



Massachusetts Clean Energy Center

Financial Statements
Fiscal Year Ended June 30, 2022



Massachusetts Clean Energy Center
Table of Contents
June 30, 2022

	Page(s)
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-12
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Governmental Fund Financial Statements	
Balance Sheet - Governmental Fund.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	16
Proprietary Fund Financial Statements	
Statement of Net Position - Proprietary Funds.....	17
Statement of Revenue, Expenditures, and Changes in Net Position - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds.....	19
Fiduciary Fund Financial Statements	
Statement of Net Position - Fiduciary Fund.....	20
Statement of Changes in Net Position - Fiduciary Fund.....	21
Notes to Financial Statements	22-39
Supplemental Information	
Schedule of Expenditures of Federal Awards	40
Notes to the Schedule of Expenditures of Federal Awards	41
Reporting Under Government Auditing Standards	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	42-43
Reporting Under the Uniform Guidance	
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	44-46
Schedule of Findings and Questioned Costs.....	47-48
Corrective Action Plan and Summary Schedule of Prior Audit Findings	49



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

The Board of Directors
Massachusetts Clean Energy Center
Boston, Massachusetts

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Massachusetts Clean Energy Center ("MassCEC"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MassCEC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of MassCEC as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MassCEC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, effective July 1, 2022, MassCEC adopted Government Accounting Standards Board No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibility of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MassCEC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MassCEC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MassCEC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 GAAS, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MassCEC's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2022 on our consideration of MassCEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 MassCEC'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 MassCEC's internal control over financial reporting and compliance.

Mayer Hoffmann McCann P.C.

Boston, Massachusetts
December 23, 2022

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Massachusetts Clean Energy Center ("MassCEC"), as well as an overview of financial activities for the fiscal year ended June 30, 2022. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes to those financial statements.

MassCEC General Overview

MassCEC is a publicly funded state agency dedicated to accelerating the success of clean energy technologies, companies, and projects in the Commonwealth of Massachusetts (the "Commonwealth") - while creating high quality jobs and long-term economic growth for the people of Massachusetts. MassCEC has helped clean energy companies grow, supported municipal clean energy projects, and invested in residential and commercial renewable energy installations, creating a robust marketplace for innovative clean technology companies and service providers.

MassCEC's mission is to accelerate the innovation of clean energy and climate solutions that are critical to meeting the Commonwealth's climate goals, advancing Massachusetts' position as an international climate leader while growing the state's clean energy economy. To do so, MassCEC works closely with residents, businesses, and municipalities to develop programs that provide renewable energy solutions for their energy needs.

MassCEC's programs also connect communities with the most viable clean energy and reduce the energy burden on low- and moderate-income residents, with the goal of fostering the success of the Commonwealth's dynamic clean energy sector. MassCEC is committed to promoting the equitable distribution of the health and economic benefits of clean energy and supporting a diverse and inclusive clean energy industry.

Enabling Legislation and Funding Sources

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

Massachusetts Alternative and Clean Energy Investment Trust Fund

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

Massachusetts Renewable Energy Trust Fund

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

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

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Clean Energy Equity Workforce Funding

In March 2021, An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy was signed into law, which amended the Green Communities Act of 2008 and requires the Department of Public Utilities ("DPU") to annually collect and transfer not less than \$12 million to MassCEC. Further amended in August 2022 by An Act Driving Clean Energy and Offshore Wind, the funding supports clean energy equity workforce and market development programs. Programming will provide workforce training, educational and professional development, job placement, startup opportunities and grants to: (i) certified minority-owned and women-owned small business enterprises; (ii) other businesses or communities underrepresented in the clean energy workforce or clean energy industry; (iii) individuals residing within an environmental justice or low-income community; (iv) current and former workers from the fossil fuel industry; and (v) federally recognized and state acknowledged tribes within the Commonwealth. The DPU directs the electric and gas distribution companies and municipal aggregators with certified energy plans to jointly transfer funds collected each year no later than December 31st. The first transfer of funds occurred in fiscal year 2022.

Alternative Compliance Payments

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

Program and Business-Type Activities

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

Through its Clean Energy Program work MassCEC is:

- Increasing statewide adoption of clean energy, while driving down the costs and delivering financial, environmental, and economic development benefits to ratepayers.
- Continuing to drive clean energy innovation.
- Strategically supporting the clean energy ecosystem to foster and advance clean energy companies and partners.
- Advancing innovative solutions that will lead to energy security and a safe, reliable, and resilient energy infrastructure.
- Supporting the creation of high-quality jobs and developing a trained workforce for a rapidly growing industry.
- Supporting minority and women-owned business enterprises, environmental justice communities, low- and moderate-income populations, and fossil fuel workers gain employment in climate critical occupations and business fields.

Clean Energy Programs

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

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

The Programs focus on the following areas:

- Building Decarbonization – programs that accelerate the most impactful, resilient, and cost-effective electrification technologies and approaches to decarbonizing the building sector. To achieve this transformation, programs focus on retrofitting and electrifying existing buildings, consumer engagement, innovation in technologies, materials, and methods, equity for underserved populations, new business and financing models, and expansion of a skilled workforce.
- Clean Transportation – programs that foster the development of cutting-edge, clean transportation technologies, surfacing new finance and business models that address the market barriers to electric vehicle deployment and accelerating the growth of clean transportation companies in Massachusetts.
- Commercial Scale Clean Energy Generation – programs to create clean energy cost-effectively from commercial- and utility-scale renewable energy technologies, including hydroelectric turbines, and organics-to-energy systems.
- Offshore Wind – programs to accelerate the responsible development of offshore wind projects while increasing the role of Massachusetts companies, institutions, and workers in the offshore wind industry. Initiatives are designed to establish baseline environmental data to support the permitting process, reduce development and deployment risks, advance innovation, and increase jobs and economic activity in the offshore wind sector.
- Net Zero Grid – programs to foster the collaboration and innovation needed to modernize and expand the electric grid to power Massachusetts buildings, industry, and transportation systems with zero greenhouse gas emissions. Efforts include strategic support for energy storage, resiliency upgrades, facilitating interconnection, and increasing load flexibility.
- Technology Development – programs offering competitive grant funding to technology innovators, support for clean energy research and development at Massachusetts-based universities, and operational funding to incubators and accelerators, to advance commercialization of the most innovative, effective, and impactful solutions to high-priority energy challenges facing the Commonwealth.
- Workforce Development – programs that increase access to clean energy careers, education, and training. Areas of focus include support for employers, job seekers and students, training, careers and advancement, and workforce equity.
- Investments – programs which stimulate and accelerate the development and commercialization of clean energy technologies in the Commonwealth through their support of promising early and growth stage clean energy companies.
- Production Tracking System – a web-based application that tracks the capacity and production of certain renewable energy systems installed across Massachusetts. The online platform provides data to the public about renewable energy systems installed and provides owners of renewable energy systems a convenient method for tracking their production and participating in certain Massachusetts clean energy incentive programs.
- Offshore Wind Escrow – awards made from offshore wind escrow accounts in collaboration of offshore wind companies, supporting certain initiatives designed to maximize offshore wind industry development in Massachusetts and provide benefits to local Massachusetts communities.
- Other – includes various support for programs and the clean energy ecosystem.

Wind Technology Testing Center

The WTTC is the first commercial-scale large blade test facility in the nation, testing commercial-sized wind turbine blades to help reduce cost, improve technical advancements and expedite the deployment of the next generation of wind turbine blades into the marketplace. MassCEC managed the construction and development of the WTTC in Charlestown, Massachusetts and officially opened the facility in May 2011. The facility was partially funded by a U.S. Department of Energy American Recovery and Reinvestment Act (“ARRA”) grant of approximately \$25 million. The facility has attracted business from companies well-known in the wind industry and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States. In fiscal year 2022, the WTTC provided blade testing services to six companies.

