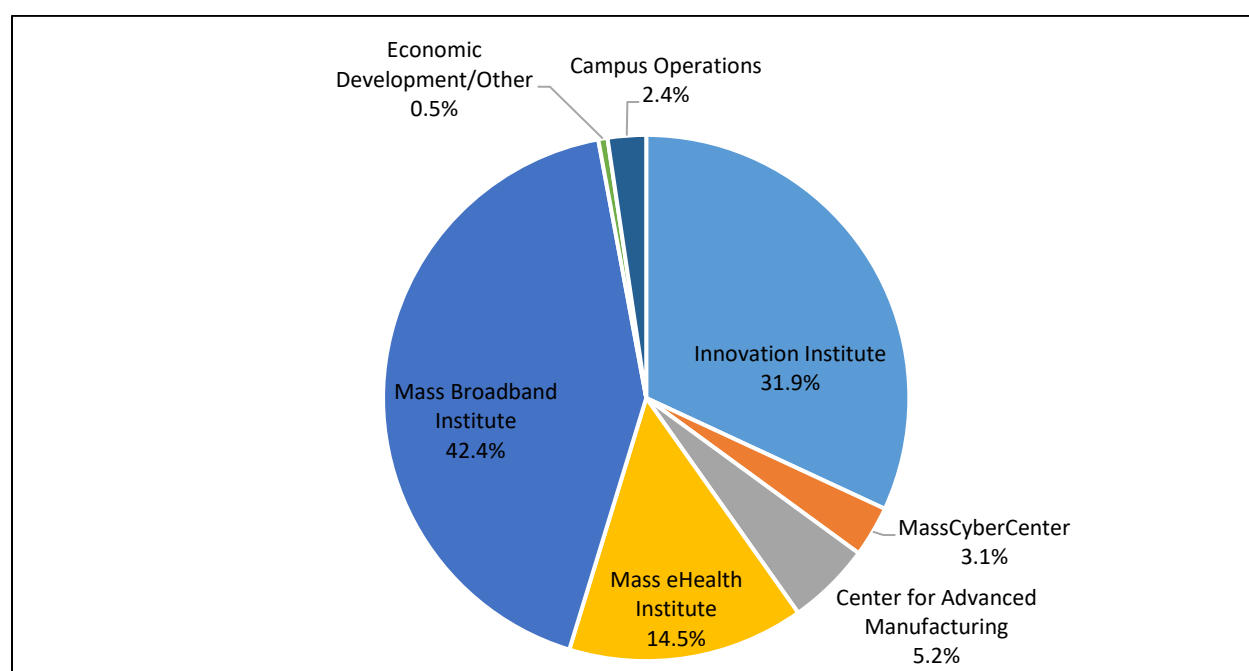
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020

Other sources of revenue for fiscal year 2021 include federal funding, fees from the Massachusetts Life Sciences Center for outsourced corporate services, network operator payments, rentals of campus buildings, and investment earnings.

Expenses

The expenses for fiscal year 2021 were approximately \$31.4 million, which in addition to operating costs included approximately \$15.8 million of financial assistance expenses, \$1.1 million of MBI Network Operations expenses and \$5.2 million of depreciation expense, most of which is related to the MassBroadband 123 network. Financial assistance expenses are those paid out to award recipients or third-parties for projects which directly benefit the stakeholders in the Commonwealth. The financial assistance expenses in fiscal year 2021 relate to awards made in prior fiscal years as well as the current fiscal year. The breakdown of expense by division, based upon the fund-level financial statements is as follows:



Governmental Funds

The focus of MassTech's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MassTech's funding requirements.

The general fund is the chief operating fund of MassTech. At the end of the current fiscal year, fund balance of the general fund was approximately \$20.9 million. This consisted of approximately \$0.6 million in non-spendable, \$6.3 million in committed, and \$14 million in restricted.

The general fund's net increase in fund balance for the fiscal year was approximately \$2.2 million. Overall revenues had a net increase of approximately \$2.6 million over the prior year. Expenditures in the general fund increased by approximately \$5.6 million, primarily due to approximately \$3.4 million increase in MBI expenditures.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2021 and 2020

