# Massachusetts Development Finance Agency

**(A Component Unit of the Commonwealth of Massachusetts)**

## Financial Statements issued in accordance with *Government Auditing Standards*

**June 30, 2022**

**Page(s)**

**Independent Auditor's Report**

Board Members
Massachusetts Development Finance Agency

**Report on the Audit of the Financial Statements**

***Opinions***
We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Massachusetts Development Finance Agency (the Agency), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Agency, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

***Emphasis of Matter***
As discussed in Notes 2 and 11 to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Accordingly, net position was restated as of July 1, 2021. Our opinions are not modified with respect to this matter

***Responsibilities of Management 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 the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities 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 auditor's 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 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 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 the Agency'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 the Agency'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 (located on pages 5 through 18) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of departmental net position and statements of departmental revenues, expenses and changes in net position (the Statements) (located on page 68) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Statements are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the basic financial statements. The Statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
December 15, 2022

**Massachusetts Development Finance Agency**

**Schedule of Findings and Questioned Costs**
**Year Ended June 30, 2022**

## I. Summary of Auditor's Results

*Financial Statements*

| | | | | |
|---|---|---|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: | *Unmodified* | | | |
| Internal control over financial reporting: | | | | |
| Material weaknesses identified? | ___ | Yes | _X_ | No |
| Significant deficiencies identified? | _X_ | Yes | ___ | ___ |
| Noncompliance material to financial statements noted? | ___ | Yes | _X_ | No |

## II. Financial Statement Findings

A. Significant Deficiency in Internal Control

**Finding No. 2022-001 – Lack of Preventive Internal Controls**

Condition:
During the current year, the Massachusetts Development Finance Agency (the Agency) was subject to a phishing attack. As a result of that attack, a third-party actor (TPA) was able to access the Agency's email system. The TPA intercepted an internal email and misdirected a payment intended for an MDFA program vendor.

Effect:
As a result of this intrusion, an immaterial amount of money was misdirected to the wrong bank account and misappropriated.

Cause:
The initial intrusion was the result of an individual improperly clinking a link in a malicious email which created the opportunity for the TPA to access the system. Insufficient preventive controls allowed the funds to be misdirected and not detected at the point of the transaction.

Criteria:
Preventive and detective controls should be implemented to mitigate against the risk of this type of event. It should be noted that the detective controls at the Agency identified this issue the day after it occurred. Those controls were functioning as designed.

Recommendation:
A set of complementary preventive controls should be in place to ensure that if such an event were ever to occur in the future, these additional controls would prevent the payment from being made at all.

It should be noted that the Agency was able to fully recover the entire payment. The Agency also implemented proper preventive controls within three months of this event. The Agency has also enhanced its training programs related to phishing attacks and other potential cyber security matters.

Views of Responsible Officials:
Management agrees with this finding and has already implemented preventive internal controls to ensure that this type of event is mitigated in the future.

**Massachusetts Development Finance Agency**
**(A Component Unit of the Commonwealth of Massachusetts)**
**Management's Discussion and Analysis**
**June 30, 2022**
**(unaudited)**

As management of the Massachusetts Development Finance Agency (the Agency), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2022. This discussion and analysis should be read in conjunction with the accompanying financial statements.

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

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

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

The Agency is governed by an 11-member Board of Directors, nine of whom are appointed directly by the Governor and two of whom are public officials, or their designees, serving ex oficio. The Agency is considered a component unit of the Commonwealth for financial statement reporting purposes.

**Using the Financial Statements**

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

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

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

In 2022, the Agency adopted GASB Statement No. 87, *Leases* (GASB No. 87) and restated its 2021 financial statements to reflect the requirements of GASB No. 87 as of July 1, 2020. See Notes 1 and 11 for additional information. The adoption of GASB No. 87 increased lease receivable, leased assets, net, deferred inflows of resources and net position by $12.5 million, $4.3 million, $12.2 million and $0.1 million, respectively, as of June 30, 2021.

**Statements of Net Position**

| | | As Restated * |
|---|---|---|
| | June 30, 2022 | June 30, 2021 |
| **Assets** | | |
| Current assets | $ 266,056,125 | $ 265,746,229 |
| Noncurrent assets | 183,965,260 | 175,807,120 |
| Leased assets (net of accumulated depreciation) | 2,993,889 | 4,252,203 |
| Assets held for sale | 15,766,037 | 12,200,516 |
| Capital assets (net of accumulated depreciation) | 78,802,889 | 74,961,691 |
| Total assets | 547,584,200 | 532,967,759 |
| **Liabilities** | | |
| Current liabilities | 51,288,868 | 43,852,843 |
| Noncurrent liabilities | 55,482,072 | 40,499,574 |
| Total liabilities | 106,770,940 | 84,352,417 |
| **Deferred Inflows of Resources** | 10,244,060 | 12,213,657 |
| Total liabilities and deferred inflows of resources | 117,015,000 | 96,566,074 |
| **Net Position** | | |
| Net investment in capital assets | 81,692,968 | 79,588,941 |
| Restricted | 191,684,538 | 176,169,355 |
| Unrestricted | 157,191,694 | 180,643,389 |
| Total net position | 430,569,200 | 436,401,685 |
| Total liabilities, deferred inflows of resources and net position | $ 547,584,200 | $ 532,967,759 |

* Balances and net position for 2021 were restated for the adoption of GASB No. 87.

## Assets

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

Current assets increased by $0.3 million from 2021 to 2022 mainly due to a combination of increases in cash and cash equivalents – restricted for use, offset by decreases in investments, amounts due from the Commonwealth for grant reimbursements or capital programs and the investment in the Small Business Recovery Loan Fund.

Noncurrent assets increased by $8.2 million from 2021 to 2022 mainly due to a combination of increases in cash and cash equivalents - restricted for capital use, loans receivable and capital assets, net, offset by decreases in investments, lease receivable and leased assets, net.

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

The Agency is the administrator of the STAR Fund. The STAR Fund is a fiduciary investment fund that is managed like a money market fund, invests in short-term, high-quality securities and is available for the investment of bond proceeds of the Agency's client institutions. PFM is the STAR Fund's investment advisor. The STAR Fund is designed to preserve principal, provide daily liquidity and earn a reasonable rate of return. The Agency's holdings in the STAR Fund on the statements of net position as of June 30, 2022 and 2021, were approximately $112.3 million and $74.5 million, respectively.

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

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

As of June 30, 2022 and 2021, there were $102.5 million and $88.4 million, respectively, of net loans receivable.

Net loans receivable increased $14.1 million from 2021 to 2022 due to more loan disbursements as compared to loan repayments during the fiscal year. The total loan disbursements were approximately $37.2 million as compared to $21.2 million of loan repayments, mainly within the General Operations Program and the Emerging Technology Program.

Lease receivable consist of long-term leases in which the Agency is the lessor of buildings and land in Devens, MA and Springfield, MA. In accordance with GASB No. 87, the lease receivable is measured at the present value of lease payments expected to be received during the lease terms. As of June 30, 2022 and 2021, there were $10.6 million and $12.5 million, respectively, of lease receivable. The decrease from 2021 to 2022 was due to lease payments received during the fiscal year. See Note 11 to the financial statements for more information on lease receivable.

Investment in joint ventures includes the Agency's equity investments in the Commonwealth Fund III LLC and 10 New Markets Tax Credit (NMTC) entities as of June 30, 2022. The increase of approximately $0.7 million from 2021 to 2022 was mainly due to $0.4 million share of income and $0.3 million of distributions for all investments for the fiscal year.

During fiscal year 2020, the Agency remitted $10.0 million to the Massachusetts Growth Capital Corporation's (MGCC) Small Business Recovery Loan Fund to assist small businesses impacted by the COVID-19 pandemic. As of June 30, 2021, the net invested balance was $8.1 million. The Agency received $963,313 during fiscal year 2021 from loan repayments and the loss provision was reduced to $1.0 million. The Agency received the $8.1 million from MGCC on August 26, 2021.

Accounts receivable and other assets include outstanding amounts at year-end related to utility usage at Devens, grants, NMTC management fees and reimbursement of expenses, Devens operating fees, prepaid insurance and other miscellaneous receivables. The changes from 2021 to 2022 were mainly related to outstanding payments for Devens real estate taxes, offset by decreases in prepaid expenses.

Due from the Commonwealth represents amounts owed to the Agency from the Commonwealth for grant reimbursements or capital activity at year-end. The decrease of $8.3 million from 2021 to 2022 was mainly related to fewer outstanding grant reimbursements at year-end mainly for the Cultural Facilities Program.

Current assets held for sale of $6.4 million and $2.9 million as of June 30, 2022 and 2021, respectively, relate to property that is actively being marketed for sale by the Agency that is expected to be sold within the following fiscal year. This mainly includes property in Springfield, MA and Worcester, MA.

Noncurrent assets held for sale of $9.4 million and $9.3 million as of June 30, 2022 and 2021, respectively, relate mainly to the Taunton Development Corporation (TDC) capital assets and property that is actively being marketed for sale by the Agency that is expected to be sold greater than one year from the fiscal year-end. In January 2012, the Agency, in partnership with TDC, purchased from the Commonwealth the former Dever State School core campus in Taunton, Massachusetts. The property consisted of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new nonprofit corporation was formed to take title and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center.

Leased assets relate to office space and equipment in which the Agency has entered into long term leases. In accordance with GASB No. 87, the leased asset value is comprised of the lease liability, less any lease incentives received from the lessor, plus initial direct costs related to the leased asset. The decrease of $1.3 million from 2021 to 2022 is related to depreciation expense during the fiscal year. See Note 11 to the financial statements for more information on leased assets.

Capital assets mainly relate to land, infrastructure and improvements and equipment assets for Agency operations in Devens, Boston and Springfield, Massachusetts. The increase of $3.8 million from 2021 to 2022 was mainly due to the combination of increased additions to the Devens Water Utility Division, offset by reclassifying the building in Springfield, MA to assets held for sale due to it being marketed for sale and $7.2 million of depreciation expense during the fiscal year. See Note 10 to the financial statements for more information on capital assets.

**Liabilities**

The Agency's current liabilities consist of accounts payable and accrued expenses, current portions of bonds payable, advances from the Commonwealth and lease liability, accrued interest payable and other current liabilities. Noncurrent liabilities consist of long term portion of bonds payable, advances from the Commonwealth and lease liability and other noncurrent liabilities.

Current liabilities increased $7.4 million from 2021 to 2022 mainly due to increased deferred advances received from the Commonwealth for future grant awards or capital projects.

Noncurrent liabilities increased $15.0 million from 2021 to 2022 mainly due to the combination of a new loan advance related to new water treatment plants at Devens and increased deferred advances received from the Commonwealth for future grant awards or capital projects.

**Devens Electric System Utility Bond**

Bonds payable consist of the following at the years ended of June 30:

| | 2022 | 2021 |
|---|---|---|
| Devens Electric System Utility Bonds | $ 4,620,000 | $ 4,855,000 |
| Net discount | - | (4,591) |
| | $ 4,620,000 | $ 4,850,409 |

Bonds payable decreased $0.2 million from 2021 to 2022 due to the refinance and principal payments of the Devens Electric System Utility bonds during the fiscal year.

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

In an effort to lower the weighted average interest rate on the bonds, the Agency refunded the Series 2001 Bonds in December 2011 and issued the Devens Electric System Refunding Revenue Bonds, Series 2011 (Series 2011 Bonds). Principal of $8,775,000 was repaid in relation to the Series 2001 Bonds and new principal of $8,145,000 was issued. In an additional effort to lower the interest rate on the bonds, the Agency refunded the Series 2011 Bonds and issued the Devens Electric System Refunding Revenue Bonds, Series 2021 (Series 2021 Bonds). Principal of $4,855,000 was repaid in relation to the Series 2011 Bonds and new principal of $4,755,000 was issued.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2022, the debt service coverage was not met. The Agency, as allowed in the bond documents, will utilize the cure period and increased rates in April 2022 and will have further rate increases during fiscal year 2023. As of June 30, 2021, the necessary debt service coverage was met.

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

**Advances from the Commonwealth**

Advances from the Commonwealth consist of the following for the years ended June 30:

| | 2022 | 2021 |
|---|---|---|
| Massachusetts Department of Environmental Protection-wastewater | $ 6,198,069 | $ 6,794,862 |
| Premium | 2,578 | 3,768 |
| Massachusetts Department of Environmental Protection-water | 4,855,759 | - |
| | $ 11,056,406 | $ 6,798,630 |

**Massachusetts Department of Environmental Protection**
In 2001 and 2004, the Massachusetts Department of Environmental Protection (DEP) approved loans to the Agency to construct a wastewater treatment facility at Devens. In addition, The Massachusetts Water Abatement Trust currently known as The Massachusetts Clean Water Trust (MCWT), issued loans to the Agency. These loans will be paid back to the trust through revenues generated from processing of wastewater from Devens and surrounding communities. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on this loan.

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2022 and 2021, the necessary debt service coverage was met.

In 2022, the DEP approved another loan to the Agency to construct two water treatment plants at Devens for iron and manganese removal and per- and polyfluoroalkyl substances (PFAS) treatment for existing Devens wells. The MCWT issued this loan to the Agency. The loan will be paid back to the trust through revenues generated from the sale of water in Devens and to surrounding communities.

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

**Lease Liability**
Lease liability consist of leases in which the Agency is the lessee of office space or equipment. In accordance with GASB No. 87, the lease liability is measured at the present value of lease payments expected to be paid during the lease terms. As of June 30, 2022 and 2021, there were $3.7 million and $5.2 million, respectively, of lease liability. The decrease from 2021 to 2022 is due to payments on leases made during the fiscal year. See Note 11 to the financial statements for more information on lease liability.