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

New Bedford Marine Commerce Terminal

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

The Terminal was placed into service in July 2015 and has since supported a variety of cargoes and customers. In fiscal year 2022, MassCEC leased portions of the Terminal, including office space, to eleven private businesses and one quasi-government agency, and portions of the dock to thirty-two private vessel companies. Two offshore wind project developers have signed leases to utilize the Terminal for staging their projects from the Terminal. The first lease is for a period of 24 months beginning in early 2023 and extending through 2024. The second lease agreement begins in early 2025 and extends into late 2027. In fiscal year 2022, the Terminal generated \$1.2 million in port fees and lease revenue.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

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

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

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

Government-Wide Financial Analysis

Statement of Net Position

A condensed version of the Statement of Net Position for fiscal years ended June 30, 2022 and 2021 follows:

	June 30, 2022			June 30, 2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<i>(in millions)</i>						
Noncapital Assts	\$ 313.4	\$ (20.9)	\$ 292.5	\$ 209.4	\$ (19.9)	\$ 189.5
Capital and Leased Assets	2.4	157.0	159.4	0.4	139.8	140.2
Total Assets	\$ 315.8	\$ 136.1	\$ 451.9	\$ 209.8	\$ 119.9	\$ 329.7
Total Liabilities	\$ 22.7	\$ 19.0	\$ 41.7	\$ 4.2	\$ 2.3	\$ 6.5
Total Net Position	293.1	117.1	410.2	205.6	117.6	323.2
Total Liabilities, Deferred Inflows and Net Position	\$ 315.8	\$ 136.1	\$ 451.9	\$ 209.8	\$ 119.9	\$ 329.7

Statement of Net Position Highlights

Total assets increased \$122.2 million or 37.1% in the current year, primarily due to an increase in restricted cash related to offshore wind and clean transportation in fiscal year 2022 and the capitalization of the leased assets due to the adoption of GASB 87.

Of MassCEC's total net position, \$159.4 million is comprised of capital assets and \$118.8 million is restricted for various Clean Energy Programs. MassCEC has \$132.0 million in unrestricted net position.

Total liabilities were \$41.7 million, representing an \$35.2 million increase from the prior year due the adoption of GASB 87 as well as offshore wind escrow monies. The adoption of GASB 87 brought \$20.3 million in liabilities onto the statement of net position in fiscal year 2022. MassCEC also entered into two offshore wind escrow agreements in fiscal year 2022, with escrow funds presented as unearned revenue until earned.

Net position increased \$87 million or 26.9% in the current year, largely due to increased restricted cash related to governmental revenue and Clean Energy Equity Workforce funding received in fiscal year 2022. This increase was offset slightly by trust investment losses.

Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Statement of Activities

A condensed version of the Statement of Activities for fiscal years ended June 30, 2022 and 2021 follows:

<i>(in millions)</i>	June 30, 2022			June 30, 2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Renew able energy surcharge	\$ 21.6	\$ -	\$ 21.6	\$ 21.6	\$ -	\$ 21.6
Intergovernmental revenue	90.5	-	90.5	0.6	-	0.6
Equity Workforce Development	12.0	-	12.0	-	-	-
Offshore wind escrow revenue	1.1	-	1.1	-	-	-
Production Tracking System revenue	1.9	-	1.9	2.1	-	2.1
Terminal revenue	-	1.2	1.2	-	0.8	0.8
Testing revenue	-	3.5	3.5	-	3.4	3.4
Total Revenue	127.1	4.7	131.8	24.3	4.2	28.5
Expenditures by Division						
Clean Energy Programs	26.6	-	26.6	34.3	-	34.3
Production Tracking System	2.1	-	2.1	2.0	-	2.0
New Bedford Marine Commerce Terminal	-	4.6	4.6	-	3.9	3.9
Wind Technology Testing Center	-	4.1	4.1	-	3.7	3.7
Total Expenditures	28.7	8.7	37.4	36.3	7.6	43.9
Net operating income (loss)	98.4	(4.0)	94.4	(12.0)	(3.4)	(15.4)
Realized gains, interest, and investment income from trust investments	8.7	-	8.7	12.9	-	12.9
Unrealized (loss) gain on trust investments	(21.2)	-	(21.2)	8.7	-	8.7
Other income, net	1.6	2.2	3.8	7.8	-	7.8
Total Other income (expense), net	(10.9)	2.2	(8.7)	29.4	-	29.4
Change in net position	87.5	(1.8)	85.7	17.4	(3.4)	14.0
Net Position						
Beginning of year	205.6	117.6	323.2	188.2	121.0	309.2
Restatement of PY (Lease Standard)	-	1.3	1.3	-	-	-
End of year	\$ 293.1	\$ 117.1	\$ 410.2	\$ 205.6	\$ 117.6	\$ 323.2

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Statement of Activities Highlights

Revenues increased \$103.3 million in the current year, from \$28.5 million in fiscal year 2021 to \$131.8 million in fiscal year 2022. This increase is due to a \$89.9 million increase in intergovernmental revenue, along with \$12 million in Clean Energy Equity Workforce funding and \$1.1 million from offshore wind escrow revenue. Intergovernmental revenues can fluctuate significantly year over year depending on the level of one-time sources of funding received.

Expenditures represent funds expended for financial assistance awards in the clean energy sector once the awardee has met the required milestones and terms of their award, business-type activities operational expenses, as well as general and administrative expenditures. Expenditures decreased \$6.5 million in the current year, mainly due to timing differences of when milestones are met and awards are disbursed. There is the potential for timing differences to occur whereby awards are made in one fiscal year and expenditures are recognized in subsequent fiscal years, as for accounting purposes the expenditure is recorded when the recipient has achieved the required milestones per the grant agreement.

General and administrative expenses are included in the expenditure totals for each division. In fiscal year 2022, MassCEC incurred approximately \$10 million of general and administrative expenses, excluding depreciation, which is consistent with the amount from fiscal year 2021.

Total other income and expense decreased \$38.1 million in the current fiscal year, largely due to losses on investment income from trust investments, primarily as a result of market conditions.

Awards

During the fiscal year ended June 30, 2022, MassCEC provided financial assistance awards and investments in the clean energy sector totaling \$30.8 million. Financial assistance awards are legal commitments made to award recipients or to projects which directly benefit the Commonwealth. Awards may be contingent upon the grantee or project reaching certain milestones, and therefore are not recorded as grant expenditures in the accompanying financial statements until such time as the recipient achieves those milestones. Awards were as follows:

Clean Energy Program Awards (in millions)	Year Ended	
	June 30, 2022	June 30, 2021
Clean Transportation	\$ 6.1	\$ 0.1
Commercial Generation	0.3	0.3
Offshore Wind	5.1	2.2
Buildings	3.2	1.2
Net Zero Grid	0.9	-
Technology Development	7.3	6.4
Workforce Development	3.8	3.4
Investments	0.9	1.0
Production Tracking System	0.5	1.0
Offshore Wind Escrow	1.1	-
Other	1.6	4.5
Total Awards	<u>\$ 30.8</u>	<u>\$ 20.1</u>

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2022

MassCEC awarded \$6.1 million in Clean Transportation awards in fiscal year 2022, related to awards made under the ACT4All program for planning and implementation of various electric vehicle and e-bike initiatives. Offshore Wind awards increased by \$2.9 million in fiscal year 2022, related to continued funding to the New England Aquarium for aerial wildlife survey work, along with a \$2.2 million increase over fiscal year 2021 funding for offshore wind workforce and training initiatives. Buildings awards increased by \$2 million in fiscal year 2022. Investments division awards decreased slightly in fiscal year 2022. Production Tracking awards decreased \$0.5 million in fiscal year 2022, related to award timing. Awards made from two offshore wind escrow accounts established in fiscal year 2022 totaled \$1.1 million. Awards were made in collaboration with offshore wind companies. The Other category represents several programs and decreased \$2.9 million year over year due to the inclusion of Solar and Clean Heating and Cooling historic awards in this category. MassCEC closed out management for both programs in fiscal year 2021.

Fund Financial Analysis

The primary fund of MassCEC, the governmental fund, ended the year with a fund balance of \$293.1 million, an increase of \$87.5 million, or 42.6%. The primary factor contributing to this increase is an increase in intergovernmental revenue and the resulting restricted cash in fiscal year 2022.

The WTTTC proprietary fund ended the year with a net position of \$27.7 million, an increase of \$1.3 million due to the adoption of GASB 87 and restatement of prior year fund balance for the same amount. Depreciation expense on the building and other WTTTC assets accounts for \$1.3 million of the total operating expenses.