Requests for Information

This report is intended to provide an overview of MassTech's financial condition. Questions concerning any of the information in this report or request for additional information should be addressed to the Massachusetts Technology Park Corporation, 75 North Drive, Westborough, MA 01581 and to the attention of the Chief Financial Officer.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,413,232	\$ 4,413,232
Restricted cash and cash equivalents	17,270,038	3,699,300	20,969,338
Accounts receivable:			
Due from other funds	-	884,317	884,317
Other receivables	7,531,799	16,963	7,548,762
Prepaid expense and other assets	699,615	3,700	703,315
Cash committed for program awards:			
Cash and cash equivalents	6,339,877	-	6,339,877
Total noncapital assets	<u>31,841,329</u>	<u>9,017,512</u>	<u>40,858,841</u>
Capital assets (net of accumulated depreciation):			
Depreciable capital assets:			
Buildings	44,178	3,680,819	3,724,997
Improvements	33,149	121,366	154,515
Equipment	3,707	279	3,986
Furniture and fixtures	24,694	7,027	31,721
Fiber network - outside plant	43,968,886	-	43,968,886
Non-depreciable capital assets:			
Work in process	286,961	78,215	365,176
Total capital assets	<u>44,361,575</u>	<u>3,887,706</u>	<u>48,249,281</u>
Total assets	<u>76,202,904</u>	<u>12,905,218</u>	<u>89,108,122</u>
LIABILITIES			
Accounts payable	192,971	-	192,971
Accrued expenses	7,601,828	17,636	7,619,464
Funding received in advance	1,977,490	437	1,977,927
Due to other funds	884,317	-	884,317
Other liabilities	285,548	144,931	430,479
Total liabilities	<u>10,942,154</u>	<u>163,004</u>	<u>11,105,158</u>
NET POSITION			
Net investment in capital assets	44,361,575	3,887,706	48,249,281
Restricted for:			
Massachusetts e-Health Institute	8,593,838	-	8,593,838
Innovation Institute	9,710,455	-	9,710,455
MassCyberCenter	460,104	-	460,104
Center for Advanced Manufacturing	133,398	-	133,398
Massachusetts Broadband Institute	2,001,380	-	2,001,380
Campus development	-	3,699,300	3,699,300
Unrestricted	-	5,155,208	5,155,208
Total net position	<u>\$ 65,260,750</u>	<u>\$ 12,742,214</u>	<u>\$ 78,002,964</u>

See notes to financial statements.

Massachusetts Technology Park Corporation
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenue Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
Innovation Institute	\$ 10,005,162	\$ 117,262	\$ 11,201,319	\$ 1,313,419	\$ -	\$ 1,313,419
MassCyberCenter	975,540	35,000	956,396	15,856	-	15,856
Center for Advanced Manufacturing	1,612,116	612,133	1,134,634	134,651	-	134,651
Massachusetts e-Health Institute	4,537,831	3,610,632	41,148	(886,051)	-	(886,051)
Massachusetts Broadband Institute	13,284,020	212,115	9,024,625	(4,047,280)	-	(4,047,280)
Economic development/other	162,167	90,000	-	(72,167)	-	(72,167)
Total governmental activities	<u>30,576,836</u>	<u>4,677,142</u>	<u>22,358,122</u>	<u>(3,541,572)</u>	<u>-</u>	<u>(3,541,572)</u>
Business-type activities:						
Campus operations	803,808	853,243	-	-	49,435	49,435
Total business-type activities	<u>803,808</u>	<u>853,243</u>	<u>-</u>	<u>-</u>	<u>49,435</u>	<u>49,435</u>
Total	<u>\$ 31,380,644</u>	<u>\$ 5,530,385</u>	<u>\$ 22,358,122</u>	<u>(3,541,572)</u>	<u>49,435</u>	<u>(3,492,137)</u>
General revenues:						
Investment earnings				44,837	13,948	58,785
Transfers				(177,643)	177,643	-
Change in net position				<u>(3,674,378)</u>	<u>241,026</u>	<u>(3,433,352)</u>
Net position - beginning of year				<u>68,935,128</u>	<u>12,501,188</u>	<u>81,436,316</u>
Net position - end of year				<u>\$ 65,260,750</u>	<u>\$ 12,742,214</u>	<u>\$ 78,002,964</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Balance Sheet - Governmental Fund

June 30, 2021

	<u>General Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 17,270,038
Other receivables	7,531,799
Prepaid expenses and other assets	588,892
Cash committed for program awards:	
Cash and cash equivalents	<u>6,339,877</u>
Total assets	<u>\$ 31,730,606</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 192,971
Accrued expenses	7,262,929
Due to other funds	884,317
Funding received in advance	1,977,490
Other current liabilities	<u>91,594</u>
Total liabilities	<u>10,409,301</u>
Deferred inflows of resources:	
Unavailable revenue	<u>391,387</u>
Total deferred Inflows of resources	<u>391,387</u>
Fund balance:	
Non-spendable	588,892
Committed	6,339,877
Restricted	<u>14,001,149</u>
Total fund balance	<u>20,929,918</u>
Total liabilities, deferred Inflows of resources, and fund balance	<u>\$ 31,730,606</u>
Total fund balance of governmental fund	\$ 20,929,918
Amounts reported for governmental funds above and those reported for governmental activities in the statement of net position are different because:	
Some assets are not available and payable in the current period and therefore are not reported in the fund statements	110,723
Some liabilities are not due and payable in the current period and therefore are not reported in the fund statements	(532,853)
Unavailable revenues meet the criteria for revenue recognition in the statement of activities	391,387
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, not reported in funds	<u>44,361,575</u>
Net position of governmental activities	<u>\$ 65,260,750</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund Year Ended June 30, 2021