**Deferred Inflows of Resources**
In accordance with GASB No. 87, the Agency reported $10.2 million and $12.2 million deferred inflows of resources as of June 30, 2022 and 2021, respectively. This represents the deferral of expected future receipts related to lease receivables

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

| | **2022** | **As Restated 2021** |
|---|---|---|
| Net investment in capital assets | $ 81,692,968 | $ 79,588,941 |
| Restricted | 191,684,538 | 176,169,355 |
| Unrestricted | 157,191,694 | 180,643,389 |
| | $ 430,569,200 | $ 436,401,685 |

Net position decreased by $5.8 million from 2021 to 2022 mainly due to a combination of a $11.4 million operating loss, $27.4 million of grant award disbursements and $3.6 million investment income loss, offset by a $34.5 million contribution from the Commonwealth and $2.4 million in capital grant revenue.

**Revenues and Expenses**

| | 2022 | As Restated 2021 |
|---|---|---|
| Operating revenues | $ 66,818,326 | $ 61,366,404 |
| Operating expenses | (78,240,292) | (76,427,755) |
| Operating loss | (11,421,966) | (15,061,351) |
| Nonoperating (expenses) revenues, net | (3,974,187) | 6,328,113 |
| Capital contributions, net | 9,563,668 | 13,373,948 |
| (Decrease) increase in net position | $ (5,832,485) | $ 4,640,710 |

**Operating Revenues**

| | 2022 | As Restated 2021 |
|---|---|---|
| Devens operating revenue | $ 44,721,232 | $ 41,018,072 |
| Interest and other loan income | 5,904,593 | 5,278,172 |
| Interest income - leased assets | 431,038 | 487,603 |
| Bond issuance and New Markets Tax Credit fees | 7,048,993 | 6,613,649 |
| Lease income | 3,384,295 | 3,181,262 |
| Other | 1,713,053 | 3,963,155 |
| Gain on share of joint ventures | 379,947 | 670,980 |
| Gain on sale of real estate, net | 3,235,175 | 153,511 |
| | $ 66,818,326 | $ 61,366,404 |

Operating revenues increased by $5.5 million from 2021 to 2022 mainly due to increases of $3.7 million in Devens operating revenue and $2.8 million gain on sale of real estate and gain on share of joint ventures, net, offset by a $2.3 million decrease in other revenues.

Devens operating revenue, which includes utility income and real estate taxes, are an important component of the Agency's operating revenue. The Agency owns the utility systems at Devens and provides electricity, natural gas, water and sewer services to the Devens community. The utility staff works in conjunction with operations and maintenance contractors to maintain, upgrade and expand the utility systems. The current systems consist of five transmission substations, approximately 73 miles of distribution power lines, three miles of transmission power lines, three active drinking water wells and pumping stations, approximately 50 miles of water line, 32 miles of natural gas pipeline, a wastewater treatment facility, six sewer lift stations and 50 miles of sewer. Devens operating revenue increased by $3.7 million from 2021 to 2022 mainly due to increased real estate tax revenue due to new growth and increased assessed values and increased gas and wastewater income due to increased usage.

Interest and other loan income represents income related to outstanding loans issued by the Agency. The increase of $0.6 million from 2021 to 2022 is mainly due to increased interest income on loans due to increased loan disbursements.

Interest income-leased assets represents interest earned on outstanding lease receivable.  In accordance with GASB No. 87, a portion of lease payment received is recognized as interest income as future lease payments to be received are discounted using an implicit borrowing rate.

Bond issuance fees and NMTC fees represent revenue generated by the Agency as a conduit issuer of taxable and tax-exempt bonds or fees related to the allocation of federal NMTCs. The increase of $0.4 million from 2021 to 2022 mainly consists of increased bond issuance fees due to increased bond financing amounts for housing and nonprofit 501(c)3 entities in fiscal year 2022.

Lease income represents revenue generated by tenant leases in Devens and Springfield, Massachusetts. The increase from 2021 to 2022 was insignificant.

Other operating income mainly consists of real estate advisory service fees and other miscellaneous operating revenues.  The decrease of $2.3 million from 2021 to 2022 was mainly due to a $1.5 million distribution of sales proceeds from Hospital Hill LLC to the Agency during fiscal year 2021 and a $1.5 million receipt from the town of Taunton for demolition and remediation cost reimbursements to TDC during fiscal year 2021.

The gain on share of joint ventures represents the Agency’s share of operating gains on the Agency’s joint ventures. The gain on share of joint ventures in 2022 and 2021 was mainly related to gain on the Commonwealth Fund III LLC investment in both fiscal years.

The gain on sale of real estate, net of $3.2 million in fiscal year 2022, was due to the recognition of gains on sale of properties sold in previous fiscal years for which the recognition of the sales had been deferred due to repurchase and future commitment agreements. The deferred sales had gross proceeds of $4.0 million, offset by $0.8 million cost of sale, for a net gain of $3.2 million. The fiscal year 2021 sales had minimal gross proceeds thus minimal gains on sale.

**Operating Expenses**

| | 2022 | As Restated 2021 |
|---|---|---|
| Salaries and related employee expenses | $ 22,532,793 | $ 22,614,358 |
| Property, maintenance and utilities | 35,019,498 | 30,294,363 |
| General and administrative | 2,799,624 | 2,715,878 |
| Project and professional expenses | 7,221,307 | 10,571,101 |
| Provision for loan loss | 1,838,959 | 1,073,529 |
| Provision for Predevelopment and Brownfield receivables | 295,714 | 4,515,484 |
| Recovery for Small Business Recovery Loan Fund | - | (4,077,343) |
| Depreciation - capital assets | 7,230,345 | 7,412,894 |
| Depreciation - leased assets | 1,302,052 | 1,307,491 |
| | $ 78,240,292 | $ 76,427,755 |

Operating expenses increased by $1.8 million from 2021 to 2022 mainly due to the combination of increased property, maintenance and utilities expenses and the removal of provision on the Small Business Recovery Loan Fund, offset by decreased project expenses, provision for Predevelopment and Brownfield receivables and depreciation for capital assets.

Salaries and related employee expenses were consistent from 2021 to 2022.

Property, maintenance and utilities expenses increased by $4.7 million from 2021 to 2022. The increase was mainly due to increased electric utility purchases due to increased power supply cost during the fiscal year.

General and administrative expenses were consistent from 2021 to 2022.

Project and professional project expenses decreased by $3.3 million from 2021 to 2022 mainly due to decreased project expenses during the fiscal year related to the Transportation Infrastructure Enhancement Trust Program to assist taxicab, livery and hackney businesses and to the Belchertown State School project.

Provision for loan loss represents the expense necessary to maintain an adequate allowance for loan losses. The provision increased in fiscal year 2022 due to increased loan disbursements for the General Operations Program and the Emerging Technology Program.

Provision for Predevelopment and Brownfield receivables represents the allowance necessary to absorb probable losses of existing awards that are expected to become uncollectible. The provision decreased by $4.2 million from 2021 to 2022 due to fewer disbursements during the fiscal year.

Recovery for Small Business Recovery Loan Fund represents the allowance necessary to absorb probable losses on the invested funds. Original projections related to the fund as of June 30, 2020 demonstrated that it was not probable that the current invested balance would be recoverable from distributions from future loan repayments due to the nature of the unsecured high-risk loans that MGCC provided to small businesses. Therefore, the Agency recognized a $5.0 million provision loss in fiscal year 2020 to write down the amount expected to be recovered through its net cash flow from the fund. As of June 30, 2021, the Agency had updated information from MGCC and expected to receive $8.1

million from loan repayments as the Small Business Recovery Loan Fund is closed out. Therefore, there was a recovery provision of $4.1 million during fiscal year 2021 to bring the amount expected to be recovered to $8.1 million. The Agency received the $8.1 million from MGCC on August 26, 2021.

Depreciation-capital assets was consistent from 2021 to 2022.

Depreciation-leased assets was consistent from 2021 to 2022.

**Non-operating Revenues (Expenses)**

| | 2022 | 2021 |
|---|---|---|
| Investment income | $ (3,584,144) | $ 6,707,766 |
| Contract assistance | 362,626 | 346,443 |
| Interest expense | (471,058) | (523,032) |
| Interest expense - leased assets | (152,038) | (202,107) |
| Financing costs and amortization of bond discount, net | (129,573) | (957) |
| | $ (3,974,187) | $ 6,328,113 |

Non-operating revenues (expenses) consist mainly of investment income, contract assistance, interest expense, financing costs and other. The decrease of $10.3 million from 2021 to 2022 is mainly related to decreased investment income. Investment income decreased $10.3 million from 2021 to 2022 mainly due to decreased average investment balances and unrealized losses on investments due to rising interest rates occurring during the second half of the fiscal year.

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

Interest expense of $0.5 million was recognized in both 2022 and 2021. Interest expense includes interest for the Electric System Utility bonds issued for the acquisition of the electric transmission and distribution facility at Devens and the MCWT loan for the construction of the wastewater treatment facility at Devens.

Interest expense-leased assets of $0.2 million was recognized in both 2022 and 2021. Interest expense-leased assets includes interest paid for leases in which the Agency is the lessee for office space or equipment.

Financing costs and amortization of bond discount, net represents the costs associated with the refinancing of the Electric System Utility bonds during the fiscal year and amortization of the discount for the Electric System Utility bonds over the term of the related bonds. The Electric System Utility bond was refinanced during the fiscal year and the remaining bond discount was fully amortized. See Note 13 to the financial statements for more information on bonds payable and the refinancing.

**Capital Contribution**

| | 2022 | 2021 |
|---|---|---|
| Contributions from the Commonwealth of Massachusetts | $ 34,541,421 | $ 30,538,976 |
| Capital grant revenue | 2,443,599 | 5,961,473 |
| Predevelopment and Brownfield awards | (2,210,728) | - |
| Cultural Facilities grant awards | (8,156,509) | (9,056,713) |
| Military Bond Bill grant awards | (3,822,662) | (1,710,485) |
| Underutilized Properties grant awards | (1,229,236) | - |
| Worcester Business Development Corporation grant award | - | (532,039) |
| Transformative Development Initiative grant awards | (1,675,942) | (1,550,957) |
| Transportation Infrastructure Enhancement Trust grant awards | (57,397) | (3,988,236) |
| Innovation Voucher grant awards | (1,623,063) | (2,847,475) |
| Community Innovation Infrastructure grant awards | (994,300) | (1,129,708) |
| Other grant awards | (7,651,515) | (2,310,888) |
| | $ 9,563,668 | $ 13,373,948 |

Capital contributions decreased $3.8 million from 2021 to 2022 mainly due to the combination of increased recognition of contributions from the Commonwealth, offset by decreased capital grant revenue and increased grant awards during the fiscal year.

Contributions from the Commonwealth of $34.5 million and $30.5 million, were recognized in fiscal years 2022 and 2021, respectively. The fiscal year 2022 amounts mainly include $9.0 million for the Cultural Facilities Program, $12.6 million for the General Fund Program, $3.8 million for the Military Bond Bill Program, $1.9 million for the Site Readiness Program and $1.7 million for the Underutilized Properties Program. The fiscal year 2021 amounts mainly include $9.8 million for the Cultural Facilities Program, $7.7 million for the Transportation Infrastructure Enhancement Trust Program, $2.9 million for the Brownfield Capital Program and $2.6 million for the Innovation Voucher Program.

Capital grant revenue of approximately $2.4 million, and $6.0 million was recognized in fiscal years 2022 and 2021, respectively. The fiscal year 2022 amount was mainly related to $0.7 million for the CARES Act Revolving Loan Fund program to help alleviate severe economic dislocation caused by the coronavirus pandemic, $0.7 million for the Transformative Development Initiative program to assist with redevelopment of the Gateway cities and $0.7 million to assist with funding an outdoor event space in historic downtown Lowell, MA historic district. The fiscal year 2021 amount was mainly related to $2.5 million for the Credit Enhancement of Charter School Facilities guarantee program due to the issuance of new guarantees during the fiscal year and $2.4 million for the CARES Act Revolving Loan Fund program.

The Agency disbursed $8.2 million and $9.1 million in fiscal years 2022 and 2021, respectively, to various recipients in support of acquisition, design, construction, repair, renovation, rehabilitation or capital improvements or deferred maintenance of a cultural facility.

The Agency disbursed $3.8 million and $1.7 million in fiscal years 2022 and 2021, respectively, to various recipients in support of military installation development projects across the Commonwealth.

The Agency disbursed $1.2 million in fiscal year 2022 to various recipients in support of projects that will improve, rehabilitate or redevelop lighted, abandoned, vacant or underutilized properties to achieve the public purposes of eliminating blight, increasing housing production, supporting economic development projects and increasing the number of commercial buildings accessible to persons with disabilities.

The Agency disbursed $1.7 million and $1.6 million in fiscal years 2022 and 2021, respectively, to various recipients in support of the redevelopment of Gateway cities in the Commonwealth.

The Agency disbursed $0.0 million and $4.0 million in fiscal years 2022 and 2021, respectively, to various recipients in support of providing financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development.

The Agency disbursed $1.6 million and $2.8 million in fiscal years 2022 and 2021, respectively, to various recipients in support of providing a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts.

The Agency disbursed $1.0 million and $1.1 million in fiscal years 2022 and 2021, respectively, to various recipients in support of providing grants to businesses to plan and study the feasibility of new collaborative workspaces, building improvements and equipment purchases.

The Agency disbursed $7.7 million and $2.3 million in fiscal years 2022 and 2021, respectively to various recipients in support of various projects throughout the Commonwealth.