The Terminal proprietary fund ended the year with a net position of \$89.3 million, a decrease of \$1.9 million due to operating and administrative expenses (including corporate allocations) in excess of lease revenue. Expenses related to depreciation on the building and leasehold improvements at the Terminal make up \$2.7 million of the total operating expenses.

The fiduciary fund ended the year with total assets of \$150 million. MassCEC acts as the collection agent for Alternative Compliance Payment ("ACP") funds from electricity suppliers and holds these in escrow on behalf of DOER. During the year ended June 30, 2022, MassCEC collected on behalf of DOER \$76.6 million of Alternative Compliance Payments and disbursed \$2.2 million. This asset and the fiduciary fund activity are not presented separately or combined with totals in governmental activities and business-type activities, but are both presented in the fiduciary fund statements.

Economic Factors

MassCEC's most predictable and consistent form of income is the renewable energy surcharge which is received from participating energy distribution companies in Massachusetts. MassCEC receives surcharge revenue from investor-owned electric distribution utilities, as well as by municipal lighting plants that have opted to participate in the RET. Historically, MassCEC has received on average \$20-24 million in revenue per year. Surcharge revenue of \$21.6 million in fiscal year 2022 remained consistent with the amount from fiscal year 2021. This revenue is influenced by energy consumption within the Commonwealth, as well as the number of participating distribution companies. In the future, an increase in the energy efficiency measures or clean and alternative energy utilization could cause a decrease in the average kilowatt consumption per year, thus decreasing the surcharge revenue collected and passed to MassCEC. These decreases would likely be offset by increases in energy consumption driven by growth in economic activity as well as growth in electric vehicle usage in the state and a transition toward building electrification over time.

Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
June 30, 2022

This recurrent \$12 million of yearly governmental revenue will be used to provide workforce training, educational and professional development, job placement, startup opportunities and grants promoting participation in the Commonwealth's energy efficiency, clean energy, and clean heating and cooling industries to: certified minority-owned and women-owned small business enterprises, individuals residing within an environmental justice community, current and former workers from the fossil fuel industry, and federally recognized and state acknowledged tribes within the Commonwealth. MassCEC also receives one-time or nonrecurrent sources of funding. These sources of funding can fluctuate widely by year. In fiscal year 2022, MassCEC received \$90.5 million in intergovernmental revenue compared to just \$0.6 million the prior fiscal year.

Requests for Information

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

* * * * *

Massachusetts Clean Energy Center
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Noncapital Assets			
Cash and cash equivalents - unrestricted	\$ 28,607,188	\$ 5,277,744	\$ 33,884,932
Cash and cash equivalents - restricted	134,017,826	-	134,017,826
Accounts receivable:			
Renewable energy surcharge receivable	2,398,080	-	2,398,080
Accounts receivable - trade (net of allowance of \$19,108)	-	1,717,277	1,717,277
Grants receivable	1,013,924	686,165	1,700,089
Due from (to) other funds	28,674,349	(28,674,349)	-
Lease receivable	-	23,541	23,541
Other accounts receivable (net of allowance of \$94,314)	35,040	-	35,040
Program loans receivable (net of allowance of \$1,938,170)	3,434,144	-	3,434,144
Other assets	132,687	39,439	172,126
Prepaid expenses	152,476	77,533	230,009
Trust investments - unrestricted	108,708,608	-	108,708,608
Program investments (net of unrealized loss of \$4,923,690)	6,210,954	-	6,210,954
Total noncapital assets	\$ 313,385,276	\$ (20,852,650)	\$ 292,532,626
Leased and Capital Assets, net			
Land	-	4,968,916	4,968,916
Construction in progress	150,682	2,130,704	2,281,386
Buildings	-	22,217,606	22,217,606
Furniture and fixtures	162,968	1,655	164,623
Computer equipment and software	270,034	62,083	332,117
Operational equipment	-	252,684	252,684
Leasehold improvements	38,270	109,444,703	109,482,973
Leased assets, net of accumulated amortization	1,789,145	17,904,125	19,693,270
Total leased and capital assets, net	\$ 2,411,099	\$ 156,982,476	\$ 159,393,575
Total assets	\$ 315,796,375	\$ 136,129,826	\$ 451,926,201
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses - trade	\$ 1,663,211	\$ 363,746	\$ 2,026,957
Accrued expenses - program awards	3,876,617	-	3,876,617
Unearned revenue	15,214,773	-	15,214,773
Other liabilities	-	248,581	248,581
Lease liabilities	361,455	321,126	682,581
Total current liabilities	21,116,056	933,453	22,049,509
Noncurrent liabilities:			
Lease liabilities	1,558,335	18,094,428	19,652,763
Total liabilities	\$ 22,674,391	\$ 19,027,881	\$ 41,702,272
Deferred inflows	-	23,319	23,319
Net Position			
Invested in capital assets	2,411,099	156,982,476	159,393,575
Restricted for:			
Mass Solar Loan	2,304,876	-	2,304,876
Advancing Commonwealth Energy Storage	7,274,477	-	7,274,477
Offshore Wind Energy	82,525,024	-	82,525,024
Offshore Wind Wildlife Surveys	650,561	-	650,561
Reheat	1,923,716	-	1,923,716
HeatSmart	1,255,566	-	1,255,566
Affordable Access to Clean and Efficient Energy	688,210	-	688,210
Equity Workforce	12,003,892	-	12,003,892
ACT4All	8,001,999	-	8,001,999
PTS	2,174,732	-	2,174,732
Unrestricted net position	171,907,832	(39,903,850)	132,003,982
Total net position	\$ 293,121,984	\$ 117,078,626	\$ 410,200,610
Total liabilities, deferred inflows and net position	\$ 315,796,375	\$ 136,129,826	\$ 451,926,201

Massachusetts Clean Energy Center
Statement of Activities
Year Ended June 30, 2022

Program Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Marine Commerce Terminal	Wind Technology Testing Center	Business-Type Activities	
Primary Government									
Governmental Activities									
Clean Energy Programs	\$ 26,624,071	\$ 191,316	\$ 90,499,800	\$ -	\$ 64,067,045	\$ -	\$ -	\$ -	\$ 64,067,045
Production Tracking System	2,104,952	-	1,934,675	-	(170,277)	-	-	-	(170,277)
Total Governmental Activities	<u>28,729,023</u>	<u>191,316</u>	<u>92,434,475</u>	<u>-</u>	<u>63,896,768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,896,768</u>
Business-Type Activities									
New Bedford Marine Commerce Terminal	4,566,427	1,206,444	-	-	-	(3,359,983)	-	(3,359,983)	(3,359,983)
Wind Technology Testing Center	4,143,588	3,507,235	-	-	-	-	(636,353)	(636,353)	(636,353)
Total Business-Type Activities	<u>8,710,015</u>	<u>4,713,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,359,983)</u>	<u>(636,353)</u>	<u>(3,996,336)</u>	<u>(3,996,336)</u>
Total Primary Government	<u>\$ 37,439,038</u>	<u>\$ 4,904,995</u>	<u>\$ 92,434,475</u>	<u>\$ -</u>	<u>\$ 63,896,768</u>	<u>\$ (3,359,983)</u>	<u>\$ (636,353)</u>	<u>\$ (3,996,336)</u>	<u>\$ 59,900,432</u>
General Revenue									
Realized gains, interest, and investment income from trust investments					8,751,424	-	-	-	8,751,424
Unrealized loss on trust investments					(21,179,262)	-	-	-	(21,179,262)
Other income, net					1,317,872	1,493,500	689,636	2,183,136	3,501,008
Equity Workforce Development					12,000,000	-	-	-	12,000,000
Renewable energy surcharge					21,596,259	-	-	-	21,596,259
Offshore Wind Accelerator Programs					1,116,006	-	-	-	1,116,006
Total general revenue					<u>23,602,299</u>	<u>1,493,500</u>	<u>689,636</u>	<u>2,183,136</u>	<u>25,785,435</u>
Change in net position					<u>87,499,067</u>	<u>(1,866,483)</u>	<u>53,283</u>	<u>(1,813,200)</u>	<u>85,685,867</u>
Net Position									
Beginning of year					205,585,404	91,199,891	26,437,901	117,637,792	323,223,196
Impact of adoption of GASB 87					37,513	-	1,254,034	1,254,034	1,291,547
Beginning of year, as adjusted					<u>205,622,917</u>	<u>91,199,891</u>	<u>27,691,935</u>	<u>118,891,826</u>	<u>324,514,743</u>
End of year					<u>\$ 293,121,984</u>	<u>\$ 89,333,408</u>	<u>\$ 27,745,218</u>	<u>\$ 117,078,626</u>	<u>\$ 410,200,610</u>

See accompanying notes to financial statements.