	<u>General Fund</u>
Revenue:	
State funding	\$ 25,319,641
Federal funding	1,182,177
Investment earnings	44,837
Outsourced corporate services	90,000
Other revenue	691,070
Total revenues	<u>27,327,725</u>
Expenditures:	
Innovation Institute	10,057,785
MassCyberCenter	937,004
Center for Advanced Manufacturing	1,608,118
Massachusetts e-Health Institute	4,570,284
Massachusetts Broadband Institute	9,008,657
Economic development/Other	165,561
Total expenditures	<u>26,347,409</u>
Other financing sources:	
Sale of intangible asset	1,376,256
Transfers out	(177,643)
	<u>1,198,613</u>
Net change in fund balance	2,178,929
Fund balance - beginning of year	<u>18,750,989</u>
Fund balance - end of year	<u>\$ 20,929,918</u>
Net change in fund balance - general fund	\$ 2,178,929
Amounts reported for governmental funds above and those reported for governmental activities in the statement of activities are different because:	
Unavailable revenues meet the criteria for revenue recognition in the statement of activities	391,387
Some revenues in the fund statements were recognized in the statement of activities in a prior year	(639,011)
Some programmatic expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	65,468
The sale of intangible assets provides current financial resources to governmental funds and are needed to be removed from the statement of activities as this was recognized as other revenue in prior year:	(1,376,256)
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of capital is allocated over their estimated useful lives as depreciation expense. Additionally, the sale of intangible asset in the current period are noted within:	<u>(4,294,895)</u>
Change in net position of governmental activities	<u>\$ (3,674,378)</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position - Proprietary Fund
June 30, 2021

	Campus Operations
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,413,232
Restricted cash and cash equivalents	3,699,300
Due from other funds	884,317
Prepaid expenses and other current assets	20,663
Total current assets	<u>9,017,512</u>
Capital assets:	
Buildings	20,383,318
Improvements	1,328,590
Equipment	88,104
Furniture and fixtures	174,670
Work in Process	78,216
Total capital assets	<u>22,052,898</u>
Less - accumulated depreciation	<u>(18,165,192)</u>
Total capital assets - net	<u>3,887,706</u>
Total assets	<u>\$ 12,905,218</u>
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 17,636
Other liabilities	437
Total current liabilities	<u>18,073</u>
Noncurrent liabilities:	
Other liabilities	144,931
Total noncurrent liabilities	<u>144,931</u>
Total liabilities	<u>163,004</u>
NET POSITION	
Net investment in capital assets	3,887,706
Restricted for campus development/other purposes	3,699,300
Unrestricted	5,155,208
Total net position	<u>12,742,214</u>
Total liabilities and net position	<u>\$ 12,905,218</u>

See notes to financial statements.

Massachusetts Technology Park Corporation
 (A Component Unit of the Commonwealth of Massachusetts)

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund
 Year Ended June 30, 2021

	<u>Campus Operations</u>
Operating revenue:	
Operating lease revenue	\$ 731,469
Reimbursement from other funds	111,774
Other revenue	<u>10,000</u>
Total operating revenue	<u>853,243</u>
Operating expenses:	
Personnel and support services	215,286
Depreciation	<u>588,522</u>
Total expenses	<u>803,808</u>
Operating income	49,435
Nonoperating revenue - interest income	13,948
Other financing sources:	
Transfers in	<u>177,643</u>
Change in net position	241,026
Total net position - beginning of year	<u>12,501,188</u>
Total net position - end of year	<u><u>\$ 12,742,214</u></u>

See notes to financial statements.

Massachusetts Technology Park Corporation
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2021

	Campus Operations
Cash flows from operating activities:	
Receipts from leases and rentals	\$ 728,778
Other operating income	10,000
Reimbursement from other funds	111,774
Payroll and vendor payments	<u>(198,285)</u>
Net cash provided by operating activities	652,267
Cash flows provided by noncapital financing activities - interfund activities	1,244,910
Cash flows used in capital and related financing activities - capital purchases	(74,921)
Cash flows from investing activities - interest received	<u>13,948</u>
Net increase in cash and cash equivalents	1,836,204
Cash and cash equivalents - beginning of year	<u>6,276,328</u>
Cash and cash equivalents - end of year	<u><u>\$ 8,112,532</u></u>
Displayed as:	
Cash and cash equivalents	\$ 4,413,232
Restricted cash and cash equivalents	<u>3,699,300</u>
	<u><u>\$ 8,112,532</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 49,435
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	588,522
Changes in assets and liabilities:	
Prepaid expenses and other current assets	(6,076)
Accrued expenses	17,004
Other liabilities	<u>3,382</u>
Net cash provided by operating activities	<u><u>\$ 652,267</u></u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Massachusetts Technology Park Corporation (“MassTech” or the “Organization”), which does business as the Massachusetts Technology Collaborative, have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Organization’s significant accounting policies are described below.