**Fiduciary Activities**

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

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

- The **statement of fiduciary net position** presents a point-in-time snapshot of the financial position of the STAR Fund and includes all assets and liabilities of the STAR Fund.
- The **statement of changes in fiduciary net position** presents the activity of the STAR Fund for the year ended. Major sources of additions include investment income, realized gain on sale of investments and capital shares issued. Major sources of deductions include expenses (investment advisory fees and administrative fees) and capital shares redeemed.

**Requests for Information**

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

# Massachusetts Development Finance Agency
## (A Component Unit of the Commonwealth of Massachusetts)
## Statement of Net Position
## June 30, 2022

| | |
|---|---|
| **Assets** | |
| **Current assets** | |
| Cash and cash equivalents | $ 24,901,167 |
| Cash and cash equivalents - restricted for use | 134,773,508 |
| Investments | 80,670,933 |
| Loans receivable, net | 11,677,070 |
| Lease receivable | 1,324,731 |
| Interest receivable | 498,166 |
| Accounts receivable and other assets (net of allowance of $478,450 at June 30, 2022) | 8,222,565 |
| Due from the Commonwealth of Massachusetts | 1,689,021 |
| Small Business Recovery Loan Fund (net of allowance of $1,027,657 as of June 30, 2021) | - |
| Project escrow deposits | 2,298,964 |
| Assets held for sale | 6,402,318 |
| Total current assets | 272,458,443 |
| **Noncurrent assets** | |
| Cash and cash equivalents - restricted for capital use | 27,409,082 |
| Cash and cash equivalents - restricted for use | 1,957,664 |
| Investments | 47,605,324 |
| Investment in joint ventures | 6,414,359 |
| Loans receivable (net of allowance of $12,694,141 at June 30, 2022) | 90,850,908 |
| Lease receivable | 9,322,015 |
| Predevelopment and Brownfield receivables (net of allowance of $9,537,181 at June 30, 2022) | 405,908 |
| Assets held for sale | 9,363,719 |
| Leased assets, net | 2,993,889 |
| Capital assets, net | 78,802,889 |
| Total noncurrent assets | 275,125,757 |
| Total assets | $ 547,584,200 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | |
| **Current liabilities** | |
| Accounts payable and accrued expenses | $ 11,428,091 |
| Current portion of bonds payable | 485,000 |
| Advances from the Commonwealth of Massachusetts | 617,541 |
| Lease liability | 1,281,388 |
| Accrued interest payable | 193,442 |
| Project escrow payable | 2,523,217 |
| Deferred revenue and other liabilities | 34,760,189 |
| Total current liabilities | 51,288,868 |
| **Noncurrent liabilities** | |
| Bonds payable | 4,135,000 |
| Advances from the Commonwealth of Massachusetts | 10,438,865 |
| Lease liability | 2,428,330 |
| Deferred revenue and other liabilities | 38,479,877 |
| Total noncurrent liabilities | 55,482,072 |
| Total liabilities | 106,770,940 |
| **Deferred inflows of resources** | |
| Leases deferred inflows of resources | 10,244,060 |
| Total deferred inflows of resources | 10,244,060 |
| **Net position** | |
| Net investment in leased and capital assets | 81,692,968 |
| Restricted | 191,684,538 |
| Unrestricted | 157,191,694 |
| Total net position | 430,569,200 |
| Total liabilities, deferred inflows of resources and net position | $ 547,584,200 |

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

# Massachusetts Development Finance Agency
## (A Component Unit of the Commonwealth of Massachusetts)
### Statement of Revenues, Expenses and Changes in Net Position
### Year Ended June 30, 2022

| | |
|---|---|
| **Revenues** | |
| Operating revenues | |
| Devens operating revenue | $ 44,721,232 |
| Interest and other loan income | 5,904,593 |
| Interest income - leased assets | 431,038 |
| Bond issuance and New Markets Tax Credit fees | 7,048,993 |
| Lease income | 3,384,295 |
| Other | 1,713,053 |
| Gain on sale of real estate, net | 3,235,175 |
| Gain on share of joint ventures | 379,947 |
| Total operating revenues | 66,818,326 |
| **Expenses** | |
| Operating expenses | |
| Salaries and related employee expenses | 22,532,793 |
| Property, maintenance and utilities | 35,019,498 |
| General and administrative | 2,799,624 |
| Project and professional expenses | 7,221,307 |
| Provision for loan loss | 1,838,959 |
| Provision for Predevelopment and Brownfield receivables | 295,714 |
| Depreciation - capital assets | 7,230,345 |
| Depreciation - leased assets | 1,302,052 |
| Total operating expenses | 78,240,292 |
| Operating loss | (11,421,966) |
| **Nonoperating revenues (expenses)** | |
| Investment income | (3,584,144) |
| Contract assistance | 362,626 |
| Interest expense | (471,058) |
| Interest expense - leased assets | (152,038) |
| Financing costs and amortization of bond discount, net | (129,573) |
| Nonoperating expenses, net | (3,974,187) |
| Loss before capital contributions (distributions) | (15,396,153) |
| **Capital contributions (distributions)** | |
| Contributions from the Commonwealth of Massachusetts | 34,541,421 |
| Capital grant revenue | 2,443,599 |
| Predevelopment and Brownfield grant awards | (2,210,728) |
| Cultural Facilities grant awards | (8,156,509) |
| Military Bond Bill grant awards | (3,822,662) |
| Underutilized Properties grant awards | (1,229,236) |
| Transformative Development Initiative grant awards | (1,675,942) |
| Transportation Infrastructure Enhancement Trust grant awards | (57,397) |
| Innovation Voucher grant awards | (1,623,063) |
| Community Innovation Infrastructure grant awards | (994,300) |
| Other capital grant awards | (7,651,515) |
| Total capital contributions net | 9,563,668 |
| Decrease in net position | (5,832,485) |
| **Net position** | |
| Net position - beginning of year | 436,401,685 |
| Net position - end of year | $ 430,569,200 |

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

# Massachusetts Development Finance Agency
## (A Component Unit of the Commonwealth of Massachusetts)
## Statement of Cash Flows
## Year Ended June 30, 2022

| | 2022 |
|---|---|
| **Cash flows from operating activities** | |
| Receipts from interest on loans | $ 5,829,503 |
| Receipts from Devens operating income | 43,638,162 |
| Receipts from bond issuance fees | 7,039,607 |
| Receipts from other operating income | 1,692,200 |
| Receipts from other lease income | 1,320,793 |
| Payment of salaries and related employees expenses | (22,544,797) |
| Payment of property, maintenance and utilities expenses | (34,845,479) |
| Payment of general and administration expenses | (2,567,618) |
| Payment of project and professional expenses | (7,513,249) |
| Project escrows, draws | (26,324) |
| Project escrows, deposits | 35,236 |
| Net cash used in operating activities | (7,941,966) |
| **Cash flows from capital and related financing activities** | |
| Acquisition of capital assets | (15,021,577) |
| Principal payments on debt obligations | (5,437,581) |
| Principal advances on debt obligations | 9,610,759 |
| Payment of financing costs | (124,982) |
| Proceeds from sale of capital assets | 2,765,549 |
| Receipts from capital grants | 2,602,500 |
| Payment of Predevelopment and Brownfield grant awards | (2,109,312) |
| Payment of Cultural Facilities grant awards | (8,454,602) |
| Payment of Military Bond Bill grant awards | (4,299,022) |
| Payment of Worcester Business Development Corporation grant award | - |
| Payment of Transformative Development Initiative grant awards | (1,433,715) |
| Payment of Transportation Infrastructure Enhancement Trust grant awards | (312,325) |
| Payment of Innovation Voucher grant awards | (2,273,063) |
| Payment of Community Innovation Infrastructure grant awards | (1,134,847) |
| Payment of other capital grants | (7,984,982) |
| Payment of Underutilized Property grant awards | (1,166,565) |
| Receipts of contributions from the Commonwealth of Massachusetts | 65,817,695 |
| Receipts from lease income | 1,857,012 |
| Receipts from interest on leases | 438,668 |
| Payments on lease liability | (1,493,673) |
| Payments on lease accrued interest payable | (156,180) |
| Payment of interest | (260,092) |
| Net cash provided by capital and related financing activities | 31,429,665 |
| **Cash flows from investing activities** | |
| Purchases of investments | (131,969,072) |
| Sales of investments | 163,937,285 |
| Investments in joint venture | (297,167) |
| Distributions from joint ventures | 172 |
| Distribution from Small Business Recovery Loan Fund | 8,114,030 |
| Disbursements of loans | (37,154,849) |
| Collections and recoveries of loans | 21,209,835 |
| Payment of Predevelopment and Brownfield receivables | 297,315 |
| Advance of Predevelopment and Brownfield receivables | (104,545) |
| Receipts of investment income | 2,262,070 |
| Net cash provided by investing activities | 26,295,074 |
| Net increase in cash and cash equivalents | 49,782,773 |
| Cash and cash equivalents at beginning of year | 139,258,648 |
| Cash and cash equivalents at end of year | $ 189,041,421 |
| **Supplemental disclosure of noncash activity:** | |
| Contract assistance | $ 362,626 |
| Contributions from the Commonwealth of Massachusetts | 23,026,823 |
| Capital grant revenue | (7,500) |
| Interest expense | 213,414 |
| Grant awards | (1,137,914) |
| Unrealized gain on investments | (5,587,248) |
| Capital additions included in accounts payable and accrued expenses | 1,326,421 |

(continued)

## Massachusetts Development Finance Agency
### (A Component Unit of the Commonwealth of Massachusetts)
### Statement of Cash Flows
### Year Ended June 30, 2022

| | |
|---|---|
| **Cash flows from operating activities** | |
| Operating loss | $ (11,421,966) |
| *Adjustments to reconcile operating loss to net cash used in operating activities:* | |
| Bad debt | 58,044 |
| Lease income | (2,019,761) |
| Interest income-leases | (438,668) |
| Depreciation and amortization | 8,532,397 |
| Gain on sale of real estate, net | (3,235,175) |
| Provision for loan loss | 1,838,959 |
| Provision for Predevelopment and Brownfield receivables | 295,714 |
| Gain on share of joint ventures | (379,947) |
| *Changes in assets and liabilities:* | |
| Project escrows assets | (26,324) |
| Interest receivable | (9,388) |
| Accounts receivable and other assets | (540,373) |
| Accounts payable and accrued expenses | (443,754) |
| Project escrow payable | 35,236 |
| Other liabilities | (186,960) |
| **Total adjustments** | 3,480,000 |
| Net cash used in operating activities | $ (7,941,966) |

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

# Massachusetts Development Finance Agency
**(A Component Unit of the Commonwealth of Massachusetts)**
**Statement of Fiduciary Net Position – Short-Term Asset Reserve Fund**
**December 31, 2021**

| | | |
|---|---|---|
| **Assets** | | |
| Investments | $ | 248,100,853 |
| Cash and cash equivalents | | 71,893 |
| Interest receivable | | 350,788 |
| Subscriptions receivable | | 4,270 |
| Total assets | | 248,527,804 |
| **Liabilities** | | |
| Management fees payable | | 17,608 |
| Admistration fees payable | | 9,023 |
| Audit fees payable | | 29,980 |
| Other accrued expenses | | 11,978 |
| Total liabilities | | 68,589 |
| **Net position restricted for pool participants** | $ | 248,459,215 |

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

# Massachusetts Development Finance Agency
## (A Component Unit of the Commonwealth of Massachusetts)
## Statement of Changes in Fiduciary Net Position – Short-Term Asset Reserve Fund
## Year Ended December 31, 2021

| | | |
|---|---|---|
| **Revenues** | | |
| Investment income | $ | 452,875 |
| **Expenses** | | |
| Investment management fees | | 351,230 |
| Administration fees | | 132,221 |
| Audit fees | | 29,425 |
| Other expenses | | 3,699 |
| Total expenses | | 516,575 |
| Less investment advisory fee waivers | | (116,803) |
| Net expenses | | 399,772 |
| **Net investment income** | | 53,103 |
| **Net realized gain on sale of investments** | | 9,597 |
| Net increase from investment operations before capital transactions | | 62,700 |
| **Capital shares issued** | | 633,632,298 |
| **Capital shares redeemed** | | (725,598,705) |
| Decrease in net position restricted for pool participants | | (91,903,707) |
| Net position restricted for pool participants - beginning of year | | 340,362,922 |
| Net position restricted for pool participants - end of year | $ | 248,459,215 |

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

## 1. Authorizing Legislation

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

The Agency is governed by an 11-member Board of Directors (Board), nine of whom are appointed directly by the Governor and two of whom are public officials, or their designees, serving ex oficio.

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

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

**Taunton Development MassDevelopment Corporation**
In January 2012, the Agency, in partnership with Taunton Development Corporation, purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consists of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation called Taunton Development MassDevelopment Corporation (TDMDC) was formed to own and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. Grants have been provided by the Commonwealth through MassWorks and by the United States Department of Commerce Economic Development Administration. TDMDC is included in the financial statements of the Agency as the majority of the TDMDC board members are executives of the Agency. The Agency also provides consultant services related to the redevelopment of the property and financial services for TDMDC. The net position of TDMDC was approximately $9.8 million as of June 30, 2022. TDMDC does not issue stand-alone financial statements.

**MassDevelopment New Markets LLC (MDNM)**
The Agency, via subsidiary entity, MDNM, was awarded, since inception of the federal New Markets Tax Credit Program, the right to allocate federal New Markets Tax Credit's against $341.0 million of its investors' investments by the United States Department of the Treasury. The Agency has a 0.01% to 0.10% investment allocation in the related investments. See Note 5 for more information.