**Massachusetts Clean Energy Center
Balance Sheet - Governmental Fund
June 30, 2022**

Assets

Current Assets

Cash and cash equivalents	
Cash and cash equivalents - unrestricted	\$ 28,607,188
Cash and cash equivalents - restricted	134,017,826
Total cash and cash equivalents	<u>162,625,014</u>
Receivables	
Renewable energy surcharge receivable	2,398,080
Due from other funds	28,674,349
Other accounts receivable (net of allowance of \$94,314)	1,048,964
Program loans receivable (net of allowance of \$1,938,170)	3,434,144
Total receivables	<u>35,555,537</u>
Other assets	132,687
Prepaid expenses	152,476
Trust investments - unrestricted	108,708,608
Program investments (net of unrealized loss of \$4,923,690)	6,210,954
Total other assets	<u>115,204,725</u>
Total Assets	<u>\$ 313,385,276</u>

Liabilities

Accounts payable and accrued expenses - trade	\$ 1,663,211
Accrued expenses - program awards	3,876,617
Unearned revenue	15,214,773
Total Liabilities	<u>20,754,601</u>

Fund Balance

Nonspendable	285,163
Restricted	134,017,826
Committed	48,630,358
Assigned	11,659,022
Unassigned	98,038,306
Total fund balance	<u>292,630,675</u>

Total liabilities and fund balance	<u>\$ 313,385,276</u>
---	-----------------------

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds (net of accumulated depreciation)	\$ 621,954
Lease assets used in governmental activities are not financial resources and therefore, are not reported in funds (net of accumulated amortization)	1,789,145
Lease liabilities used in governmental activities are not financial resources and therefore, not reported in funds	<u>(1,919,790)</u>
Net position of governmental activities	<u>\$ 293,121,984</u>

**Massachusetts Clean Energy Center
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2022**

Revenues

Renewable energy surcharge	\$ 21,596,259
Intergovernmental revenue	90,499,800
Equity Workforce Development	12,000,000
Offshore Wind Accelerator Programs	1,102,493
Production Tracking System	1,934,675
Net decrease in realizable value of program loans	(57,528)
Net increase in carrying and fair value of program investments	633,407
Interest and investment income from trust investments	2,103,378
Lease financing	1,940,840
Net realized gains of trust investments	6,648,046
Net increase in unrealized losses of fair value of trust investments	(21,179,263)
Net increase in other revenues	957,524
Total revenues	<u>\$ 118,179,631</u>

Expenditures

Clean Energy Programs	26,338,688
Production Tracking System	2,075,757
Capital and lease asset outlay	2,439,588
Total expenditures	<u>\$ 30,854,033</u>

Net operating gain 87,325,598

Fund balance beginning of year	\$ 205,305,077
Fund balance end of year	<u>\$ 292,630,675</u>

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	\$ 304,114
Lease amortization expense not reported by governmental funds	(151,695)
Governmental funds report the principal portion of lease payments as expenditures. This is the amount by which lease payments exceeds lease expense.	<u>21,050</u>
Change in net assets of governmental activities	<u>\$ 87,499,067</u>

**Massachusetts Clean Energy Center
Statement of Net Position - Proprietary Funds
June 30, 2022**

	Wind Technology Testing Center	New Bedford Marine Commerce Terminal	Total Business-Type Activities
Assets			
Noncapital Assets			
Cash and cash equivalents - unrestricted	\$ 5,277,744	\$ -	\$ 5,277,744
Accounts receivable (net of allowance of \$19,108)	1,392,543	324,734	1,717,277
Grants receivable	686,165	-	686,165
Due to other funds	(2,911,167)	(25,763,182)	(28,674,349)
Lease receivable	-	23,541	23,541
Other assets	39,439	-	39,439
Prepaid expenses	25,403	52,130	77,533
Total noncapital assets	<u>4,510,127</u>	<u>(25,362,777)</u>	<u>(20,852,650)</u>
Leased and Capital Assets, net			
Land	-	4,968,916	4,968,916
Construction in progress	2,130,704	-	2,130,704
Building	21,102,875	1,114,731	22,217,606
Furniture and fixtures	-	1,655	1,655
Computer equipment and software	62,083	-	62,083
Operational equipment	250,159	2,525	252,684
Leasehold improvements	42,262	109,402,441	109,444,703
Leased assets, net of accumulated amortization	5,724,512	12,179,613	17,904,125
Total leased and capital assets, net	<u>29,312,595</u>	<u>127,669,881</u>	<u>156,982,476</u>
Total assets	<u>\$ 33,822,722</u>	<u>\$ 102,307,104</u>	<u>\$ 136,129,826</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses - trade	\$ 207,786	\$ 155,960	\$ 363,746
Other liabilities	5,626	242,955	248,581
Lease liabilities	173,126	148,000	321,126
Total current liabilities	<u>386,538</u>	<u>546,915</u>	<u>933,453</u>
Non-Current Liabilities			
Lease liabilities	5,690,966	12,403,462	18,094,428
Total liabilities	<u>\$ 6,077,504</u>	<u>\$ 12,950,377</u>	<u>\$ 19,027,881</u>
Deferred inflows	<u>\$ -</u>	<u>\$ 23,319</u>	<u>\$ 23,319</u>
Net Position			
Invested in capital assets	29,312,595	127,669,881	156,982,476
Unrestricted	(1,567,377)	(38,336,473)	(39,903,850)
Total net position	<u>\$ 27,745,218</u>	<u>\$ 89,333,408</u>	<u>\$ 117,078,626</u>
Total liabilities, deferred inflows and net position	<u>\$ 33,822,722</u>	<u>\$ 102,307,104</u>	<u>\$ 136,129,826</u>

See accompanying notes to financial statements.

**Massachusetts Clean Energy Center
Statement of Revenue, Expenditures, and
Changes in Net Position - Proprietary Funds
Year Ended June 30, 2022**

	Wind Technology Testing Center	New Bedford Marine Commerce Terminal	Total Business-Type Activities
Operating revenue			
Testing revenue	\$ 3,507,235	\$ -	\$ 3,507,235
Terminal revenue	-	1,206,444	1,206,444
Total revenue	<u>3,507,235</u>	<u>1,206,444</u>	<u>4,713,679</u>
Operating expenses			
Personnel	862,815	279,550	1,142,365
Operational expenses	1,105,590	1,010,670	2,116,260
Facility expenses	455,335	224,049	679,384
Amortization expense	301,290	136,465	437,755
Depreciation expense	1,305,906	2,679,647	3,985,553
Total expenditures	<u>4,030,936</u>	<u>4,330,381</u>	<u>8,361,317</u>
Net operating loss	(523,701)	(3,123,937)	(3,647,638)
Non-operating revenues (expenses)			
Interest income	3,472	-	3,472
Interest expense	(112,652)	(236,046)	(348,698)
Other income	686,164	1,493,500	2,179,664
Total non-operating revenues	<u>576,984</u>	<u>1,257,454</u>	<u>1,834,438</u>
Change in net position	<u>53,283</u>	<u>(1,866,483)</u>	<u>(1,813,200)</u>
Net Position			
Beginning of year	26,437,901	91,199,891	117,637,792
Impact of adoption of GASB 87	1,254,034	-	1,254,034
Beginning of year, restated	<u>27,691,935</u>	<u>91,199,891</u>	<u>118,891,826</u>
End of year	<u>\$ 27,745,218</u>	<u>\$ 89,333,408</u>	<u>\$ 117,078,626</u>

See accompanying notes to financial statements.