Reporting Entity

The Organization is a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”) created pursuant to Chapter 40J of the Massachusetts General Laws (“MGL”). The public purpose of MassTech is to advance the growth and development of the technology sector of the Commonwealth’s innovation economy.

MassTech is responsible for the oversight of:

- (i) The Innovation Institute at MassTech (the “Innovation Institute”), a technology and innovation economic development effort, identifying key opportunities for economic growth and supporting industry-led growth initiatives within the technology sector of the economy;
- (ii) The Massachusetts e-Health Institute (“MeHI”), established to advance the adoption and dissemination of health technologies across the Commonwealth;
- (iii) The Massachusetts Broadband Institute (“MBI”), established to extend affordable broadband access to unserved and underserved communities in Massachusetts;
- (iv) The MassCyberCenter launched to enhance opportunities for the Massachusetts cybersecurity ecosystem to compete as the national cybersecurity leader while strengthening the resiliency of the Commonwealth’s public and private communities;
- (v) The Center for Advanced Manufacturing (“CAM”) to foster the most complete, most connected, and fastest manufacturing ecosystem from innovation through production;
- (vi) A 36-acre campus and its related operations.

MassTech is governed by a board of directors (the “Board”) comprised of 23 members, including 20 individuals appointed by the Governor and three state officials that serve in an ex officio capacity, including the Secretary of Administration and Finance, the Secretary of Housing and Economic Development, and the Commissioner of Higher Education.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Reporting Entity...continued

In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - an Amendment of GASB Statement 14*, and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the financial statements must present the Organization and its component units. The Organization has no component units. The Organization, however, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

Government-Wide and Fund-Level Financial Statements

The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Organization. In the government-wide reporting model, governmental activities (those supported by state funding, federal grants, and other program generated sources) are reported separately from business-type activities which rely on fees and charges for support. The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenue. Expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) state appropriations, bond funding, federal grants, and other funding that support specific programmatic functions of the Organization; (2) network operator fees; (3) lease and rental revenue; and (4) event sponsorship and other revenues.

The fund-level statements are separate financial statements provided for governmental funds and proprietary funds. In the fund-level reporting model, MassTech reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balance or net position, revenue, and expenditures/expenses. Transactions between funds, if any, have not been eliminated.

The Organization reports the following major governmental fund:

- The General Fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization used in its governmental activities. Specifically, the General Fund is used to account for MBI, MeHI, the Innovation Institute, the MassCyberCenter, and the Center for Advanced Manufacturing.

The Organization reports the following major proprietary fund:

- The Campus Operations Fund accounts for the activities of the Organization's operations related to the Massachusetts Technology Park campus.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation...continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund in the fund-perspective financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State appropriations and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual: generally, when they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year end. Significant revenues susceptible to accrual include state appropriation and bond revenue. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due, or when the Organization has made a decision to fund those obligations with current available resources.

The proprietary fund distinguishes between operating revenue and expenses and non-operating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the campus operations is rental income. Operating expenses include the cost of operating and maintaining the campus and depreciation. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Budgets and Appropriations

Annual budgets are adopted on a basis consistent with GAAP. MassTech's annual budgets are initially developed through an internal process that includes the submission of operational and programmatic projections from senior managers. Internal budget projections are then reviewed and modified as appropriate by MassTech's executive management. The annual budget is presented to the Board-level Finance and Audit Committee (the "Committee") and other appropriate programmatic committees for further review, comment, and modifications. The Committee then presents the annual operating budget to MassTech's Executive Committee of the Board for final approval and adoption. During the year, MassTech's executive management meets with the Committee to review actual-to-budget variances and identify any adjustments that may be required. The budget approved by the Board is used for the purposes of management accountability. The budget passed by the Board is not, however, considered a legally adopted budget and, therefore, is not presented as required supplemental information to the financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash and Cash Equivalents

Cash and cash equivalents consist substantially of interest-bearing deposits with financial institutions and investments with maturities of three months or less when acquired. MassTech maintains funds that are restricted as to use either by contractual agreement or State funding intent.

Cash and Cash Equivalents - Committed for Program Awards

Such amounts represent cash and cash equivalents held by MassTech to be expended for certain programmatic purposes based upon specific awards approved by the Chief Executive Officer, the Board, and executive committee.

Investments

MassTech's investments are reported at fair value using quoted market price or the best available estimate thereof. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. MassTech categorizes its fair value measurements within the fair value GAAP hierarchy.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenues, expenses and changes in net position. None of MassTech's investments in 2021 qualified to be reported under this hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, but instead qualify as cash equivalents under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, as MassTech participates in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost as described in Note 2.