**STAR Fund**
The Massachusetts Development Finance Agency Short-Term Asset Reserve Fund (formerly known as HEFA Short-Term Asset Reserve Fund) (STAR Fund) was established on July 16, 1991 under the laws of the Commonwealth, Chapter 614, of the Acts of 1968, to make available comprehensive investment management of proceeds of bonds and other obligations issued by HEFA on behalf of its institutional borrowers. The STAR Fund is a short-term money market portfolio which seeks to preserve principal and maintain liquidity. Pursuant to Chapter 240 of the Acts of 2010 of the Commonwealth, HEFA was merged into the Agency effective October 1, 2010. All rights, powers, duties and properties of HEFA related to the STAR Fund transferred to the Agency as of this date and the name was changed. The Agency is the administrator of the STAR Fund. Pursuant to the provisions of GASB No. 84, *Fiduciary Activities,* the STAR Fund qualifies as a fiduciary component unit of the Agency. As a result, the assets and corresponding net position of the STAR Fund are accounted for as a fiduciary activity and included in the statement of fiduciary net position and statement of changes in fiduciary net position as of June 30, 2022. The STAR Fund reports on a December 31 year end. If the STAR Fund were to terminate, all remaining funds would be due back to the participants in the STAR Fund. A copy of the financial statements of the STAR Fund can be obtained from the Office of the Chief Financial Officer, Massachusetts Development Finance Agency, 99 High Street, 11th floor, Boston, MA 02110.

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

## 2. Significant Accounting Policies

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

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

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

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

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

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

  *Nonexpendable* – Net position subject to externally imposed stipulations such that the Agency maintains them permanently. For the years ended June 30, 2022, the Agency did not have any nonexpendable restricted net position.

*Expendable* – Net position whose use by the Agency is subject to externally imposed stipulations that can be fulfilled by actions of the Agency pursuant to those stipulations or that expire by the passage of time.

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

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

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

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

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

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

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

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

**Loans Receivable and Predevelopment and Brownfield Receivables, net**

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

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

**Leases (Lessor)**

The Agency, as a lessor, recognizes a lease receivable at the commencement of the lease term, with certain exceptions for short-term leases and leases that transfer ownership of the underlying assets. The Agency's also uses a threshold for classification of a lease receivable of $5,000. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

The Agency's policy is to use the Prime interest rate at lease commencement plus a bank spread of 25 basis points for leases with terms less than ten years and 75 basis points for leases with terms greater than ten years.

The lease term includes the non-cancellable period of the lease, plus any additional periods covered by the option to extend the lease for which it is reasonably certain to exercise. Periods for which both the Agency and the lessee have the option to terminate are excluded from the lease term.

Payments are evaluated by the Agency to determine if they should be included in the measurement of the lease receivable, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, lease incentives and other payments.

The Agency monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflow of resources.

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

**Impairment Loss on Joint Ventures**
Management analyzes its investments in joint ventures to determine whether the amounts are considered to be permanently impaired based upon its best estimates of the cash flows from the investment. If a permanent impairment in carrying value exists, a provision to write down the investment to the estimated cash flows realizable from the investment will be recorded in the Agency's financial statements. There were no impairment losses recognized in fiscal year 2022.

**Accounts Receivable and Other Assets**

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

**Interest Receivable**

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

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

**Project Escrows**

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

**Due From the Commonwealth**

Due from the Commonwealth represents amounts owed from the Commonwealth as of June 30, 2022, totaling $1,689,021. The balance due from the Commonwealth mainly represents reimbursements due to the Agency for grant or project expenses incurred during the fiscal year.

**Leases (Lessee)**

The Agency is a lessee for various non-cancellable leases related to office space and equipment. The Agency's threshold for classification of a leased asset is $5,000. For leases with a maximum possible term of 12 months or less at commencement, the Agency recognizes lease expense based on the provision of the lease. For all other leases (i.e. those that are not short-term), the Agency recognizes a lease liability and an intangible right-to-use lease asset in the financial statements. The Agency's also uses a threshold for classification of a lease asset of $5,000.

At lease commencement, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

The Agency's policy is to use the Prime interest rate at lease commencement plus a bank spread of 25 basis points for leases with terms less than ten years and 75 basis points for leases with terms greater than ten years.

The lease term includes the non-cancellable period of the lease, plus any additional periods covered by the option to extend the lease for which it is reasonably certain to exercise. Periods for which both the Agency and the lessor have the option to terminate are excluded from the lease term.

Payments are evaluated by the Agency to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, lease incentives, purchase options, payments for termination penalties and other payments.

The Agency monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured, and a corresponding adjustment is made to the lease asset.

**Capital Assets, Net**

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

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

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

### Assets Held for Sale

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

### Capital Asset Impairments

The Agency assesses the carrying value of property whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage are measured using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. The Agency did not record any impairment charges as of June 30, 2022 as there were no indicators of impairment.

### Accounts Payable and Accrued Expenses

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

### Other Liabilities

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

### Bonds Payable and Advances From the Commonwealth of Massachusetts

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

### Revenue Recognition

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

Management fee income for the New Markets Tax Credit (NMTC) programs is recorded as services related to managing the operations of the NMTC programs are performed.

Lease income and interest income on leased assets are recognized over the life of the respective lease.

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

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

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

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

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

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

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

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

**Subsequent Events**
Management has evaluated subsequent events through December 15, 2022, the date of the financial statements were available for issuance, noting no additional material events to disclose other than the items noted below.

On November 1, 2022, the Agency sold a building at 1550 Main Street in Springfield, Massachusetts. The sale resulted in gross sales proceeds of $6,000,000 and a net gain of approximately of $2,200,000.

**New Accounting Pronouncements**

**Accounting Standards Effective in Current Year**
During 2022, the Agency adopted GASB No. 87, *Leases.* This standard establishes standards of accounting and financial reporting for leases by lessees and lessors. The objective of this standard is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This standard became effective for financial statements for fiscal years beginning after June 15, 2021. The Agency restated its 2022 beginning balances to reflect the requirements of GASB No. 87 as of July 1, 2020. The adoption of GASB No. 87 increased lease receivable, leased assets, net, deferred inflows of resources, lease liability and net position by $12.5 million, $4.3 million, $12.2 million, $5.2 million and $0.1 million, respectively, as of June 30, 2021. Please also refer to Note 11.

During 2022, the Agency adopted GASB No. 92, *Omnibus 2020.* The objectives of this standard are to enhance comparability in accounting and financial reporting and improve consistency of authoritative literature. There are varying effective dates based on the applicable requirements in the related GASB. The adoption of this standard did not have a significant effect on the Agency's financial statements.

During 2022, the Agency adopted GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan.* The primary objectives of this standard are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard is effective for reporting periods beginning after June 15, 2021. The adoption of this standard did not have a significant effect on the Agency's financial statements.

During 2022, the Agency adopted GASB No. 98, *The Annual Comprehensive Financial Report.* This standard establishes the term annual comprehensive financial report and its acronym ACFR. The new term and acronym replace instances of comprehensive financial report and its acronym in generally accepted accounting principles for state and local governments. This standard is effective for fiscal years ending after December 15, 2021. The adoption of this standard did not have a significant effect on the Agency's financial statements.

**New Accounting Standards Not Yet Effective**
In May 2019, the GASB issued GASB No. 91, *Conduit Debt Obligations.* The objective of this standard is to provide a single method of reporting conduit debt obligations by issuers. This standard is now effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

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

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

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

In April 2022, the GASB issued GASB No. 99, *Omnibus 2022.* The objective of this standard is to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature. There are varying effective dates based on the applicable requirements in the related GASB. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

In June 2022, the GASB issued GASB No. 100, *Accounting Changes and Error Corrections-an amendment of GASB No. 62.* The objective of this standard is to enhance accounting and financial reporting for accounting changes and error corrections. This standard is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

In June 2022, the GASB issued GASB No. 101, *Compensated Absences.* The objective of this standard is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This standard is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

## 3. Programs of the Agency

The following describes certain programs or divisions of the Agency. Please also refer to the supplemental information on page 68.

### General Operations Program

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

The Agency invests funds in real estate developments in support of the development/redevelopment of blighted and/or surplus public properties within the Commonwealth. The Agency is actively involved in the development and/or ongoing operations of such properties in Devens, Springfield, Northampton, Belchertown and Taunton, Massachusetts, and certain Massachusetts state piers. The Agency provides technical assistance to communities through various programs, including loans and consulting services. The Agency also devotes staff time toward defense sector work. Current defense sector projects include economic analysis of the importance of the Commonwealth's military installations and work on the Commonwealth's Military Asset and Security Strategy Task Force. The net position of the General Operations Program was approximately $164.3million as of June 30, 2022.

### Devens Operations Program

The Devens Operations Program was established under Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of Devens, a former federal military base). With financial support from the Commonwealth, the Agency purchased the property and has been redeveloping Devens, a 4,400-acre mixed-use community located in Devens, MA, by creating a sustainable and diverse residential and business community. The Agency currently provides municipal services, education, environmental protection, redevelopment and property leasing services at Devens. The net position of the Devens Operations Program was approximately $61.1 million as of June 30, 2022.

### Brownfield Redevelopment Program

Brownfield was established in 1998 as part of the Commonwealth's Brownfield Act to encourage reuse of environmentally contaminated property in economically distressed areas of the Commonwealth. This program is administered by the Agency and all cash balances related to this program must be invested according to an established Agency investment policy related to restricted funds. All related interest income must be utilized for the administration of the program. The Agency had approximately $1.5 million of gross Brownfield loans receivable with loan loss reserves of approximately $0.2 million for net Brownfield loans receivable of approximately $1.3 million outstanding as of June 30, 2022. The Agency also issued approximately $2.2 million of grant awards during fiscal year 2022. As of June 30, 2022, approximately $7.3 million was available for disbursement. The restricted net position of this program was approximately $5.8 million as of June 30, 2022.

**Emerging Technology Program**

The ETP was established under Sections 27 and 28 of MGL Chapter 23G. ETP leverages private financing to provide capital for businesses, which develop or commercialize emerging technologies. The Agency had approximately $8.6 million of gross ETP loans receivable with loan loss reserves of approximately $2.0 million for net ETP loans receivable of approximately $6.6 million outstanding as of June 30, 2022.

As of June 30, 2022, the Agency had approximately $35.6 million available for disbursement. The restricted net position of this program was approximately $48.6 million as of June 30, 2022. There were no Agency assets at risk due to outstanding ETP guarantees, including unfunded commitments, at June 30, 2022.

The Agency has also committed an additional $5.0 million to an equity investment in the Commonwealth Fund III LLC (Fund) from the ETP. As of June 30, 2022, a total of $4.3 million had been contributed to the Fund.

**Cultural Facilities Program**

The Cultural Facilities Program was established under Section 42 of the MGL Chapter 23G, effective July 13, 2006. The purpose of the Cultural Facilities Program is to make grants or loans for the acquisition, design, construction, repair, renovation, rehabilitation or other capital improvement or deferred maintenance of a cultural facility. All related interest income must be utilized for the administration of the program. New funds are given to the Agency on a reimbursement basis as grants are awarded. The Agency awarded approximately $8.2 million of grant awards during fiscal year 2022. As of June 30, 2022, approximately $7.2 million is on hand and available for disbursement. The Agency has $1.5 million due from the Commonwealth at June 30, 2022 for grant and administrative expense reimbursement for the fiscal year. The restricted net position of this program was approximately $3.0 million as of June 30, 2022.

**Massachusetts Export Development Program**

This program serves as a guarantee to lending institutions for their working capital loans to Massachusetts exporters. These funds are administered by the Agency and must be invested in securities issued by the Treasury of the United States Government or the Commonwealth. All related investment income must be utilized for the administration of this program. The Agency had designated approximately $3.3 million at June 30, 2022 for this program. Total Agency assets at risk due to Massachusetts Export Development Program guarantees outstanding, including commitments, aggregated approximately $3.2 million at June 30, 2022. The restricted net position of this program was approximately $2.8 million as of June 30, 2022. This program is included in the Other column in the supplemental information on page 68.

**Mortgage Insurance Program**

The purpose of the MIP is to encourage private sector investment by guaranteeing a portion of bank loans or bond issues. Premium income received and other monies made available to the program are credited thereto. This premium income is amortized over the loan guarantee period. The approved leverage policy for this program is 1) for loans secured by first liens on real estate or equipment three times the cash balance in the program backing such guarantees and 2) for loans secured by second liens on capital assets or first liens on other business assets, no more than one and a half times the cash balance in the program backing such guarantees. The Agency had designated approximately $13.7 million at June 30, 2022 for the MIP and are considered restricted funds.

Total Agency assets at risk due to mortgage insurance in force, including commitments, under the Guaranteed Loan Program, aggregated approximately $12.2 million at June 30, 2022. The restricted net position of this program was approximately $13.2 million as of June 30, 2022. This program is included in the Other column in the supplemental information on page 68.

**MassDevelopment/HEFA Trust (Trust)**

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

During the years ended June 30, 2022, the Trust awarded grants of $933,976 to charitable institutions. The Trust also started issuing loans beginning with fiscal year 2014. The net loan receivable balance as of June 30, 2022 was $0. As of June 30, 2022, approximately $8.9 million is available for future payments. The grants are reported as other grant awards in the accompanying statements of revenues, expenses and changes in net position. The restricted net position of the Trust was approximately $8.9 million as of June 30, 2022.

**Credit Enhancement of Charter School Facilities Program (Charter School Fund)**

The Charter School Fund program currently has a total capitalization of $75,025,000 derived from six grant awards from the U.S. Department of Education (U.S. DOE), matching private guarantees from Local Initiatives Support Corporation and matching guarantees from the Agency's General Fund Program.