**Massachusetts Clean Energy Center
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2022**

	Wind Technology Testing Center	New Bedford Marine Commerce Terminal	Total Business-Type Activities
Cash flows from operations			
Receipts from customers	\$ 3,507,235	\$ 1,206,444	\$ 4,713,679
Payments to suppliers	(1,722,635)	(1,234,719)	(2,957,354)
Payments to employees	(862,815)	(279,550)	(1,142,365)
Other inflows	922,136	253,172	1,175,308
Net cash provided by (used for) operating activities	<u>\$ 1,843,921</u>	<u>\$ (54,653)</u>	<u>\$ 1,789,268</u>
Cash flows from capital and related financing activities			
Acquisitions and construction of capital assets	(1,731,269)	(1,438,847)	(3,170,116)
Net cash used for capital and related financing activities	<u>(1,731,269)</u>	<u>(1,438,847)</u>	<u>(3,170,116)</u>
Cash flows from investing activities			
Interest and other income received	3,472	1,493,500	1,496,972
Net cash provided by investing activities	<u>3,472</u>	<u>1,493,500</u>	<u>1,496,972</u>
Cash			
Net increase in cash and cash equivalents	116,124	-	116,124
Beginning of period	5,274,272	-	5,274,272
End of period	<u>\$ 5,390,396</u>	<u>\$ -</u>	<u>\$ 5,390,396</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (523,701)	\$ (3,123,937)	\$ (3,647,638)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation expense	1,305,906	2,679,647	3,985,553
Amortization expense	301,290	136,465	437,755
Principal lease payments	(161,710)	-	(161,710)
Increase in due to other funds	819,099	1,091,016	1,910,115
Increase in prepaid expenses and other assets	(18,257)	(4,240)	(22,497)
Decrease (increase) in accounts receivable	11,315	(243,231)	(231,916)
Decrease (increase) in accounts payable and accrued expenses - trade	109,979	(297,722)	(187,743)
Increase in other liabilities	-	(292,651)	(292,651)
Net cash provided by operating activities	<u>\$ 1,843,921</u>	<u>\$ (54,653)</u>	<u>\$ 1,789,268</u>

**Massachusetts Clean Energy Center
Statement of Net Position - Fiduciary Fund
June 30, 2022**

	Alternative Compliance Payments
Assets	
Cash and cash equivalents	\$ 149,977,367
Total assets	<u>\$ 149,977,367</u>
Liabilities	\$ -
Total Liabilities	<u>\$ -</u>
Net Position	<u>\$ 149,977,367</u> <u>\$ 149,977,367</u>

Massachusetts Clean Energy Center
Statement of Changes in Net Position - Fiduciary Fund
June 30, 2022

	Alternative Compliance Payments
Additions	
Alternative compliance payments	\$ 76,601,763
Interest	42,277
Total additions	<u>\$ 76,644,040</u>
Deductions	
Department of Energy Resources grants	\$ 250,000
Grants to MassCEC	1,934,675
Department of Environmental Protection grants	5,744
Total deductions	<u>\$ 2,190,419</u>
Net Position	
Beginning of year	<u>\$ 75,523,746</u>
End of year	<u>\$ 149,977,367</u>

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles

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

Reporting Entity

On August 12, 2008, the Commonwealth of Massachusetts (the “Commonwealth”) enacted Chapter 307 of the Acts of 2008, creating the Massachusetts Clean Energy Center (the “MassCEC”) and establishing the Massachusetts Alternative and Clean Energy Investment Trust Fund (“ACE”) to financially support its activities. MassCEC’s mission is to accelerate the clean energy and climate solution innovation that is critical to meeting the Commonwealth’s climate goals, advancing Massachusetts’ position as an international climate leader while growing the state’s clean energy economy.

On November 23, 2009, “Act Relative to Clean Energy,” was signed, which transferred the state’s Renewable Energy Trust Fund (the “RET”) from the Massachusetts Technology Park Corporation (“MTPC”) to MassCEC. This act united two entities with complementary missions, consolidated staff and financial resources, and established MassCEC as the lead state entity charged with growing the clean energy sector in the Commonwealth. The RET was created in 1997 by the Massachusetts Legislature pursuant to Section 4E of Chapter 40J, with a mission of supporting renewable energy throughout the Commonwealth.

MassCEC is governed by a board of directors (the “Board”) comprised of twelve members, including five members appointed by the governor and seven state officials that serve in an *ex officio* capacity. During fiscal year 2023, legislation was passed increasing the number of board members to fifteen, with eight appointed by the governor.

Government-Wide and Fund-Level Financial Statements

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

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

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

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

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

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

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

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

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

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

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

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

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

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

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid interest-bearing deposits and money market accounts with a credible banking institution, and are determined to be restricted or unrestricted based on the intention of fund usage. Restricted cash is funding designated for a specific purpose and therefore not available for general business use. Restricted cash consists of funding for the following programs: Mass Solar Loan, Advancing Commonwealth Energy Storage (ACES), Affordable Access to Clean and Efficient Energy (AACEE), HeatSmart, ReHeat, the Production Tracking, Offshore Wind Energy, Offshore Wind Wildlife Surveys, Offshore Accelerator Programs, Equity Workforce, ACT4All, Vineyard Wind, and Mayflower Wind.

Renewable Energy Surcharge Receivable

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

Accounts Receivable – Trade

Accounts receivable – trade represent receivables for the business type activities at the WTTC and the Terminal and are carried at their net realizable value. Management estimates the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible.

Lease Receivable

The Terminal, as a lessor, recognizes a lease receivable at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

Program Loans Receivable

Program loans receivable consist of loans to companies to accelerate job growth, economic and/or project development and technological innovation in the Commonwealth. Such amounts are reported net of an allowance for uncollectible loans. This allowance is established based on management's assessment of the collectability of the loan portfolio and are reassessed at least annually. These loans bear interest at rates ranging from 5.75% to 9.0% and mature through 2026, or in some cases not until the project is sold or commences operations.

Program Investments

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

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

Trust Investments

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

Fair Value Measurements

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

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

Fair Value Measurements (Continued)

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

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

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

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

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

Capital Assets

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

Buildings	30 - 40 years
Leasehold improvements – New Bedford Marine Commerce Terminal	30 - 50 years
Leasehold improvements and other assets	The lesser of 5 years or the remaining life of the lease
Operational equipment	7 years
Computer equipment and software	3 - 5 years
Furniture and fixtures	5 years

Leased assets are amortized over the lesser of the lease term or the life of the asset.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

Capitalization Policy

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

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and, as such, will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the statement of net position. The Terminal, as a lessor, recognizes a deferred inflow of resources at the commencement of the lease term. The deferred inflow of resources for leases is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relates to future period.

Fund Balance

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

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

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

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

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

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

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

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

MassCEC has not formally adopted a minimum fund balance policy.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

Net Position

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

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

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

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

Revenue Recognition

Under accrual accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Under modified accrual accounting, revenues are recognized as soon as they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year-end. Amounts collected in advance of recognition of revenue are reported as unearned revenue.

Renewable Energy Surcharge

Revenue is recognized when it is both measurable and available. Intergovernmental revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, and the funds are available. Significant accrued revenues include earned renewable energy surcharges. This surcharge is remitted to MassCEC by consumers in the service territories of investor-owned electric distribution utilities to fund programs that promote the development of renewable energy projects. From July 1, 2021 through June 30, 2022, the surcharge was based on \$0.0005/KWH and resulted in recognition of \$21,596,259 in revenue, of which \$2,398,080 was recorded as renewable energy surcharge receivable on the Statement of Net Position at June 30, 2022.