Accounts Receivable

Accounts Receivable represents the amounts owed to MassTech from the Commonwealth of Massachusetts and from other sources of income and reimbursements. Balances that management has deemed uncertain with regard to collectability have been reserved. No reserves were deemed necessary at June 30, 2021.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Capital Assets

Capital assets in the proprietary fund and government-wide governmental activities with a value of greater than \$5,000 at the date acquired are recorded at cost, or in instances of donation, at fair value at the date of donation. The estimated useful life of the asset categories are as follows:

Buildings	40 years
Improvements	5 - 7 years
Equipment	3 years
Furniture and fixtures	7 years
Fiber network - outside plant	20 years
Conduit	20 years
Indefeasible rights of use	25 years
Point of interconnections	10 years
Other network equipment	5 years

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets.

Valuation of Capital Assets

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 Organization did not record any impairment charges as of June 30, 2021 as there were no indicators of impairment.

Accounts Payable and Accrued Expenses

The Organization accrues expenses on a monthly basis based on current contracts and invoices. The Organization accrues amounts for compensated absences as earned up to certain limitations, which represent benefit amounts payable to employees upon termination of employment. Those amounts are reported as accrued expenses in the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. MassTech reports its governmental fund unavailable revenues in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Net Position

- Net investment in capital assets - Net investment in capital assets represent net position consisting of capital assets, net of accumulated depreciation. At June 30, 2021, the government-wide statement of net position reports approximately \$48.2 million of net investments in capital assets.
- Restricted - Restricted net position represents net position that is not available as it's legally restricted by enabling legislation or by outside parties for use for a specific purpose. Specifically, the Organization's restricted net position is restricted for use in the Innovation Institute, MeHI, MBI, MassCyberCenter, other legislatively approved mandates, and for other purposes related to the operations of the campus and for programmatic development. At June 30, 2021, the government-wide statement of net position reports approximately \$24.6 million of restricted net position.
- Unrestricted - Unrestricted net position represents net position that is not subject to legal restrictions imposed by enabling legislation or by outside parties for use for a specific purpose. 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. As of June 30, 2021, the government-wide statement of net position reports approximately \$5.2 million of unrestricted net position.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that are based primarily on the extent to which MassTech is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable - This classification includes amounts not in a spendable form, or funds legally or contractually required to be maintained intact. MassTech has classified its prepaid expenses as non-spendable.
- Committed - This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of MassTech's highest required level of decision-making authority. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. MassTech has classified legislatively appropriated funds for MBI, MeHI, Innovation Institute, MassCyberCenter, and CAM and related investment earnings as restricted. In addition, MassTech classifies other funds from the Commonwealth or third parties that have specified purposes as restricted.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Net Position and Fund Flow Assumption

MassTech generally uses amounts committed for the intended purposes first. If restricted resources are available for use for a certain purpose, MassTech would use those restricted resources next, and then unrestricted resources as needed.

Income Taxes

MassTech has been determined to be a component unit of the Commonwealth. Accordingly, income earned by MassTech is not included within the definition of income as defined in Section 61 of the Internal Revenue Code. Therefore, MassTech is not required to file federal and state income tax returns.

Use of Estimates

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

Recently Issued Accounting Pronouncements

In June 2017, GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this standard are effective for reporting periods beginning after June 15, 2021. Early adoption is permitted. MassTech is currently evaluating the impact this pronouncement will have on the financial statements.

In June 2018, the GASB issued GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This objective of this standard is to establish accounting requirements for interest cost incurred before the end of a construction period. This standard is effective for financial statements for fiscal years beginning after December 15, 2020. Earlier application is encouraged. The requirements of this standard should be applied prospectively. MassTech is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent Events

Management has evaluated subsequent events as of December 16, 2021.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

2. CASH AND CASH EQUIVALENTS

The Board of MassTech is empowered under Chapter 40J of the MGL to invest corporate assets pending their programmatic use pursuant to the prudent investor rule under Massachusetts law, subject to the fiduciary standards contained in Chapter 32 of the MGL. During fiscal year 2021, these assets were fully allocated to short-term investments/money market accounts which qualify as cash equivalents.

Custodial Credit Risk - Deposits: Custodial credit risk for deposits exists when, in the event of a failure of a depository financial institution, MassTech's deposits may not be recovered. MassTech does not have a formal policy for custodial credit risk.

At June 30, 2021, bank deposits were \$1,827,991, which excludes the amount held in the Massachusetts Municipal Depository Trust ("MMDT" or the "Trust"). Of that amount, \$500,000 was not exposed to custodial credit risk as uninsured and uncollateralized because it was insured by the FDIC. The remaining balance of \$1,327,991 was exposed to such risk.

The Organization invests some of its funds in the MMDT, an investment pool for political subdivisions of the Commonwealth designed as a legal means to invest temporarily available cash. The state treasurer serves as the trustee of MMDT, and has sole authority pertaining to rules, regulations, and operations of the Trust.

Investment options the MMDT offers are a cash portfolio which offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and Short-Term Bond Portfolio which offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized. MassTech's investment balance as of June 30, 2021 at MMDT was solely in the cash portfolio. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amends Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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. At June 30, 2021, MassTech's deposits with MMDT totaled \$30,560,305. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

2. CASH AND CASH EQUIVALENTS...continued

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

Cash balance	\$ 1,162,142
Massachusetts Municipal Depository Trust ("MMDT") – Cash Portfolio	<u>30,560,305</u>
	<u>\$31,722,447</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MassTech manages its exposure to interest rate risk by investing solely in cash portfolios within MMDT.