During fiscal year 2005, the Agency was awarded $10,025,000 from the U.S. DOE to enable the Agency to facilitate the financing of charter schools through the issuance of loan guarantees. The first tier of the 2005 funding includes the $10,025,000 from the U.S. DOE and a $500,000 matching guarantee provided by the Agency's General Fund Program. The second tier of the 2005 funding included a $2,000,000 guarantee from Local Initiatives Support Corporation and a $500,000 guarantee from the Agency's General Fund.

During fiscal year 2014, the Agency was awarded another $5,000,000 towards this program by the U.S. DOE and the Agency's General Fund Program may provide up to $5,000,000 of match funding for guarantees. During fiscal years 2015 and 2016, the Agency was awarded another $3,900,000 and $1,100,000, respectively, under one grant, and the Agency's General Fund Program may provide up to $5,000,000 of match funding for guarantees.

During fiscal year 2018, the Agency was awarded another $8,000,000 towards this program by the U.S. DOE and the Agency's General Fund Program may provide up to $8,000,000 of match funding for guarantees. During fiscal year 2020, the Agency was awarded another $5,000,000 towards this program by the U.S. DOE. Additionally, second tier support of $5,000,000 was provided in fiscal 2021 and includes support from the Agency's General Fund Program providing up to $2,500,000 of matching funds and Local Initiatives Support Corporation providing a $2,500,000 guarantee. In fiscal year 2021, the Agency was awarded another $8,000,000 towards this program by the U.S. DOE and the Agency's General Fund Program may provide up to $8,000,000 of matching funds for guarantees.

As of June 30, 2022 approximately $35.1 million are available for loan guarantees. Total Agency assets at risk due to outstanding guarantees, including commitments, aggregated approximately $33.3 million at June 30, 2022. The restricted net position of this program was approximately $34.2 million as of June 30, 2022.

**Devens Electric Utility Division**
In February 2001, the Agency issued Electrical System Revenue Bonds, Series 2001 (Series 2001 Bonds) for the purpose of financing the design, construction, installation and associated costs of the electrical system at Devens, as part of its Devens operations. As required by Section 609 of the Master Trust Indenture by and between the Agency and the Trustee, the Agency accounts for all related revenues and expenditures associated with the electric utilities at Devens as a separate division within the Agency. Net position of the Devens Electric Utility Division was approximately $12.2 million as of June 30, 2022. See Note 18 Segment Reporting.

**Devens Gas, Water and Wastewater Utility Divisions**
Devens also provides natural gas, water and sewer services to the residents and businesses of Devens, MA, as part of its Devens operations. The utility divisions pursue programs aimed at increasing energy supply, reliability and efficiency while limiting costs. The Agency tracks each utility division as a separate and distinct program. The net position of these utility divisions was approximately $30.5 million as of June 30, 2022.

**Military Bond Bill Capital Projects Program**
MBB was established pursuant to MGL Chapter 6, Section 216. The purpose of this program is to establish a military asset and security task force and provides that the Agency oversee and implement military installations mission improvement and expansion projects or base realignment preparation and mitigation projects, including the acquisition, management and disposition of all or any portion of military installations, buildings and utility systems, equipment and personal property, as well as, acquire title to land, buildings and improvements that comprise all or any portion of military installations upon the transfer or disposition of any portion of the military installations by the federal government. During fiscal year 2022, MBB awarded grants totaling $3.8 million. The restricted net position of this program was $0 as of June 30, 2022. The MBB is included in the other column in the supplemental information on page 68.

**Transformative Development Initiative Program**
TDI was established pursuant to MGL Chapter 287, acts of 2014. The purpose of this program is to redevelop Gateway cities to enhance local public-private engagement and community identity; stimulate an improved quality of life for residents and spur increased investment and economic activity. As of June 30, 2022, approximately $31.7 million was available for disbursement. During fiscal year 2022, TDI awarded grants totaling $1.7 million and had $1.0 million worth of

direct project expenses. The net position of this program was approximately $24.7 million as of June 30, 2022.

**Transportation Infrastructure Enhancement Trust Program (TNC)**
TNC was established pursuant to MGL Chapter 187, acts of 2016. The purpose of this program is to provide financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development. As of June 30, 2022, approximately $7.3 million was available for disbursement. During fiscal year 2022, TNC awarded grants totaling $0.1 million and had $0.0 million worth of direct project expenses. The net position of this program was approximately $0.2 million as of June 30, 2022. TNC is included in the other column in the supplemental information on page 68.

**Innovation Voucher Program**
The Innovation Voucher Program was established pursuant to MGL Chapter 75, acts of 2017. The purpose of this program is to provide a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts. As of June 30, 2022, approximately $1.9 million was available for disbursement. During fiscal year 2022, Innovation Voucher awarded grants totaling $1.6 million. The net position of this program was approximately $0.1 million as of June 30, 2022. Innovation Voucher is included in the other column in the supplemental information on page 68.

**Community Innovation Infrastructure Program (CIIP)**
The CIIP was implemented through a collaboration between the Agency and the Executive Office of Housing and Economic Development to support the fit-out and feasibility work needed to grow collaborative workspaces. As of June 30, 2022, approximately $0.1 million was available for disbursement. During fiscal year 2022, CIIP awarded grants totaling $1.0 million. The net deficit of this program was approximately $0.2 million as of June 30, 2022. CIIP is included in the other column in the supplemental information on page 68.

**Site Readiness Program**
The Site Readiness Program aims to increase the Commonwealth's inventory of large, well-located, project ready sites; to accelerate private-sector investment in industrial and commercial projects; and to support the conversion of abandoned sites and obsolete facilities into clean, actively used, tax-generating properties. As of June 30, 2022, approximately $8.5 million was available for disbursement. During fiscal year 2022, the Site Readiness Program awarded grants totaling $0.1 million and had $1.4 million worth of direct project expenses. The net position of this program was approximately $3.9 million as of June 30, 2022.

**Underutilized Properties Program (UPP)**
The 2021 Economic Development Bill authorized $40.0 million for the UPP to be administered by the Agency for the purpose of funding projects that will improve, rehabilitate or redevelop blighted, abandoned, vacant or underutilized properties to achieve the public purposes of eliminating blight, increasing housing production, supporting economic development projects, increasing the number of commercial buildings accessible to persons with disabilities. The program focuses on funding capital improvements and code compliance projects, along with the design of these improvements. As of June 30, 2022, approximately $4.3 million was available for disbursement. During fiscal year 2022, the UPP awarded grants totaling $1.2 million. The

net position of this program was approximately $0.1 million as of June 30, 2022. UPP is included in the other column in the supplemental information on page 68.

**CARES Act Revolving Loan Program**

In 2021, the Agency was awarded $3,043,469 from the U.S. Department of Commerce's Economic Development Administration to help alleviate severe economic dislocation caused by the coronavirus pandemic. The program was capitalized with $2,850,000 and $193,469 to defray the cost of administering the program. As of June 30, 2022, approximately $0.2 million was available for disbursement. The Agency had approximately $2.7 million of gross loans receivable with loan loss reserves of approximately $0.2 million for net loans receivable of approximately $2.5 million outstanding as of June 30, 2022. The net position of this program was approximately $2.6 million as of June 30, 2022.

**Bond Issuance Program**

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

## 4. Cash, Cash Equivalents and Investments

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

| | **Carrying Amount** |
|---|---|
| Cash deposits | $ 189,041,421 |

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

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

**Depository Accounts**

| | **2022** |
|---|---|
| Insured | $ 63,471,099 |
| Uninsured | 125,570,322 |
| | $ 189,041,421 |

At June 30, 2022, investments of approximately $70.7 million were designated for purposes such as specific loan, guarantee or grant programs and are included in investments in the statement of net position.

At June 30, 2022, current investments included approximately $61.2 million of restricted investments. Noncurrent restricted investments were approximately $20.4 million as of June 30, 2022.

The Agency invests some of its funds in the STAR Fund. The STAR Fund is designed to comply with all Massachusetts statutes and regulations for the allowable investment of funds by the Agency. The Agency's STAR Fund holdings as of June 30, 2022 were approximately $112.3 million.

As of June 30, 2022, the Agency's investments by maturity are summarized as follows:

| | | **Investment Maturities (in years)** | | | |
|---|---|---|---|---|---|
| **Investment Type** | Fair Value | Less Than 1 | 1 to 5 * | More Than 5 | Level Inputs (1, 2, 3) |
| U.S. Treasury bonds | $ 20,767,890 | $ 2,951,094 | $ 17,816,796 | $ - | 1 |
| Federal agency bonds/notes | 13,469,113 | 5,793,600 | 7,675,513 | - | 2 |
| Corporate notes | 7,137,303 | 7,137,303 | - | - | 2 |
| Commercial paper | 14,395,074 | 14,241,096 | 153,978 | - | 2 |
| Certificates of deposit | 11,479,801 | 11,479,801 | - | - | 2 |
| Asset backed securities | 10,867,386 | - | 10,867,386 | - | 2 |
| U.S. Bank First American money market fund | 39,068,039 | 39,068,039 | - | - | 2 |
| Exchange traded fund-bond | 568,161 | - | - | 568,161 | 2 |
| Exchange traded fund-equity | 3,676,070 | - | - | 3,676,070 | 2 |
| Mutual fund-bond | 2,389,114 | - | - | 2,389,114 | 2 |
| Mutual fund-equity | 894,563 | - | - | 894,563 | 2 |
| Mutual fund-other | 585,343 | - | - | 585,343 | 2 |
| Guaranteed investment contracts | 294,845 | - | - | 294,845 | N/A |
| Stock warrants | 923,800 | - | - | 923,800 | 3 |
| Common stock | 1,759,755 | - | - | 1,759,755 | 1, 3 |
| | $ 128,276,257 | $ 80,670,933 | $ 36,513,673 | $ 11,091,651 | |

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

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

As of June 30, 2022, the Agency's investments by quality rating are summarized as follows:

| | | **Quality Ratings** | | | |
|---|---|---|---|---|---|
| **Investment Type** | Fair Value | AAA | AA | A | Unrated * |
| U.S. Treasury bonds | $ 20,767,890 | $ - | $ 20,767,890 | $ - | $ - |
| Federal agency bonds/notes | 13,469,113 | - | 13,469,113 | - | - |
| Corporate notes | 7,137,303 | - | 1,893,863 | 5,243,440 | - |
| Commercial paper | 14,395,074 | - | - | 14,241,096 | 153,978 |
| Certificates of deposit | 11,479,801 | - | - | 11,479,801 | - |
| Asset backed securities | 10,867,386 | 8,779,145 | - | - | 2,088,241 |
| U.S. Bank First American money market fund | 39,068,039 | 39,068,039 | - | - | - |
| Exchange traded fund-bond | 568,161 | - | - | - | 568,161 |
| Exchange traded fund-equity | 3,676,070 | - | - | - | 3,676,070 |
| Mutual fund-bond | 2,389,114 | - | - | - | 2,389,114 |
| Mutual fund-equity | 894,563 | - | - | - | 894,563 |
| Mutual fund-other | 585,343 | - | - | - | 585,343 |
| Guaranteed investment contracts | 294,845 | - | - | 294,845 | - |
| Stock warrants | 923,800 | - | - | - | 923,800 |
| Common stock | 1,759,755 | - | - | - | 1,759,755 |
| | $ 128,276,257 | $ 47,847,184 | $ 36,130,866 | $ 31,259,182 | $ 13,039,025 |

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

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

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

As of June 30, 2022, the Agency had the following derivative instruments outstanding which are included in noncurrent investments:

| Type | Effective Date | Maturity Date | Terms | Valuation Technique | Fair Value |
|---|---|---|---|---|---|
| Series B Warrants | 6/30/2017 | 6/30/2027 | 35,616 shares with exercise price of $3.65 | Market Comparable Method | $ 24,000 |
| Series Seed Warrants | 6/30/2020 | 6/30/2030 | 391,461 shares with exercise price of $0.374 | Contingent Claims Analysis | 27,000 |
| Class D Warrants | 4/8/2021 | 4/8/2031 | 10,227 shares with exercise price of $11.00 | Comparable Company Analysis | 500 |
| Series Seed Warrants | 12/5/2019 | 12/5/2029 | 56,471 shares with exercise price of $0.85 | Comparable Company Analysis | 3,000 |
| Series B-1 Warrants | 2/1/2019 | 2/1/2029 | 19,930 shares with exercise price of $0.81 | Comparable Company Analysis | 489,000 |
| Series A-2 Warrants | 5/31/2019 | 5/31/2029 | 681,368 shares with exercise price of $0.30 | Comparable Company Analysis & Last Round of Financing Analysis | 32,000 |
| Series D Warrants | 8/30/2012 | 8/30/2022 | 301,858 shares with exercise price of $0.32 | Market Comparable Method | 70,000 |
| Series AD-1 Warrants | 3/18/2021 | 4/9/2031 | 85,607 shares with exercise price of $0.8761 | Market Comparable Method | 9,000 |
| Series A-1 Warrants | 2/22/2017 | 2/22/2027 | 128,458 shares with exercise price of $1.265 | Comparable Company Analysis | 12,000 |
| Class A Warrants | 8/30/2019 | 8/30/2029 | 106,250 shares with exercise price of $0.80 | Black-Scholes | 30,000 |
| Series A3 Warrants | 5/11/2018 | 5/11/2028 | 32,420 shares with exercise price of $3.47 | Comparable Company Analysis & Last Round of Financing Analysis | 100,000 |
| Class A Warrants | 3/20/2020 | 3/20/2030 | 57,692 shares with exercise price of $1.30 | Black-Scholes | 29,000 |
| Series Seed Warrants | 8/18/2014 | 8/18/2024 | 93,333 shares with exercise price of $0.45 | Market Comparable Method | 300 |
| Series B Warrants | 7/1/2021 | 6/15/2026 | 240,000 shares with exercise price of $0.70 | Market Comparable Method | 29,000 |
| Equity Equivalent Units | 6/27/2018 | None | 4,400 units with exercise price of $1.00 | Comparable Company Analysis | 69,000 |
| | | | | Total | $ 923,800 |

### Custodial Credit Risk-Deposits

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

### Interest Rate Risk

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

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

### Credit Risk

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

### Concentration of Credit Risk

Concentration of credit risk is assumed to arise when the amount of cash and investments that the Agency has with any one issuer exceeds 5% of the total value of the Agency's investments. As of June 30, 2022, the cash, cash equivalents and investments held in any one issuer over 5% of the total value of the Agency's investments included $39.1 million invested in a government money market fund (30.5%).