Clean Energy Equity Workforce Funding

Legislatively-imposed revenue is paid annually by the electric and gas distribution companies and municipal aggregators with certified energy plans. Clean Energy Workforce revenue is recognized when both measurable and available. During 2022, MassCEC recognized \$12,000,000 of Clean Energy Workforce revenue

Accelerator Program Revenue and Unearned Revenue

In fiscal year 2022, MassCEC entered into two offshore wind escrow account agreements: one with Vineyard Wind and a banking institution, and another with Mayflower wind and a separate banking institution. Funds in these escrow accounts are treated as unearned revenue until grant expenses paid from the escrow accounts are recognized, at which point revenue is recognized as earned. During 2022, MassCEC recognized approximately \$1,100,000 Accelerator program revenue with the balance of approximately \$15,200,000 reported as unearned revenue.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

1. Significant Accounting Principles (Continued)

Business-Type Activities

WTTC testing revenue and Terminal revenue is recognized when the relevant services are rendered. Lease revenue at the Terminal is essentially recognized on the straight-line basis.

Expenditures

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Grant expenditures are recognized when all material conditions related to the grant agreement have been met. Management reviews all active grant agreements and, based on the best available information, develops an estimate of incurred grant expenditures where no invoice has been received. These amounts are recorded as “Accrued expenses – program awards” in the Statement of Net Position and Governmental Fund Balance Sheet. Management uses a historical average to determine the incurred but not reported grant accrual. General capital asset acquisitions are reported as expenditures in governmental funds.

Budgets

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, allowances for doubtful accounts and program loans receivable, the valuation of program investments, accrued expenses – program awards, and the useful lives of capital assets.

Recent Accounting Pronouncements - Adopted

In June 2017, the GASB issued GASB No. 87 – *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2022

1. Significant Accounting Principles (Continued)

Recent Accounting Pronouncements - Adopted (Continued)

MassCEC adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to these financial statements, including footnote disclosures (see Note 10). The implementation of the standard required a restatement of opening net position on the accompanying statement of activities due to the reclassification of operating leases maintained by both the governmental fund and the business-type funds. Beginning net position was increased by \$37,513 for the governmental activities and \$1,254,034 for the business-type activities for the Corporate and WTTTC leases with the implementation of GASB Statement No. 87 to record the impact of recording leased assets and related lease liabilities.

Recent Accounting Pronouncements - Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the financial statements upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
91	<i>Conduit Debt Obligations</i>	2023
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
99	<i>Omnibus 2022</i>	2023 & 2024
100	<i>Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62</i>	2024
101	<i>Compensated Absences</i>	2025

Subsequent Events

MassCEC has evaluated subsequent events through December 23, 2022, the date that the financial statements were available to be issued.

2. Activity

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

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

- *Building Decarbonization* – MassCEC will accelerate the most impactful, resilient and cost-effective electrification technologies and approaches to decarbonizing the building sector.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

2. Activity (Continued)

- *Clean Transportation* – MassCEC will foster the development of cutting-edge, clean transportation technologies, surfacing new finance and business models that address the market barriers to electric vehicle deployment and accelerating the growth of clean transportation companies in Massachusetts.
- *Net Zero Grid* – MassCEC is well positioned to support the technologies that will enable a transition to a modernized and smarter grid, such as microgrids and energy storage, and demonstrate innovative business models and market development policies for delivering resilience, risk management, clean energy and other benefits.
- *Offshore Wind* – MassCEC is an essential link to advance a new industry by working to reduce project risk, increase market confidence, and support the economic development opportunities of offshore wind sector, including training a workforce to meet the industry’s specialized needs and supporting the growth of a mature supply chain of Massachusetts suppliers and service providers.
- *Workforce Development* – MassCEC will provide access to clean energy careers, education, and training. MassCEC’s areas of focus include support for employers, job seekers and students, training, careers and advancement, and workforce equity.
- *Investments* – MassCEC will stimulate and accelerate the development and commercialization of Clean Energy technologies in the Commonwealth through support of promising early and growth stage clean energy companies.

MassCEC Programs

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

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

In total, MassCEC’s programs recognized \$28,729,023 as expenditures in fiscal year 2022. MassCEC’s programs recognized gross revenues of \$6,817,992 in interest, investment, and Renewable Energy Certificates (REC) income, offset by a loss of \$708,071 due to write downs in certain program investments which are included in the General revenues section of the Statement of Activities.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

2. Activity (Continued)

MassCEC Programs (Continued)

In addition, MassCEC received funding from the Bureau of Ocean Management (“BOEM”) to administer Offshore Wind studies. In fiscal year 2022, MassCEC received \$215,906 from BOEM for such projects. Finally, MassCEC manages the Production Tracking, Renewable Thermal Standard, and Clean Peak Standard Systems for DOER. These platforms are used to track and verify energy production to ensure state incentives are assessed appropriately. In fiscal year 2022, MassCEC received \$1,934,675 from DOER to administer the systems.

New Bedford Marine Commerce Terminal

MassCEC manages the operations of the New Bedford Marine Commerce Terminal, a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. The Terminal was placed into service in July 2015 and has since supported a variety of cargoes and customers. In fiscal year 2022, MassCEC leased portions of the Terminal, including office space, to eleven private businesses and one quasi-government agency, and portions of the dock to thirty-two private vessel companies. Two offshore wind project developers have signed leases to utilize the Terminal for staging their projects from the Terminal. The first lease is for a period of 24 months beginning in January 2023 and extending through 2024. The second lease agreement begins in January 1, 2025 and extends through September 2027.

Wind Technology Testing Center

The WTTTC is the first commercial-scale large blade test facility in the nation, testing commercial-sized wind turbine blades to help reduce cost, improve technical advancements and expedite the deployment of the next generation of wind turbine blades into the marketplace. The facility has attracted business from companies well-known in the wind industry and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States. In fiscal year 2022, the WTTTC provided blade testing services to six companies.

3. Alternative Compliance Payments

In accordance with guidelines set forth by Massachusetts legislation, MassCEC acts as the collection agent for the ACP mandated upon electricity suppliers. Any electric supplier that did not secure enough Renewable Energy Certificates (“RECs”) to meet the Renewable Portfolio Standard requirements shall be deemed in compliance if they make an ACP to MassCEC. From July 1, 2021 through June 30, 2022, MassCEC received \$76,601,763 from electricity suppliers in ACP payments. The funds are held in a restricted custodial depository account that earned \$42,277 of income during fiscal year 2022 and will be utilized in a manner directed by the DOER. For the year ended June 30, 2022, MassCEC disbursed \$2,190,419 of grants the DOER awarded, including \$1,934,675 the DOER awarded directly to MassCEC. These amounts are included within the Intergovernmental Revenues on the Governmental Fund’s Statement of Revenues, Expenditures, and Changes in Fund Balance and presented in the Statement of Changes in Net Position – Fiduciary Fund.

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

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

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2022

5. Cash and Cash Equivalents and Investments

The following summarizes the cash and cash equivalents of MassCEC and identifies certain types of investment risk as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, at June 30, 2022.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. MassCEC's cash and cash equivalents are held by a credible banking institution, while MassCEC's trust investments are held with a reputable custodial institution. The credit of these institutions and the credit of the underlying investments has been reviewed by management and deemed to meet a risk profile consistent with MassCEC's Investment Policy.

Cash and cash equivalents		
Primary government	\$	162,625,014
Fiduciary fund		149,977,367
		149,977,367
Total cash and cash equivalents	\$	312,602,381
		312,602,381
Insured	\$	750,000
Uninsured and uncollateralized		311,852,381
		311,852,381
Total cash and cash equivalents	\$	312,602,381
		312,602,381

Concentration of Investment Credit Risk

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

Investment Type	Credit Risk (Moody's / S&P / Fitch)				Not Investment Grade	Total
	aaa	aa	a	bbb		
Debt Securities-Corporate, Muni's	\$ 6,156,750	\$ 2,014,100	\$ 3,342,478	\$ 7,471,449	\$ 7,898,952	\$ 26,883,729
Fixed Income Securities-Treasury Notes, GNMA's	7,526,109	-	-	-	608,709	8,134,818
Foreign Government Bonds	3,540,412	-	-	-	390,556	3,930,968
Portfolio Total	\$ 17,223,271	\$ 2,014,100	\$ 3,342,478	\$ 7,471,449	\$ 8,898,217	\$ 38,949,515

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

5. Cash and Cash Equivalents and Investments (Continued)

Interest Rate Risk

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

Market Risk – Program Investments and Trust Investments

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

Program investments are comprised of equity investments in small private companies. Inherent in making such investments is the risk that all invested capital will be lost. Management performs due diligence procedures before making investments in order to mitigate this risk. Additionally, management has periodic meetings with the management teams at our program investments to assess the current health of the company and related investment.