Credit Risk: Credit risk is the risk that the Organization's investments will be negatively impacted due to a default of their investments. MassTech manages its exposure to credit risk by investing solely in cash portfolios within MMDT.

Concentration of Credit Risk: Concentration of credit risk is assumed to arise when the amount of investments that the Organization has with any one issuer exceeds five percent of the total value of the investments. MassTech manages its exposure to the concentration of credit risk by investing solely in cash portfolios within MMDT.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

3. CAPITAL ASSETS

Capital assets of MassTech at June 30, 2021 are summarized as follows:

	Governmental Activities	Business- Type Activities	Total
Buildings	\$ 91,803	\$ 20,383,318	\$ 20,475,121
Improvements	537,114	1,328,590	1,865,704
Equipment	792,674	88,104	880,778
Furniture and fixtures	503,634	174,670	678,304
Fiber network - outside plant	54,974,808	-	54,974,808
Conduit	6,150,120	-	6,150,120
Poles	177,568	-	177,568
Indefeasible right of use	4,243,317	-	4,243,317
Points of interconnection	13,303,628	-	13,303,628
Community anchor institutions	6,370,251	-	6,370,251
Other equipment	765,879	-	765,879
Spares MB123	1,073,725	-	1,073,725
Intangible assets	-	-	-
Work in process	286,960	78,216	365,176
	<u>89,271,481</u>	<u>22,052,898</u>	<u>111,324,379</u>
Less - accumulated depreciation:			
Buildings	(47,625)	(16,702,499)	(16,750,124)
Improvements	(503,964)	(1,207,224)	(1,711,188)
Equipment	(788,967)	(87,825)	(876,792)
Furniture and fixtures	(478,940)	(167,644)	(646,584)
Fiber network - outside plant	(20,933,754)	-	(20,933,754)
Conduit	(2,304,056)	-	(2,304,056)
Poles	(66,052)	-	(66,052)
Indefeasible right of use	(1,359,363)	-	(1,359,363)
Points of interconnection	(10,217,331)	-	(10,217,331)
Community anchor institutions	(6,370,250)	-	(6,370,250)
Other equipment	(765,879)	-	(765,879)
Spares MB123	(1,073,725)	-	(1,073,725)
	<u>(44,909,906)</u>	<u>(18,165,192)</u>	<u>(63,075,098)</u>
Capital assets - net	<u>\$ 44,361,575</u>	<u>\$ 3,887,706</u>	<u>\$ 48,249,281</u>

Total depreciation expense for the year ended June 30, 2021, was \$5,183,317. Of that amount, \$4,594,795 (comprising approximately \$10,255, \$189, \$189, \$13,095, \$4,570,810 and \$257 in the Innovation Institute, MassCyberCenter, Center for Advanced Manufacturing, MeHI, MBI and Economic Development Fund, respectively) is reported in the governmental activities and \$588,522 is reported in the business-type activities.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2021

3. CAPITAL ASSETS...continued

<u>Governmental Activities</u>	Balance July 1, 2020	Additions	Transfers/ Disposals/ Adjustments	Balance June 30, 2021
Buildings	\$ 91,803	\$ -	\$ -	\$ 91,803
Improvements	521,433	15,681	-	537,114
Equipment	792,674	-	-	792,674
Furniture and fixtures	503,634	-	-	503,634
Fiber network - outside plant	54,974,808	-	-	54,974,808
Conduit	6,150,120	-	-	6,150,120
Poles	177,568	-	-	177,568
Indefeasible rights of use	4,243,317	-	-	4,243,317
Points of interconnection	13,278,406	25,222	-	13,303,628
Community anchor institution	6,370,251	-	-	6,370,251
Other equipment	765,879	-	-	765,879
Spares MB123	1,073,725	-	-	1,073,725
Intangible assets	1,376,256	-	(1,376,256)	-
Construction-in-process	27,963	258,997	-	286,960
	<u>90,347,837</u>	<u>299,900</u>	<u>(1,376,256)</u>	<u>89,271,481</u>
Less - accumulated depreciation:				
Building	(44,970)	(2,655)	-	(47,625)
Improvement	(490,751)	(13,213)	-	(503,964)
Equipment	(784,922)	(4,045)	-	(788,967)
Furniture and fixtures	(469,637)	(9,303)	-	(478,940)
Fiber network - outside plant	(18,184,562)	(2,749,192)	-	(20,933,754)
Conduit	(1,996,550)	(307,506)	-	(2,304,056)
Poles	(57,174)	(8,878)	-	(66,052)
Indefeasible rights of use	(1,189,630)	(169,733)	-	(1,359,363)
Points of interconnection	(8,887,061)	(1,330,270)	-	(10,217,331)
Community anchor institution	(6,370,250)	-	-	(6,370,250)
Other equipment	(765,879)	-	-	(765,879)
Spares MB123	(1,073,725)	-	-	(1,073,725)
	<u>(40,315,111)</u>	<u>(4,594,795)</u>	<u>-</u>	<u>(44,909,906)</u>
Capital assets - net	<u>\$ 50,032,726</u>	<u>\$ (4,294,895)</u>	<u>\$ (1,376,256)</u>	<u>\$ 44,361,575</u>