### Foreign Currency Risk

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

### STAR Fund Investment Risks

The following are risk disclosures of the STAR Fund as of December 31, 2021:

### Credit Risk

The STAR Fund's investment policies, as outlined in its Information Statement, limit the STAR Fund's investments to those which investors in the STAR Fund can invest under the laws of the Commonwealth. As of December 31, 2021, the STAR Fund was comprised of investments which were, in aggregate, rated by Standard & Poor's (S&P) as follows:

| S&P Rating | % |
|---|---|
| AAAm | 0.40% |
| AA+ | 6.05% |
| AA- | 2.12% |
| A-1+ | 17.78% |
| A-1 | 36.35% |
| A+ | 5.53% |
| A | 3.47% |
| Exempt (1) | 28.30% |

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

The ratings in the preceding chart include the ratings of collateral underlying repurchase agreements in effect at December 31, 2021. Securities with a long-term rating of A or higher are equivalent to the highest short-term rating category based on S&P rating methodology.

**Concentration of Credit Risk**

As outlined in the STAR Fund's Information Statement, the STAR Fund's investment policy establishes certain restrictions on investments and limitations on portfolio composition. At December 31, 2021, the STAR Fund's portfolio included the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the STAR Fund's total investment portfolio:

| Issuer | % |
|---|---|
| Credit Agricole Corporate & Investment Bank (NY) (1) | 11.89% |
| Goldman Sachs & Co. (1) | 8.89% |
| U.S. Treasury | 12.38% |

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

**Interest Rate Risk**

The STAR Fund's investment policy limits its exposure to market value fluctuations due to changes in interest rates by requiring that: (1) it maintain a dollar-weighted average maturity of not greater than 60 days; (2) requiring that any investment securities purchased by the STAR Fund have remaining maturities of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less) and (3) limiting the remaining maturity of any commercial paper purchased by the STAR Fund to 270 days or less. At December 31, 2021, the weighted average maturity of the STAR Fund, including cash and cash equivalents and certificates of deposit, was 49 days.

The range of yields to maturity, actual maturity dates, principal values, fair values and weighted average maturities of these types of investments the STAR Fund held at December 31, 2021 are as follows:

| Type of Deposits and Investments | Yield-to-Maturity Range | Maturity Range | Principal | Fair Value | Weighted Average Maturity |
|---|---|---|---|---|---|
| Asset-Backed Commercial Paper | 0.16%-0.33% | 2/1/22-7/12/22 | $ 29,299,000 | $ 29,291,892 | 78 Days |
| Bank Notes | 0.55% | 8/1/22 | 1,250,000 | 1,263,356 | 213 Days |
| Cash and Cash Equivalents | n/a | n/a | 71,893 | 71,893 | 1 Day |
| Certificates of Deposit – Negotiable | 0.13%-0.31% | 1/20/22-10/19/22 | 53,100,000 | 53,100,680 | 59 Days |
| Commercial Paper | 0.14%-0.23% | 1/3/22-6/21/22 | 51,921,000 | 51,910,318 | 53 Days |
| Corporate Notes | 0.16%-1.04% | 1/10/22-4/29/22 | 26,252,000 | 26,314,514 | 43 Days |
| Money Market Fund | 0.03% | n/a | 1,000,000 | 1,000,000 | 7 Days |
| Repurchase Agreements | 0.05%-0.06% | 1/3/22-2/1/22 | 54,500,000 | 54,500,000 | 5 Days |
| U.S. Treasury Bills | 0.05% | 1/13/22 | 5,000,000 | 4,999,917 | 13 Days |
| U.S. Treasury Notes | 0.08% | 1/15/22 | 25,655,910 | 25,720,176 | 15 Days |
| | | | $ 248,049,803 | $ 248,172,746 | |

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

## 5. Investments in Joint Ventures

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

The following is a summary of the Agency's investment in joint ventures balance:

| | June 30, 2021 | Capital Contributions | Distributions | Share of Operating Income | June 30, 2022 |
|---|---|---|---|---|---|
| Investment in Commonwealth Fund III LLC | $ 5,725,129 | $ 297,167 | $ - | $ 379,807 | $ 6,402,103 |
| Investments in NMTC entities | 12,288 | - | (172) | 140 | 12,256 |
| | $ 5,737,417 | $ 297,167 | $ (172) | $ 379,947 | $ 6,414,359 |

The Agency is a 98% member in the fund. The managing member is Massachusetts Technology Development Corporation. The primary purpose of the fund is to invest in entities broadly related to the technology industry, such as robotics, instrumentation, telecom, computers, software, healthcare information technology and mobile applications. The Agency has committed a total of $5.0 million to the fund investment from the ETP. As of June 30, 2022, $4,279,491 had been contributed to the fund.

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

NMTC's have been made available to banks, corporations, partnerships and funds that invest in MDNM. The proceeds of their investments will be reinvested in business and commercial development in low-income census tracts. As of June 30, 2022 the Agency had investments in 10 such entities. See Note 19.

## 6. Small Business Recovery Loan Fund

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

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

| | June 30, 2021 | Contributions | Distributions | Provision Gain | June 30, 2022 |
|---|---|---|---|---|---|
| Small Business Recovery Loan Fund | $ 8,114,030 | $ - | $ (8,114,030) | $ - | $ - |

## 7. Loans Receivable

The following is a summary of the Agency's loans receivable balance:

| | June 30, 2021 | Disbursements (Provisions, net) | (Collections)/ Write-offs | June 30, 2022 |
|---|---|---|---|---|
| Loans receivable | $ 99,277,105 | $ 37,154,849 | $ (21,209,835) | $ 115,222,119 |
| Less: allowance for loan loss | (10,855,182) | (1,838,959) | - | (12,694,141) |
| | $ 88,421,923 | $ 35,315,890 | $ (21,209,835) | $ 102,527,978 |

Most loans are collateralized by a first or shared first position in the underlying collateral. As of June 30, 2022, 8 loans totaling $7.8 million are collateralized by second positions in the underlying property. Also, as of June 30, 2022, 3 loans totaling $0.7 million are collateralized by third and fourth positions. As of June 30, 2022, one loan totaling $0.02 million is unsecured.

There were approximately $1.6 million net loans receivable that were considered nonaccrual loans as of June 30, 2022. All payments received from borrowers for nonaccrual loans are applied to the principal balance of the loan.

## 8. Interest Receivable

The following is a summary of the Agency's interest receivable balance at June 30, 2022:

| | | |
|---|---|---|
| Investment interest | $ | 98,598 |
| Loan interest | | 371,249 |
| Lease interest | | 28,319 |
| | $ | 498,166 |

Interest receivable includes amounts earned but not received on both investments, loans and leases, net of an allowance for doubtful accounts. When the Agency believes the collectability of the interest is unlikely, a reserve against interest is charged as a component of the allowance for doubtful accounts. As of June 30, 2022 no allowance was deemed necessary.

## 9. Predevelopment and Brownfield Receivables

The following is a summary of the Agency's Predevelopment and Brownfield receivables as of June 30, 2022:

| | June 30, 2021 | Disbursements (Provision, net) | (Collections)/ Write-offs | June 30, 2022 |
|---|---|---|---|---|
| Predevelopment and Brownfield receivables | $ 16,978,613 | $ 104,545 | $ (7,140,069) | $ 9,943,089 |
| Less: accumulated provision | (16,084,221) | (295,714) | 6,842,754 | (9,537,181) |
| | $ 894,392 | $ (191,169) | $ (297,315) | $ 405,908 |

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

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

In addition to the advances noted above, the Agency awarded approximately $2.2 million of Predevelopment and Brownfield grant awards during fiscal year 2022 which are included in the statement of revenues, expenses and changes in net position.

## 10. Capital Assets

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

| | June 30, 2021 (As Restated) | Additions/ (Transfers) | Disposals/ Transfers | June 30, 2022 |
|---|---|---|---|---|
| Capital: | | | | |
| Land | $ 6,451,007 | $ - | $ (39,573) | $ 6,411,434 |
| Building | 38,458,329 | 529,312 | (7,968,770) | 31,018,871 |
| Buildings/land/tenant improvements | 7,261,060 | 18,753 | (2,416,156) | 4,863,657 |
| Infrastructure | 146,250,019 | 963,653 | (1,876,043) | 145,337,629 |
| Equipment | 7,788,322 | 154,372 | (165,724) | 7,776,970 |
| Office equipment | 4,834,144 | 128,268 | (55,061) | 4,907,351 |
| Construction in progress | 833,037 | 14,345,928 | - | 15,178,965 |
| Assets held for sale | 12,200,516 | 85,381 | 3,480,140 | 15,766,037 |
| Subtotal | 224,076,434 | 16,225,667 | (9,041,187) | 231,260,914 |
| Less: accumulated depreciation | | | | |
| Building | (30,148,351) | (743,966) | 4,744,647 | (26,147,670) |
| Buildings/land/tenant improvements | (5,944,347) | (258,666) | 2,299,397 | (3,903,616) |
| Infrastructure | (90,379,910) | (5,609,082) | 218,954 | (95,770,038) |
| Equipment | (5,734,212) | (523,925) | 134,526 | (6,123,611) |
| Office equipment | (4,707,407) | (94,706) | 55,060 | (4,747,053) |
| | (136,914,227) | (7,230,345) | 7,452,584 | (136,691,988) |
| Total | $ 87,162,207 | $ 8,995,322 | $ (1,588,603) | $ 94,568,926 |

* Certain items from the previously issued 2021 financial statements were restated to conform to current year's presentation due to the adoption of GASB No. 87

### Devens

As of June 30, 2022, the Agency had cumulative net costs associated with the development of Devens, including utilities, of approximately $78.9, which are included in capital assets. The related depreciation expense for the year ended June 30, 2022 was approximately $6.6 million.

The Agency had a total of one lot sale at Devens during fiscal year 2022. The lot sale was deferred and the gain on sale was reported as other liabilities at June 30, 2022 as the conditions in the repurchase clause had not been satisfied by year end. The sale resulted in gross sales proceeds of $3,017,000 and net gains of $1,128,466.

### Springfield

The Agency purchased a building at 1550 Main Street in Springfield, Massachusetts in September 2009 for a purchase price of $2.5 million. The Agency has cumulative net costs associated with 1550 Main Street of approximately $3.5 million as of June 30, 2022 which is included in assets held for sale. The cumulative net costs were reclassified from capital assets to assets held for sale during the fiscal year because the property is currently being marketed for sale. The related depreciation expense for the year ended June 30, 2022 was $418,271. On November 1, 2022, the Agency sold this building. The sale resulted in gross sales proceeds of $6,000,000 and a net gain of approximately of $2,200,000.

**Taunton**

In January 2012, the Agency, in partnership with TDMDC, purchased from the Commonwealth the former Dever State School core campus in Taunton. The Agency has cumulative net redevelopment capital on the property of approximately $9.4 million as of June 30, 2022 which is included in assets held for sale.

## 11. Leases

**The Agency as a Lessor:**

In accordance with GASB No. 87, the Agency recognized a lease receivable and a deferred inflows of resources for leases the Agency deems applicable to GASB No. 87. As a lessor, the Agency leases office, commercial and retail space in Springfield and Devens, Massachusetts under long-term agreements at market rates with terms ranging from 1 to 40 years. Some leases are short-term leases or some leases include provisions for rent changes based on the consumer price index, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables. The lease receivable is measured at incremental borrowing rates ranging from 3.5% to 4.0%.

A summary of changes in lease receivable for the year ended June 30 is as follows:

| | June 30, 2021 | Additions | Lease Revenue Reduction | June 30, 2022 |
|---|---|---|---|---|
| Devens building | $ 1,378,123 | $ 50,164 | $ (769,587) | $ 658,700 |
| Springfield building | 6,648,834 | - | (959,140) | 5,689,694 |
| Devens land | 4,426,637 | - | (128,285) | 4,298,352 |
| | $ 12,453,594 | $ 50,164 | $ (1,857,012) | $ 10,646,746 |

A summary of changes in deferred inflows of resources for the year ended June 30 is as follows:

| | June 30, 2021 | Additions | Lease Revenue Reduction | June 30, 2022 |
|---|---|---|---|---|
| Devens building | $ 1,351,509 | $ 50,164 | $ (759,788) | $ 641,885 |
| Springfield building | 6,511,863 | - | (1,044,114) | 5,467,749 |
| Devens land | 4,350,285 | - | (215,859) | 4,134,426 |
| | $ 12,213,657 | $ 50,164 | $ (2,019,761) | $ 10,244,060 |

Minimum future lease receipts from long-term leases is as follows:

| | Principal | Interest |
|---|---|---|
| Years ending June 30: | | |
| 2023 | $ 1,324,731 | $ 375,842 |
| 2024 | 1,307,721 | 330,099 |
| 2025 | 1,227,446 | 283,505 |
| 2026 | 794,888 | 247,511 |
| 2027 | 737,370 | 219,386 |
| 2028-2032 | 2,090,837 | 802,905 |
| 2033-2037 | 1,010,716 | 523,544 |
| 2038-2042 | 286,486 | 401,781 |
| 2043-2047 | 326,298 | 342,484 |
| 2048-2052 | 398,305 | 270,248 |
| 2053-2057 | 486,561 | 181,712 |
| 2058-2062 | 655,387 | 73,792 |
| | $ 10,646,746 | $ 4,052,809 |

**The Agency as a Lessee:**

Also in accordance with GASB No. 87, the Agency recognized a lease liability and a leased asset, net, for leases in which the Agency is a lessee and leases equipment or office space under long-term agreements at market rates with terms ranging from 1 to 3 years. Some leases are short-term leases or some leases include provisions for rent changes based on the consumer price index, resulting in additional variable lease revenues that are not included in the measurement of the lease liability. The lease liability is measured at incremental borrowing rates ranging from 3.5% to 4.0%.