6. Fair Value Measurements

The following table presents financial assets at June 30, 2022, that MassCEC measures fair value on a recurring basis, by level, within the fair value hierarchy:

Trust Investments	Level 1	Level 2	Investments Measured at NAV	Total
Bonds				
US Government - ST	\$ -	\$ 2,935,870	\$ -	\$ 2,935,870
US Government - LT	-	14,423,719	-	14,423,719
Corporate	-	16,687,918	-	16,687,918
International	-	5,185,648	-	5,185,648
Municipal	-	2,652,240	-	2,652,240
Equity funds				
Domestic	18,631,799	-	-	18,631,799
Mutual funds				
Domestic	39,763,539	-	-	39,763,539
International	4,788,402	-	-	4,788,402
Private equity fund	-	-	3,639,473	3,639,473
Total Fair Value	\$ 63,183,740	\$ 41,885,395	\$ 3,639,473	\$ 108,708,608

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2022

7. Capital Assets

Capital and Leased Assets of MassCEC at June 30, 2022 are summarized as follows:

	Governmental Activities			
	Capital Asset Additions Net of Depreciation			
	Balance June 30, 2021	Additions	Transfers / Write Offs	Balance June 30, 2022
Construction in progress	\$ 64,238	\$ 86,444	\$ -	\$ 150,682
Furniture and fixtures	337,793	176,985	(329,124)	185,654
Computer equipment and software	1,313,325	194,494	(23,215)	1,484,604
Leasehold improvements	153,439	40,827	(153,441)	40,825
Leased assets	-	1,940,840	-	1,940,840
	<u>1,868,795</u>	<u>2,439,590</u>	<u>(505,780)</u>	<u>3,802,605</u>
Less accumulated depreciation				
Furniture and fixtures	332,933	18,877	(329,124)	22,686
Computer equipment and software	1,075,212	162,573	(23,215)	1,214,570
Leasehold improvements	142,810	13,186	(153,441)	2,555
Leased assets (amortization)	-	151,695	-	151,695
	<u>1,550,955</u>	<u>346,331</u>	<u>(505,780)</u>	<u>1,391,506</u>
Capital Assets (net of accumulated depreciation and amortization)	<u>\$ 317,840</u>	<u>\$ 2,093,259</u>	<u>\$ -</u>	<u>\$ 2,411,099</u>

	Business-Type Activities - Combined			
	Capital Asset Additions Net of Depreciation			
	Balance June 30, 2021	Additions	Transfers / Write Offs	Balance June 30, 2022
Land	\$ 3,628,349	\$ 1,340,567	\$ -	\$ 4,968,916
Construction in progress	1,361,347	1,712,454	(943,097)	2,130,704
Buildings	33,589,305	4,084	943,097	34,536,486
Furniture and fixtures	104,962	-	-	104,962
Computer equipment and software	457,179	-	-	457,179
Operational equipment	1,579,050	19,833	-	1,598,883
Leasehold improvements	125,223,822	93,179	-	125,317,001
Leased assets	-	18,341,880	-	18,341,880
	<u>165,944,014</u>	<u>21,511,997</u>	<u>-</u>	<u>187,456,011</u>
Less accumulated depreciation & amortization				
Buildings	11,070,161	1,248,719	-	12,318,880
Furniture and fixtures	101,502	1,805	-	103,307
Computer equipment and software	374,813	20,283	-	395,096
Operational equipment	1,289,541	56,658	-	1,346,199
Leasehold improvements	13,214,210	2,658,088	-	15,872,298
Lease assets (amortization)	-	437,755	-	437,755
	<u>26,050,227</u>	<u>4,423,308</u>	<u>-</u>	<u>30,473,535</u>
Capital Assets (net of accumulated depreciation and amortization)	<u>\$ 139,893,787</u>	<u>\$ 17,088,689</u>	<u>\$ -</u>	<u>\$ 156,982,476</u>

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

8. Defined Contribution Plans

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

Under the SEP plan, MassCEC makes a quarterly contribution equal to 15% of each employee’s eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2022, MassCEC’s total contributions were \$827,680.

In addition to the annual contributions made, MassCEC is currently evaluating whether any additional amounts based upon prior service is required to be funded into the SEP plan. As such, MassCEC has accrued an additional \$660,000 of amounts potentially owed to the SEP as of June 30, 2022.

Under the 457(b) and 401(a) plans, MassCEC matches 50% of employees’ contributions with a maximum MassCEC contribution of 3% of the employee’s salary. Employee contributions to the 457(b) account are subject to the annual IRS limits, while the employer match is housed in the related 401(a) account. For the year ended June 30, 2022, MassCEC’s total contributions were \$123,330.

9. Inter-Fund Activity

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

Internal balances between funds at June 30, 2022 consisted of the following:

Receivable Fund	Payable Fund	Amount
Governmental Fund	Terminal	\$ 25,763,182
Governmental Fund	WTTC	\$ 2,911,167
	Total	\$ 28,674,349

These balances are made up of inter-fund transfers, which are used to move funds considered financial expenditures in one fund to support the activities within another fund. The transfers made within fiscal year 2022 are related to the governmental fund, making financial expenditures to fund the activities of the Terminal and the WTTC.

10. Leases

A lease is defined as a contractual agreement that conveys control of the right to use another entity’s nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. MassCEC leases various pieces of equipment as well as land and certain operating and office facilities in and around Boston. The related obligations are presented in the amounts equal to the present value of lease payments, payable during the remaining lease term. As the lessee, a lease liability and the associated lease asset is recognized on the government-wide and proprietary fund Statements of Net Position.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

10. Leases (Continued)

MassCEC has a variety of variable payment clauses, within its lease arrangements, which include payments dependent on indexes and rates (such as the Consumer Price Index). Components of variable payments that are fixed in substance, are included in the measurement of the lease liability presented in the table below. MassCEC did not incur expenses related to its leasing activities related to residual value guarantees, lease termination penalties or losses due to impairment. As a lessee, there are currently no agreements that include sale-leaseback and lease-leaseback transactions. MassCEC also enters into lease arrangements with third parties in which MassCEC is a sublessee. As of June 30, 2022, MassCEC had minimum principal and interest payment requirements for its leasing activities, including its subleasing activities, with a remaining term in excess of one year, as follows

Governmental Activities, Year Ended June 30,	Liability Beginning Balance	Total Principal	Total Interest	Total Payments	Liability Ending Balance
2022	\$ 1,940,840	\$ 21,050	\$ 15,342	\$ 36,392	\$ 1,919,790
2023	\$ 1,919,790	\$ 361,455	\$ 32,721	\$ 394,176	\$ 1,558,335
2024	1,558,335	376,117	25,714	401,831	1,182,218
2025	1,182,218	391,606	18,425	410,031	790,612
2026	790,612	406,290	10,851	417,141	384,322
2027	384,322	384,322	3,045	387,367	-
Lease Liability:		<u>\$ 1,919,790</u>			

