

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Financial, Required Supplementary Information and Other Supplementary Information

For the Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Financial Statements:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Net Position.....	17
Statement of Cash Flows	18
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to the Basis Financial Statements	22
Required Supplementary Information (Unaudited):	
Pension Plan - Schedule of the Authority's Proportionate Shares of the Net Pension Liability	50
Pension Plan - Schedule of the Authority's Contributions	51
OPEB Plan - Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios	52
OPEB Plan - Notes to the OPEB Schedules	54
OPEB Plan - Schedule of the Authority's Contributions	56
OPEB Plan - Schedule of Investment Returns	57
Supplementary Information (Unaudited):	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual - Budgetary Basis	58
Reconciliation of GAAP Operating Loss to Statutory Net Cost of Operations and Operating Reimbursement Requests from the Convention Center Fund.....	59
Schedule of Consolidated Financial Statements by Operating Segment.....	60
Schedule of Salary and Other Compensation of Highly Compensated Employees	62
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63

Independent Auditor's Report

RSM US LLP

Board Members
Massachusetts Convention Center Authority

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

We have audited the financial statements of the business-type activities and fiduciary activities of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority'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 fiduciary activities of the Authority as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, 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 4 and 8 of the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No.94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No. 96, *Subscriptions Based Information Technology Arrangements*, which resulted in the restatement of certain beginning balances as of July 1, 2022. Our opinion has not been 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 Authority'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 Authority'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 Authority'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, the pension plan - schedule of the Authority's proportionate share of the net pension liability, the pension plan - schedule of the Authority's contributions, the OPEB Plan - schedule of changes in the Authority's net OPEB liability and related ratios, the OPEB plan - Notes to the OPEB schedules, the OPEB plan - schedule of the Authority's contributions, the OPEB plan - schedule of investment returns, and certain pension and other post-employment benefits information, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of revenues, expenses and changes in net position - budget and actual - budgetary basis, the reconciliation of GAAP operating loss to statutory net cost of operations and operating reimbursement requests from the Convention Center Fund, the schedule of consolidated financial statements by operating segment and the schedule of salary and other compensation of highly compensated employees (other supplementary information as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

RSM VS LLP

Boston, Massachusetts
November 16, 2023

Massachusetts Convention Center Authority (A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations comments on the Massachusetts Convention Center Authority's (the MCCA or the Authority) operations, performance, and financial condition for the fiscal year ended June 30, 2023.

The MD&A is presented in four sections:

Background describes the Authority's legislative history and enabling authority.

About our Business describes the Authority's mission, business, objectives, and strategies for success.

Summary of Financial Performance reviews the key measures used to assess the Authority's performance and how those results in Fiscal Year 2023 (FY 23) compared to the results in Fiscal Year 2022 (FY 22). It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our facilities.

Risk Assessment provides an overview of the key risks that could affect our business.

Please refer to the audited financial statements when reading the MD&A.

About the Financial Statements

The Authority maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements of the Authority are maintained on the full accrual basis of accounting and report business-type activities and fiduciary activities. The Authority's financial report includes five basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, the Statement of Cash Flows, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position.

While the financial statements provided herein conform to GAAP, a separate schedule is provided as other supplementary information to provide the reader with a reconciliation between the annual GAAP basis operating gain or loss and the Authority's Net Cost of Operations as it is defined under Massachusetts General Law (MGL) and is used to support annual operating funding draws from the Massachusetts Convention Center Fund (CCF). The Net Cost of Operations is commonly used by the Commonwealth of Massachusetts (Commonwealth) and the Authority to report on the Authority's annual financial operating performance and budget.

BACKGROUND

The Authority is an independent public authority of the Commonwealth that owns and operates public assembly facilities primarily for the convention, trade show, and meetings industry. It was established by Chapter 190 of the Acts of 1982 (Chapter 190), which was subsequently amended by Chapter 629 of the Acts of 1982; Chapter 400 of the Acts of 1983; Chapter 637 of the Acts of 1983; Chapter 78 of the Acts of 1988; Chapter 138 of the Acts of 1991; Chapter 307 of the Acts of 1991; Chapter 110 of the Acts of 1993; Chapter 152 of the Acts of 1997 (Chapter 152); Chapter 23 of the Acts of 1998; Chapter 45 and Chapter 256 of the Acts of 2001; Chapter 139, section 211 of the Acts of 2012; and Chapter 195 of the Acts of 2014 (Chapter 195).