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

3. CAPITAL ASSETS...continued

<u>Business -Type Activities</u>	Balance July 1, 2020	Additions	Transfers/ Disposals/ Adjustments	Balance June 30,2021
Buildings	\$ 20,383,318	\$ -	\$ -	\$ 20,383,318
Improvements	1,322,285	6,305	-	1,328,590
Equipment	88,104	-	-	88,104
Furniture and fixtures	174,670	-	-	174,670
Work-in-process	9,600	68,616	-	78,216
	<u>21,977,977</u>	<u>74,921</u>	<u>-</u>	<u>22,052,898</u>
Less - accumulated depreciation:				
Building	(16,195,107)	(507,392)	-	(16,702,499)
Improvement	(1,130,138)	(77,086)	-	(1,207,224)
Equipment	(87,520)	(305)	-	(87,825)
Furniture and fixtures	(163,905)	(3,739)	-	(167,644)
	<u>(17,576,670)</u>	<u>(588,522)</u>	<u>-</u>	<u>(18,165,192)</u>
Capital assets - net	<u>\$ 4,401,307</u>	<u>\$ (513,601)</u>	<u>\$ -</u>	<u>\$ 3,887,706</u>

During the year ended June 30, 2021, \$1,376,256 of intangible assets were sold. There was no gain or loss associated with the sale of these assets. The sale is reported within the general fund.

4. DEFINED CONTRIBUTION PLANS

MassTech has adopted a simplified employee pension plan and a matching contribution 401(a) plan, which are administered by Vanguard and TIAA-CREF, respectively.

Employees of MassTech do not participate in social security. Under the simplified pension plan, MassTech makes a monthly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2021 pension expense was \$841,334.

Under the 401(a) plan, MassTech matches 50% of employees' contributions into their defined contribution plan with a maximum MassTech contribution of 3% of the employee's salary. In accordance with the plan, these contributions will "vest" at a rate of 25% for every full year an employee has been employed at MassTech. For the year ended June 30, 2021, MassTech's total contributions were \$141,373 of which \$113,991 was vested. These contributions were based on employee contributions of \$469,576.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

5. LEASES

MassTech leases its Integrated Circuit Fabrication Facility (“ICFF”) to an unrelated party in accordance with an operating lease (the “Lease”) which will expire in April 2023 based upon an extension executed during fiscal year 2012. The Lease requires monthly base rent, as defined, payable in advance. Estimated future minimum lease payments to be received by MassTech as of June 30 are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2022	\$ 632,500
2023	<u>478,100</u>
	<u>\$ 1,110,600</u>

MassTech continues to incur certain operating costs related to the ICFF. Under the terms of the Lease, the lessee has agreed to reimburse MassTech for these costs. For the year ended June 30, 2021, these reimbursements are included in operating lease revenue and amounted to \$66,798.

In accordance with the Lease, the lessee deposited \$125,000 with MassTech. These funds are included in other noncurrent liabilities in the accompanying statement of net position for the proprietary fund at June 30, 2021.

MassTech’s management monitors the financial stability of its lessee and believes that future minimum Lease payments will be received in accordance with the terms of the Lease.

MassTech leases office space at Two Center Plaza in Boston from an unrelated third party through an operating lease which will expire in October 2024. The Boston lease requires monthly rent payments and the estimated rent payments to be paid by MassTech as of June 30 are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2022	\$ 562,437
2023	572,203
2024	580,312
2025	<u>194,997</u>
	<u>\$ 1,909,949</u>

In accordance with the Boston Lease, MassTech deposited \$94,301 with Lessor. These funds are included in prepaid and other assets in the accompanying statement of net position at June 30, 2021.

6. RISK MANAGEMENT

MassTech is exposed to various risks of loss related to general property and casualty losses. Accordingly, MassTech’s property and equipment are covered by commercial package and overhead lines insurance policies.

MassTech also carries umbrella coverage for general, employee benefits, automobile, and employer liability up to \$10,000,000 in excess of its base coverage, as defined.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

6. RISK MANAGEMENT...continued

Officers' and directors' insurance provides coverage of \$15,000,000 per claim in the aggregate.

MassTech carries a crime policy that provides coverage of \$3,000,000 for employee theft and forgery and \$3,000,000 for computer fraud and funds transfer coverage.