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

10. Leases (Continued)

Proprietary Funds, Year Ended June 30,	Liability Beginning Balance	Total Principal	Total Interest	Total Payments	Liability Ending Balance
2022	\$ 18,339,959	\$ (75,595)	\$ 348,698	\$ 273,103	\$ 18,415,554
2023	\$ 18,415,554	\$ 83,285	\$ 348,597	\$ 431,882	\$ 18,332,269
2024	18,332,269	92,134	346,938	439,072	18,240,135
2025	18,240,135	102,722	345,081	447,803	18,137,413
2026	18,137,413	113,778	343,020	456,798	18,023,635
2027	18,023,635	125,318	340,743	466,061	17,898,317
2028-2032	17,898,317	865,131	1,659,762	2,524,893	17,033,186
2033-2037	17,033,186	1,327,486	1,556,197	2,883,683	15,705,700
2038-2042	15,705,700	1,390,412	1,409,164	2,799,576	14,315,288
2043-2047	14,315,288	(317,187)	1,374,504	1,057,317	14,632,475
2048-2052	14,632,475	(233,421)	1,400,784	1,167,363	14,865,896
2053-2057	14,865,896	(129,308)	1,418,171	1,288,863	14,995,204
2058-2062	14,995,204	(1,573)	1,424,582	1,423,009	14,996,777
2063-2067	14,996,777	153,517	1,417,600	1,571,117	14,843,260
2068-2072	14,843,260	340,208	1,394,433	1,734,641	14,503,052
2073-2077	14,503,052	563,328	1,351,854	1,915,182	13,939,724
2078-2082	13,939,724	828,363	1,286,153	2,114,516	13,111,361
2083-2087	13,111,361	1,141,537	1,193,061	2,334,598	11,969,824
2088-2092	11,969,824	1,509,904	1,067,680	2,577,584	10,459,920
2093-2097	10,459,920	1,941,462	904,399	2,845,861	8,518,458
2098-2102	8,518,458	2,445,261	696,800	3,142,061	6,073,197
2103-2107	6,073,197	3,031,540	437,548	3,469,088	3,041,657
2108-2112	3,041,657	3,041,657	124,609	3,166,266	-
Lease Liability:		<u>\$18,415,554</u>			

The Terminal lease requires annual payments of \$148,000 commencing on January 1, 2023 through January 1, 2112. Through 2062, the interest accruing on the lease exceeds the annual payment amount, as such, the additional interest is increasing the outstanding principal balance during those periods.

Additionally, the Terminal leases terminal property under non-cancelable lease agreements. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term. At June 30, 2022, lease receivable totaled approximately \$23,000. The total amount of lease revenue and interest revenue recognized during the year ended June 30, 2022 is approximately \$74,000. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the year ended June 30, 2022, MassCEC received variable payments as required by lease agreements totaling \$25,300.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2022

11. Commitments and Contingencies

MassCEC, through the program activities of the RET, has entered into long-term contracts for the purchase and sale of RECs in an effort to stimulate private investment in the construction of new clean electric-generating facilities. These clean energy facilities are being built to satisfy both voluntary demand for renewable power among the Commonwealth's consumers and the requirements of the mandatory Massachusetts Renewable Portfolio Standard ("RPS") established under Massachusetts General Law. As of June 30, 2022, MassCEC is committed to purchasing certain RECs through 2030, as stipulated by the long-term contracts held with various clean energy facilities.

Additionally through the program activities of the RET, MassCEC has provided loan guarantees, among other incentives, to local banks to participate in a loan program for solar energy. The total amount of the guarantee for qualified loans was \$5,105,529 as of June 30, 2022, \$446,265 of which has already been paid out. As of June 30, 2022, MassCEC has established an accrual based on historical experience for the remaining claims of approximately \$506,000.

MassCEC participates in various Federal grant programs from time to time. In fiscal year 2020, MassCEC entered into a cooperative agreement with the U.S. Department of Energy ("DOE") as part of the federal Renewable Energy Research and Development program, specifically related to the expansion of the WTTC. The award will total \$3,743,008 spanning a performance period of January 1, 2020 through September 30, 2023. As of June 30, 2022, MassCEC's remaining portion of their total cost share obligation is approximately \$433,000.

During 2022, the City of Boston petitioned the landlord from which the WTTC leases its land (see Note 10) for past due property taxes. The landlord is currently disputing the validity of the City of Boston's claim and that appeal is currently underway. The landlord is permitted per the terms of the lease agreement to claim a portion of the amount of property tax owed be paid by MassCEC or the WTTC. At this time, neither MassCEC nor the WTTC have been provided with a claim for any payment due by either the City of Boston or the landlord. At this time, the ultimate resolution of the matter is unknown; as such, no liability related to any amount potentially owed by MassCEC has not been recorded.

MassCEC, from time-to-time, has various claims and matters that arise in the ordinary course of business and is involved in certain other legal matters or proceedings. MassCEC does not believe the results of any of this litigation would be material to the financial statements.

Supplemental Information

**Massachusetts Clean Energy Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Pass-Through Subrecipients</u>
Research and Development Cluster:			
Department of Energy Direct Program:			
Renewable Energy Research and Development	81.087	\$ 686,165	\$ -
Total Department of Energy		<u>686,165</u>	<u>-</u>
Department of the Interior Direct Programs:			
Bureau of Ocean Energy Management			
Pilot Studies for Regional Fisheries Monitoring in Relation to Massachusetts and Rhode Island Offshore Wind Areas	15.408	21,766	21,766
Marine Mammal and Sea Turtle Field Surveys and Marine Resource Characterization for Offshore Wind Energy Planning Offshore Rhode Island and Massachusetts - PHASE 2	15.408	<u>194,140</u>	<u>194,140</u>
Total Department of the Interior Bureau of Ocean Energy Management		<u>215,906</u>	<u>215,906</u>
Total Research and Development Cluster and Expenditures of Federal Awards		<u>\$ 902,071</u>	<u>\$ 215,906</u>

Massachusetts Clean Energy Center

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant and contract activity of Massachusetts Clean Energy Center ("MassCEC") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of MassCEC, it is not intended to and does not present the financial position, changes in equity or cash flows of MassCEC.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. MassCEC has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

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

The Board of Directors
Massachusetts Clean Energy Center
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Massachusetts Clean Energy Center ("MassCEC"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MassCEC's basic financial statements, and have issued our report thereon dated December 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MassCEC'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 MassCEC's internal control. Accordingly, we do not express an opinion on the effectiveness of MassCEC's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.



Compliance and Other Matters

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

MassCEC's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MassCEC's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MassCEC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of 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.

Maye Hoffman McCann P.C.

Boston, Massachusetts
December 23, 2022

Reporting Under the Uniform Guidance



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance*

The Board of Directors
Massachusetts Clean Energy Center
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Massachusetts Clean Energy Center's ("MassCEC") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on MassCEC's major federal program for the year ended June 30, 2022. MassCEC's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MassCEC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of MassCEC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MassCEC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MassCEC's federal program.



Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on MassCEC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MassCEC's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MassCEC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MassCEC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MassCEC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maye Hoffman McCann P.C.

Boston, Massachusetts
December 23, 2022

Massachusetts Clean Energy Center

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section 1

Summary of Auditors' Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4. Identification of major federal programs:

Assistance Listing Number

Name of Federal Program or Cluster

Cluster Program*

Research and Development Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

**See Schedule of Expenditures of Federal Awards for a complete listing of the Research and Development Cluster Programs and their related Assistance Listing Numbers.*

Massachusetts Clean Energy Center

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section 2

Financial Statement Findings

2022-001

Finding – Financial Reporting

Criteria

Controls should be in place for the preparation of timely and accurate financial statements.

Condition

The year end financial statement close was challenging and substantially delayed and required re-work and adjustments.

Cause

Turnover and vacant positions at MassCEC, the required adoption of the new leasing standards and an increase in the amount and variety of revenue sources during 2022 resulted in delays in the close and limited the ability for timely management review.

Effect

An adjustment was required for lease accounting and the financial reporting process was delayed and reporting deadlines were missed.

Recommendation

MassCEC has recently filled staffing needs that were previously open or being filled by temporary assistance. The entity should document the key roles and responsibilities for the monthly and year end closes in order to efficiently and effectively close the books.

Recommendation

See Corrective Action Plan

Section 3

Federal Award Findings and Questioned Costs

None noted.

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

Corrective Action Plan

2022-001

Finding – Financial Reporting

Condition

The year end financial statement close was challenging and substantially delayed and required re-work and adjustments.

Views of Responsible Officials and Planned Corrective Actions

MassCEC experienced staff turnover in addition to adopting GASB 87 and accounting for several new revenue sources in fiscal year 2022. MassCEC has back-filled the previously open Controller position and has posted for an additional staff position. MassCEC will continue to evaluate staffing needs to align with the organization's growth and financial statement complexity. Finance staff will review roles and responsibilities to ensure that financial statement preparation is accurate and timely.

Responsible Official: Rachel Perez, CFO

Expected Completion Date: Fiscal year 2023.

Summary Schedule of Prior Audit Findings

2021-001

Finding – Financial Reporting

Condition

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

Status

Corrective action taken.