A summary of changes in lease liability for the year ended June 30 is as follows:

| | June 30, 2021 | Additions due to Modifications/ Renewals | Reductions due to Payments/ Modifications | June 30, 2022 |
|---|---|---|---|---|
| Building | $ 4,960,437 | $ 52,743 | $ (1,344,555) | $ 3,668,625 |
| Equipment | 199,301 | - | (158,208) | 41,093 |
| | $ 5,159,738 | $ 52,743 | $ (1,502,763) | $ 3,709,718 |

Minimum future lease payments from long-term leases is as follows:

| | Principal | Interest |
|---|---|---|
| Years ending June 30: | | |
| 2023 | $ 1,281,388 | $ 104,435 |
| 2024 | 1,260,954 | 61,500 |
| 2025 | 1,167,376 | 16,973 |
| | $ 3,709,718 | $ 182,908 |

A summary of changes in leased assets for the year ended June 30 is as follows:

| | June 30, 2021 | Additions/ (Transfers) | Disposals/ Transfers | June 30, 2022 |
|---|---|---|---|---|
| Leased assets being depreciated: | | | | |
| Building | $ 5,290,646 | $ 52,743 | $ (9,006) | $ 5,334,383 |
| Equipment | 269,049 | - | - | 269,049 |
| | 5,559,695 | 52,743 | (9,006) | 5,603,432 |
| Less accumulated depreciation | | | | |
| Building | (1,195,702) | (1,190,263) | - | (2,385,965) |
| Equipment | (111,789) | (111,789) | - | (223,578) |
| | (1,307,491) | (1,302,052) | - | (2,609,543) |
| Net leased assets | $ 4,252,204 | $ (1,249,309) | $ (9,006) | $ 2,993,889 |

## 12. Outstanding Loan, Bond Issuance and Other Commitments

### Loans

The Agency issued loans under its economic development programs aggregating $37.2 million during fiscal year 2022. The Agency has committed to issuing an additional $8.3 million of loans as of June 30, 2022.

### Bond Issuance Program

The Agency's Bond Issuance Program assisted in the issuance of taxable and tax-exempt bonds and lease transactions on behalf of client institutions through its bond financing program on 71 projects aggregating approximately $1.6 billion during fiscal year 2022. These debt obligations are conduit transactions and do not constitute a debt or liability of the Agency, therefore, these financing transactions are not included in the accompanying financial statements. The Agency earned bond issuance fee revenues related to these financings of approximately $5.9 million in fiscal year 2022 and are included as a component of bond issuance and New Markets Tax Credit fees in the statement of revenues, expenses and changes in net position.

**Commitments**
The Devens Electric Utility Division uses Master Power Supply Agreements and Purchase Power Agreements (PPAs) to procure necessary power supply requirements from time to time as market and load growth conditions dictate. The Devens Electric Utility Division secured 66% of its 2022 power supply requirements using confirmations in place with NextEra, Shell Energy, Macquarie, and BP Energy. 19% was provided by wind, solar and hydro renewables with the balance of 15% being secured through the ISO-NE Day Ahead and Real Time energy market.

Additional confirmation transactions and long term PPAs are in place with a blend of different providers in varying quantities to secure between 30% and 75% of the load requirements from 2023 through 2027. Planning for the future in meeting the Commonwealths goal of carbon free power by 2050, by 2027 approximately 39% of its future power supply needs qualify as carbon free through long-term contracts in place or being negotiated including solar power, a wind powered turbine facility, several hydroelectric providers and one nuclear power provider. The energy supply portfolio is reviewed every quarter with our power supply consultant, Energy New England, to review positions and make additional procurement transactions as needed.

The current renewable power supply portfolio mentioned above consists of a blend of solar generated power from 10 megawatts of third-party owned photovoltaic projects at Devens, wind generated power by Saddleback Wind, a 12-turbine wind project located in Carthage, Maine, and hydroelectric power produced by the FirstLight Cabot/Turner Falls hydro plant located in Montague, Massachusetts. This represents approximately 20% of the total current power supply needs of the Devens electric utility supplied from renewable resources.

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

The Devens Electric Utility Division has also entered into an Operation and Maintenance Agreement with the Town of Wellesley, MA for the management and operation of the Electric System. The current agreement expires June 30, 2024. At that time, the contract may be extended for a five-year term expiring in 2029 and one final four-year term expiring in 2033.

## 13. Bonds Payable

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

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

In another effort to lower the interest rate on the bonds, the Agency refunded the bonds in September 2021 and issued Devens Electric System Refunding Revenue Bonds, Series 2021 (Series 2021 Bonds). Principal of $4,855,000 was repaid in relation to the Series 2011 Bonds and new principal of $4,755,000 was issued.

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

| | Interest Rate at June 30, 2022 | June 30, 2021 | Additions | Principal Payments/ Amortization | June 30, 2022 | Current Portion |
|---|---|---|---|---|---|---|
| Devens Electric System Utility Bond | 1.6401% | $ 4,855,000 | $ 4,755,000 | $ (4,990,000) | $ 4,620,000 | $ 485,000 |
| Less Discount | | (4,591) | - | 4,591 | - | |
| | | $ 4,850,409 | $ - | $ (4,985,409) | $ 4,620,000 | |

The Series 2021 Bonds are collateralized by a pledge of the Electric System's revenues and certain funds and accounts established under the bond. Total principal and interest remaining on the bonds is $4,961,880, payable through June 30, 2031. For the current fiscal year, principal and interest expense for the Series 2021 Bonds was $179,538. Total revenues of the Devens Electric Utility System were $19,988,793 for the current fiscal year.

The bond documents require the maintenance of certain funds. Below are certain funds balances as of June 30, 2022 which are included in restricted cash and cash equivalents on the statements of net position.

- The Revenue Fund had a balance of $3,790,647 which was included in the current cash and cash equivalents-restricted for use on the statement of net position. All revenues generated by the Electric System, exclusive of interest income, are deposited into the Revenue Fund. Funds are transferred from the Revenue Fund to other funds of the Electric System according to the bond resolution agreement. No funds were transferred during fiscal year 2022.

- The Capital Upgrade Reserve Fund had a balance of $2,841,815. The Capital Upgrade Reserve Fund may be used to fund capital improvements to the Electric System. If excess funds exist in the Capital Upgrade Reserve Fund, then these excess funds may be used to cover any operating shortfalls. No funds were transferred during fiscal year 2022.

- The Operating/Rate Stabilization Reserve Fund had a balance of $1,002,515 which was included in the noncurrent cash and cash equivalents-restricted for use on the statement of net position. The Operating/Rate Stabilization Reserve Fund may be used to fund operating expenses of the Electric System when there are not sufficient funds available from operations. No funds were transferred in fiscal year 2022.

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

Principal payments are due annually through 2031. Total interest expense related to the bonds was $160,184 for the year ended June 30, 2022.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2022, the debt service coverage was not met. The Agency, as allowed in the bond documents, will utilize the cure period and increased rates in April 2022 and will have further rate increases during fiscal year 2023.

Scheduled principal and interest payments on all the bonds payable are shown below.

| Fiscal Year | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2023 | $ 485,000 | $ 71,133 | $ 556,133 |
| 2024 | 490,000 | 63,130 | 553,130 |
| 2025 | 500,000 | 54,998 | 554,998 |
| 2026 | 505,000 | 46,750 | 551,750 |
| 2027 | 515,000 | 38,372 | 553,372 |
| 2028-2031 | 2,125,000 | 67,497 | 2,192,497 |
| | $ 4,620,000 | $ 341,880 | $ 4,961,880 |

## 14. Advances from the Commonwealth

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

| | 2021 | Additions | Payments/ Amortization | 2022 |
|---|---|---|---|---|
| DEP-wastewater | $ 6,794,862 | $ - | $ (596,793) | $ 6,198,069 |
| Premium | 3,768 | - | (1,190) | 2,578 |
| DEP-water | - | 4,855,759 | - | 4,855,759 |
| | $ 6,798,630 | $ 4,855,759 | $ (597,983) | $11,056,406 |

In 2001 and 2004, the DEP approved loans to the Agency. In addition, The Massachusetts Water Abatement Trust, currently known as the Massachusetts Clean Water Trust (MCWT), issued loans to the Agency. Collectively, these loans were advanced to construct a wastewater treatment facility at Devens. These loans are being paid back to MCWT through revenues generated from the processing of wastewater at Devens and surrounding communities. These loans are part of a pooled loan program bond within the MCWT. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on these loans. Repayment of the loans began on February 1, 2002.

The loans mature in August 2024 and February 2031. Principal and interest expense related to these loans was $596,793 and $308,095 for the year ended June 30, 2022, respectively. During fiscal year 2022, the Commonwealth paid $149,212 in principal payments and $213,414 in interest expense, respectively, which is included in total interest expense.

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2022, the necessary debt service coverage was met.

The scheduled principal and interest payments on the MCWT loan at June 30, 2022, are as follows:

| Fiscal Year | Principal | Interest | Total Debt Service |
|---|---|---|---|
| 2023 | $ 617,541 | $ 289,265 | $ 906,806 |
| 2024 | 638,289 | 140,950 | 779,239 |
| 2025 | 659,037 | 112,164 | 771,201 |
| 2026 | 663,935 | 198,187 | 862,122 |
| 2027 | 684,683 | 172,951 | 857,634 |
| 2028-2031 | 2,934,584 | 323,096 | 3,257,680 |
| | $ 6,198,069 | $ 1,236,613 | $ 7,434,682 |

In 2022, the DEP approved a zero interest loan to the Agency with an obligation amount of $27,300,000 to construct two water treatment plants at Devens for iron and manganese removal and PFAS treatment for existing Devens wells. The MCWT issued another loan to the Agency. The loan will be paid back to the trust through revenues generated from the sale of water in Devens and to surrounding communities. Principal repayment of this loan begins in July 2023. The loan matures in July 2042.

The scheduled principal payments on this loan are not due to start until fiscal year 2024 and will be determined at the end of the drawdown period based on the total amount drawn down on the loan.

## 15. Tax Incremental Financing Agreements/Special Tax Assessments

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

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

| Purpose | Percentage of Tax Reduction | | Value |
|---|---|---|---|
| **Tax Incremental Financing:** | | | |
| Biopharmaceutical company to construct and operate large scale cell culture facility | 35% | | $ 1,095,375 |
| Manufacturing, research and development facility | 85% | * | 53,162 |
| | | | $ 1,148,537 |

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

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

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

## 16. Other Related Party Transactions

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

The Agency oversees the management and development of the Jodrey State Fish Pier (Pier) facilities, which are leased to the Agency by the Department of Conservation and Recreation (representing the Commonwealth). The Pier reimburses the Agency for the Pier's direct salary costs paid by the Agency, which amounted to $122,998 for the year ended June 30, 2022. The Pier also reimburses the Agency for Agency staff time and operating expenses paid by the Agency, which amounted to $186,465 for the year ended June 30, 2022.

The Agency also oversees management services for Cape Ann Fisheries Development Corporation (Cape Ann), a non-profit corporation formed for construction and management of a multi-tenant seafood processing facility at the State Fish Pier in Gloucester. In fiscal year 2001, the Agency provided two loans to Cape Ann in the amounts of $2.3 million and $500,000 for construction expenses and remediation of environmental conditions at the seafood processing facility. In fiscal year 2013, these loans were refinanced into four separate notes (Notes A and B for each loan). The balance on the Notes A loans receivable, net of allowance for loan loss, as of June 30, 2022, was $430,274 and $119,440. The Agency wrote off both Notes B during fiscal year 2013 as they were deemed uncollectible. These loans are included in loans receivable on the statement of net position.

In September 2009, the Agency refinanced another Cape Ann loan in the amount of $2.7 million. In fiscal year 2013, this loan was refinanced into two separate notes (Notes A and B). The balance on the Note A loan receivable, net of allowance for loan loss, was $686,702 as of June 30, 2022. The Agency wrote off Note B during fiscal year 2013 as it was deemed uncollectible.

The Agency donated $147,108 of Agency staff time and $21,705 of Cape Ann direct salary costs to Cape Ann during fiscal year 2022. These donated costs covered management services provided to Cape Ann during the fiscal years.

The Agency is eligible to receive an administrative fee of up to 0.09% of the average daily assets of the STAR Fund. In May 2022, the Agency started to receive an additional 0.01% administrative fee to recoup fees lost when the STAR Fund interest rate was zero. The Agency's STAR Fund holdings held on its own account as of June 30, 2022, were approximately $112.3 million and are included in cash and cash equivalents in the statement of net position. During the year ended June 30, 2022, the Agency received administrative fees of $133,718 from the STAR Fund.  The administrative fees are reported in bond issuance and new markets tax credit fees in the statement of revenues, expenses and changes in net position.