7. INTERFUND ACTIVITY

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Campus Operations	General Fund	<u>\$ 884,317</u>

Interfund transfers activity totaled \$177,643 through June 30, 2021 primarily related to revenues recognized in the General Fund but transferred to Campus Operations.

Interfund transfers activity for allocated office related costs totaled \$111,774 for the period.

8. NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended June 30, 2021 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accrued Compensated Absences	\$ 336,771	\$ 2,128	\$ -	\$ 338,899
Long-Term Deferred Rent	<u>261,550</u>	<u>-</u>	<u>67,596</u>	<u>193,954</u>
	<u>\$ 598,321</u>	<u>\$ 2,128</u>	<u>\$ 67,596</u>	<u>\$ 532,853</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deposits	\$ 125,000	\$ -	\$ -	\$ 125,000
Long-Term Deferred Rent	<u>16,231</u>	<u>3,700</u>	<u>-</u>	<u>19,931</u>
	<u>\$ 141,231</u>	<u>\$ 3,700</u>	<u>\$ -</u>	<u>\$ 144,931</u>

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

9. CONTINGENCIES

Network Operator Dispute

On March 22, 2017, KCST USA, Inc. ("KCST"), formerly named Axia NGNetworks USA, Inc. ("Axia"); the company that contracted with MassTech to serve as the Network Operator of the MassBroadband123 fiber optic network (the "Network"), filed a Chapter 11 bankruptcy case. KCST asserted claims against MassTech, and MassTech, in turn, submitted its own claims against KCST in the Bankruptcy Case and moved to compel arbitration of both sets of claims. The Bankruptcy Court granted that motion in December 2017, and arbitration was commenced January 2018 ("KCST Arbitration").

During that same time period, after KCST filed the Bankruptcy Case, MassTech called on a Guaranty of KCST's payment and performance obligations under the Network Operator Agreement (the "Guaranty") that had been provided to MassTech by KCST's indirect parent company Axia NetMedia Corporation (the "Axia NetMedia"). Axia NetMedia argued that it had no obligations under the Guaranty, based in part of the pendency of KCST's claims against MassTech under the Network Operator Agreement, and refused to perform under the Guaranty. In response, MassTech moved to compel arbitration of Axia NetMedia's claim ("Axia NetMedia Arbitration").

The District Court issued preliminary injunction ("PI") compelling Axia NetMedia to perform its obligations under the Guaranty while its claims were being resolved pursuant to a "Continued Performance" provision in the Guaranty. KCST and Axia NetMedia Arbitration were consolidated. On October 2, 2018, the Arbitrator issued a decision ("Final Award"), as modified in November 2018, which, among other things, eliminated the existing Guaranty of KCST's payment and performance obligations under the Network Operator Agreement by Axia NetMedia.

After review of its options, MassTech decided to challenge only the portion of the Arbitrator's award voiding the Guaranty. On May 28, 2019, the District Court ruled that the Arbitrator had exceeded his authority by voiding the Guaranty, and the Guaranty was reinstated. On June 25, 2019, Axia filed a Notice of Appeal with the United States Court of Appeals for the First Circuit challenging the District Court ruling. On August 30, 2020, the First Circuit reversed the District Court's decision and held that the Arbitrator did not exceed his authority when he eliminated the parental Guaranty. MassTech did not appeal this decision, ending litigation in this matter.

In the Bankruptcy Case, on January 31, 2019, KCST submitted a Plan of Reorganization, which signaled its intent to accept the new provisions of the Network Operator Agreement, as revised by the Arbitrator in the Final Award. MassTech filed a challenge to certain provisions of the KCST Plan of Reorganization, and in early June 2019, KCST filed a First Amended Plan of Reorganization, as Modified, which was approved by the Bankruptcy Court on June 28, 2019. MassTech and KCST reserved certain unresolved issues for further resolution ("Reserved Matters"), which required MassTech and KCST to meet and confer to resolve the Reserved Matters. The Bankruptcy Court's Confirmation Order affirmed KCST's acceptance of the revised Network Operator Agreement, and incorporated a Transitional Services Agreement in which Axia Supernet LTD and Axia Connect LTD perform certain network operations, maintenance, and repair tasks through the remainder of the contract period, which terminates in August 2023.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2021

9. CONTINGENCIES...continued

On September 1, 2020, MassTech and KCST filed a Joint Stipulation of Settlement with the Bankruptcy Court, resolving the remaining Reserved Matters, thus ending litigation in this matter. KCST filed a motion with the Bankruptcy Court seeking entry of a Final Decree closing the Chapter 11 case, and on October 29, 2020, the Bankruptcy Court approved the Final Decree, officially closing the case.

10. 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, and 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 Service 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 MassTech.



**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***

Independent Auditor's Report

Board of Directors
Massachusetts Technology Park Corporation

We have audited, 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, the financial statements of the governmental activities, the business-type activities and each major fund of the Massachusetts Technology Park Corporation (the Organization), 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 Organization's basic financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Organization'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
December 16, 2021