## 17. Benefit Plans

The Agency contributed approximately $1.9 million to employee benefit plans described below during the year ended June 30, 2022.

### Deferred Compensation Plan

The Agency offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees of the Agency, permits employees to defer a portion of their salaries. The Agency matches employees' deferrals up to 5% of the participants' salary, which are contributed to the 401(a) defined contribution plan. The participants' rights to the Agency contributions vest immediately. Employees may borrow up to 50% of their vested accrued balance in the account. Otherwise, the vested balance is not available to employees until termination, retirement, permanent disability, or death.

All contributions made under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

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

**401(a) Defined Contribution Plan**

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

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

The unvested portion of the 401(a) plan is recorded as an asset on the statement of net position. The total unvested portion of the 401(a) plan as of June 30, 2022 was approximately $523,000.

**Pension Plan**

Certain employees of the Agency are eligible to participate in the Commonwealth State Retirement Systems Pension Plan (the State Plan) under a special funding situation where the Commonwealth is the non-employer sole contributor under GASB No. 68, *Accounting and Financial Reporting for Pensions*. An Actuarial valuation has been performed for the State Plan. These employees were included in the actuarial analysis with a net pension liability of $2,902,705 as of June 30, 2022 which is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The State Plan's net pension liability and the State Plan's net position are disclosed in the footnotes and other required supplementary information of the Annual Comprehensive Financial Report of the Commonwealth as there are no liabilities to be recorded in the Agency's financial statements. The Agency has not included all required GASB No. 68 disclosures as GASB No. 68 is deemed immaterial to the Agency. Employees participating in the State Plan are not eligible for the contribution to the 401(a) plan.

As discussed in Note 1, in 1998, the Land Bank and MIFA merged to create the Agency. Prior to this merger, all Land Bank employees were participants in the State Plan; MIFA employees were not. All former Land Bank employees were given the option to stay in the State Plan or take part in the retirement plans being offered by the Agency. Any new employees hired after the merger were not eligible to participate in the State Plan, except for the union firefighters at Devens. The State Plan provides benefits including retiree health benefits to qualifying retirees. The programs are carried out by the Commonwealth. There are currently 24 employees in the State Plan. Neither the Land Bank nor the Agency have ever been charged for post-retirement benefits for its current employees or its retirees from the Commonwealth Group Insurance Commission (CGIC). The Agency's management has reviewed the requirements of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, and believes the Agency is not liable for OPEB costs for current active or retired employees due to the following: there is no statutory requirement holding the Agency liable for OPEB costs; the Agency has never been billed by the CGIC for any OPEB costs and it is the legal opinion of the Agency's outside attorney that no evidence exists that indicates that the Agency is liable for these costs.

## 18. Segment Reporting

**Devens Electric Utility Division**

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

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

**Statement of Net Position as of June 30, 2022:**

| | |
|---|---|
| **Assets** | |
| Current assets | $ 7,453,729 |
| Noncurrent assets | 4,145,573 |
| Capital assets, net | 8,107,906 |
| Total assets | $ 19,707,208 |
| **Liabilities and Net Position** | |
| Current liabilities | $ 2,394,450 |
| Due to Massachusetts Development Finance Agency | 946,894 |
| Noncurrent liabilities | 4,135,000 |
| Total liabilities | 7,476,344 |
| **Net position** | |
| Net investment in capital assets | 3,481,591 |
| Restricted | 8,749,273 |
| Total net position | 12,230,864 |
| Total liabilities and net position | $ 19,707,208 |

**Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2022:**

| | |
|---|---|
| Operating revenues | $ 19,988,793 |
| Operating expenses | (19,425,345) |
| Depreciation | (1,287,895) |
| Operating loss | (724,447) |
| Nonoperating expenses, net | (278,171) |
| Decrease in net position | (1,002,618) |
| Net position at beginning of year | 13,233,482 |
| Net position at end of year | $ 12,230,864 |

**Condensed Statement of Cash Flows for the year ended June 30, 2022:**

| | |
|---|---|
| Net cash provided by operating activities | $ 1,415,361 |
| Net cash used in capital and related financing activities | (662,588) |
| Net cash provided by investing activities | (28,087) |
| Net increase in cash and cash equivalents | 724,686 |
| Cash and cash equivalents at beginning of year | 7,203,475 |
| Cash and cash equivalents at end of year | $ 7,928,161 |

## 19. New Markets Tax Credit Program

The Agency has accounted for its 0.01% to 0.10% ownership interests in the NMTC entities using the equity method of accounting. The total amount invested in these NMTC entities was $12,256 as of June 30, 2022.

As part of the closing of the NMTC entities, the Agency could receive sub-allocation fees from the capitalized funds and such fees would be included in bond issuance and NMTC fees in the statements of revenues, expenses and changes in net position. The Agency receives such fees as organizational fees for structuring and organizing the sub-allocation of the new markets tax credits of the NMTC entities. No such sub-allocation fees were recognized during fiscal year 2022 as there were no new NMTC entity closings during the fiscal year.

The Agency receives an annual management fee for services related to managing the operations of the NMTC entities, including accounting, legal, management, technical and other services, as needed by the NMTC entities. Total management fees earned for fiscal year 2022 were $635,000. As of June 30, 2022, management fees of $325,271 remain unpaid to the Agency, and are included in accounts receivable and other assets on the statement of net position.

The Agency may, from time to time, loan operating cash to the NMTC entities for professional services and be reimbursed at a later date. As of June 30, 2022, $79,635 remains unpaid to the Agency.

## 20. Legal Matters

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

## 21. Risk Management

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

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

**Independent Auditor's Report**

Board Members
Massachusetts Development Finance Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Massachusetts Development Finance Agency (the Agency), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 15, 2022.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs at item 2022-001 that we consider to be a significant deficiency.

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

**Agency's Response to Finding**
*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
December 15, 2022

**Masschusetts Development Finance Agency**
**Supplementary Information**
**June 30, 2022**
**(unaudited)**

| | General Operations | Brownfield Redevelopment | Emerging Technology | Cultural Facilities | MassDevelopment/ HEFA Trust | Charter School Facilities | Site Readiness | Transformative Development Initiative | CARES Act | Devens | Devens Electric Utility Division | Devens Gas, Water, Wastewater Utility Divisions | Other | Taunton Corp. | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | | | | | |
| Current assets | $ 54,258,077 | $ 7,705,589 | $ 36,080,980 | $ 8,636,446 | $ 761,430 | $ 35,152,261 | $ 8,542,479 | $ 22,415,992 | $ 348,448 | $ 28,510,164 | $ 7,453,729 | $ 2,559,305 | $ 62,499,087 | $ 666,300 | $ ( 9,534,162 ) | $ 266,056,125 |
| Noncurrent assets | 119,965,279 | 1,153,981 | 12,567,377 | - | 8,113,251 | ( 814,326 ) | - | 9,346,379 | 2,294,591 | 13,046,985 | 4,145,573 | 22,610,519 | ( 35,588 ) | - | ( 8,428,761 ) | 183,965,260 |
| Capital assets, net | 6,967,124 | - | - | - | - | - | 677,893 | 1,614,015 | - | 34,514,963 | 8,107,906 | 36,317,195 | - | 9,363,719 | - | 97,562,815 |
| Total assets | $ 181,190,480 | $ 8,859,570 | $ 48,648,357 | $ 8,636,446 | $ 8,874,681 | $ 34,337,935 | $ 9,220,372 | $ 33,376,386 | $ 2,643,039 | $ 76,072,112 | $ 19,707,208 | $ 61,487,019 | $ 62,463,499 | $ 10,030,019 | $ (17,962,923) | $ 547,584,200 |
| **Liabilities** | | | | | | | | | | | | | | | | |
| Current liabilities | $ 9,479,138 | $ 3,039,770 | $ 473 | $ 5,668,053 | $ 4,986 | $ - | $ 5,297,900 | $ 4,923,035 | $ - | $ 1,661,836 | $ 3,341,344 | $ 11,894,333 | $ 15,262,948 | $ 249,213 | $ (9,534,161) | $ 51,288,868 |
| Noncurrent liabilities | 1,971,278 | - | - | - | - | 105,139 | - | 3,710,187 | - | 8,570,933 | 4,135,000 | 19,055,825 | 26,362,472 | - | ( 8,428,762 ) | 55,482,072 |
| Total liabilities | 11,450,416 | 3,039,770 | 473 | 5,668,053 | 4,986 | 105,139 | 5,297,900 | 8,633,222 | - | 10,232,769 | 7,476,344 | 30,950,158 | 41,625,420 | 249,213 | ( 17,962,923 ) | 106,770,940 |
| **Deferred inflows of resources** | | | | | | | | | | | | | | | | |
| Leases deferred inflows of resources | 5,467,749 | - | - | - | - | - | - | - | - | 4,776,311 | - | - | - | - | - | 10,244,060 |
| **Net position** | | | | | | | | | | | | | | | | |
| Net investment in capital assets | 6,959,226 | - | - | - | - | - | 677,893 | 1,614,015 | - | 34,512,814 | 3,481,591 | 25,083,710 | - | 9,363,719 | - | 81,692,968 |
| Restricted | 520,674 | 5,819,800 | 48,647,884 | 2,968,393 | 8,869,695 | 34,232,796 | 3,244,579 | 23,129,149 | 2,643,039 | 26,550,218 | 8,749,273 | 5,453,151 | 20,438,800 | 417,087 | - | 191,684,538 |
| Unrestricted | 156,792,415 | - | - | - | - | - | - | - | - | - | - | - | 399,279 | - | - | 157,191,694 |
| Total net position | 164,272,315 | 5,819,800 | 48,647,884 | 2,968,393 | 8,869,695 | 34,232,796 | 3,922,472 | 24,743,164 | 2,643,039 | 61,063,032 | 12,230,864 | 30,536,861 | 20,838,079 | 9,780,806 | - | 430,569,200 |
| Total liabilities, deferred inflows of resources | $ 181,190,480 | $ 8,859,570 | $ 48,648,357 | $ 8,636,446 | $ 8,874,681 | $ 34,337,935 | $ 9,220,372 | $ 33,376,386 | $ 2,643,039 | $ 76,072,112 | $ 19,707,208 | $ 61,487,019 | $ 62,463,499 | $ 10,030,019 | $ ( 17,962,923 ) | $ 547,584,200 |

**Statements of Departmental Revenues, Expenses and Changes in Net Position**

| | General Operations | Brownfield Redevelopment | Emerging Technology | Cultural Facilities | MassDevelopment/ HEFA Trust | Charter School Facilities | Site Readiness | Transformative Development Initiative | CARES Act | Devens | Devens Electric Utility Division | Devens Gas, Water, Wastewater Utility Divisions | Other | Taunton Corp. | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | $ 14,633,630 | $ 96,866 | $ 967,856 | $ - | $ - | $ 175,415 | $ 1,660,000 | $ 23,715,595 | $ 53,364 | $ 17,953,428 | $ 19,988,793 | $ 12,295,351 | $ 1,001,788 | $ 536,030 | $ ( 26,259,790 ) | 66,818,326 |
| **Operating expenses** | ( 19,653,069 ) | ( 788,788 ) | ( 631,073 ) | ( 851,071 ) | ( 137,462 ) | ( 466,981 ) | ( 1,511,015 ) | ( 3,336,806 ) | ( 152,236 ) | ( 17,019,513 ) | ( 20,713,240 ) | ( 12,357,918 ) | ( 698,509 ) | ( 318,029 ) | 395,418 | (78,240,292) |
| Operating income (loss) | ( 5,019,439 ) | ( 691,922 ) | 336,783 | ( 851,071 ) | ( 137,462 ) | ( 291,566 ) | 148,985 | 20,378,789 | ( 98,872 ) | 933,915 | ( 724,447 ) | ( 62,567 ) | 303,279 | 218,001 | ( 25,864,372 ) | ( 11,421,966 ) |
| **Nonoperating revenues (expenses)** | ( 1,592,889 ) | 8,115 | ( 1,051,551 ) | 1,271 | ( 1,319,362 ) | 28,729 | 17,993 | 79,626 | 378 | ( 7,906 ) | ( 278,171 ) | 52,647 | 55,281 | - | 31,652 | (3,974,187) |
| **Capital contributions (distributions)** | ( 18,121,774 ) | ( 1,113,526 ) | - | 850,952 | ( 933,976 ) | 329,000 | 1,799,370 | ( 400,871 ) | 688,911 | 28,997 | - | 46,300 | 557,565 | - | 25,832,720 | 9,563,668 |
| Increase (decrease) in net position | ( 24,734,102 ) | ( 1,797,333 ) | ( 714,768 ) | 1,152 | ( 2,390,800 ) | 66,163 | 1,966,348 | 20,057,544 | 590,417 | 955,006 | ( 1,002,618 ) | 36,380 | 916,125 | 218,001 | - | ( 5,832,485 ) |
| Net position-beginning of year (as restated) | 189,006,417 | 7,617,133 | 49,362,652 | 2,967,241 | 11,260,495 | 34,166,633 | 1,956,124 | 4,685,620 | 2,052,622 | 60,108,026 | 13,233,482 | 30,500,481 | 19,921,954 | 9,562,805 | - | 436,401,685 |
| Net position-end of year | $ 164,272,315 | $ 5,819,800 | $ 48,647,884 | $ 2,968,393 | $ 8,869,695 | $ 34,232,796 | $ 3,922,472 | $ 24,743,164 | $ 2,643,039 | $ 61,063,032 | $ 12,230,864 | $ 30,536,861 | $ 20,838,079 | $ 9,780,806 | $ - | $ 430,569,200 |