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Under Chapter 190, the Commonwealth acquired the John B. Hynes Veterans Memorial Auditorium (the Auditorium) and the Boston Common Garage (the BCG or Garage) from the City of Boston. To manage these newly acquired assets, the legislation created the Authority, which was governed by a seven-member Board of Directors (Board) chaired by the Treasurer of the Commonwealth. The MCCA remodeled and expanded the auditorium building, creating the John B. Hynes Veterans Memorial Convention Center (the Hynes), which was opened in 1988.

In 1997, the Commonwealth passed Chapter 152, which authorized the Authority to construct and manage a new convention facility on the South Boston waterfront, the Boston Convention & Exhibition Center (the BCEC) and provided the MCCA with control over and responsibility for the Springfield Civic Center, its renovation and expansion. Chapter 152 also expanded the Authority's board membership from seven to 13, to be chaired by an appointee of the Governor (approved by the mayor) with a six-year term.

In the Commonwealth's fiscal year 2003 budget, several provisions were enacted affecting the operations, marketing, and financial activities of the MCCA. Most significantly, it suspended the Authority's funding for its net operating costs from the State Tourism Fund. This funding mechanism was replaced in fiscal year 2004 by disbursements from the CCF, created by the 1997 Convention Center Act, which authorized the Commonwealth to provide the Authority with up to \$17 million from the CCF to defray the Authority's net cost of annual operations as defined in Chapter 190. This use requires that the State Treasurer and Secretary of Administration and Finance (the Secretary) annually certify the availability of funds within the \$17 million cap after payment of debt service which is required to be made first. The funding cap was increased to \$23 million in fiscal year 2005. Chapter 195 increased funding caps for fiscal years 2016, 2017, and 2018 (and subsequent years thereafter, subject to future legislation) to \$25 million, \$26 million, and \$28 million, respectively. Finally, in fiscal year 2010 the Authority and the Secretary agreed that the annual funding cap for the formers net operating costs will be reduced by an equal amount to the annual interest and principal payments made to the Authority related to the \$18 million loan for the construction of the Boston Tea Party Ships and Museums (see discussion in Note 1).

In July 2014, Chapter 195 was adopted, authorizing the Commonwealth to issue an additional \$1 billion in special obligation bonds to finance an expansion of the BCEC. The new law authorized a 1.3 million square foot expansion of the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. Under Chapter 195, funding for the \$1 billion expansion would be supported by the existing CCF, which was created in 1997 to pay for the development and construction of the BCEC, the MassMutual Center (MMC) in Springfield, and the Worcester Convention Center as well as to fund the operations and capital improvements of the MCCA. No bonds authorized under Chapter 195 have been issued as of fiscal year 2023.

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Retiree Pension Trust (Pension Trust) was established for the advance accumulation of funding for future pension contributions. The Pension Trust is presented using the accrual basis of accounting and is reported as a blended component unit in the Authority's financial statements.

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Other Post-Employment Benefit (OPEB) Trust (OPEB Trust) was established to administer the single-employer defined benefit OPEB plan that is used to provide post-employment benefits to the Authority's retirees. The OPEB Trust is presented using the accrual basis of accounting and is reported as an OPEB trust fund in the fiduciary funds financial statements.

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

The Pension Trust and OPEB Trust and corresponding policies were adopted by the Authority to accumulate resources, for the first time, to fund the Authority's long-term retiree liabilities. Until fiscal year 2017 no funds had been set aside by the Authority for this purpose despite the large and growing measured liabilities.

On November 23, 2020, the Authority purchased the Springfield Civic Center Garage (SCCG) from the Springfield Parking Authority (SPA). The SCCG, which is adjacent to the Authority's MMC, is deemed essential by the Authority's Board and management for the marketing and operation of the MMC. The Authority has demolished the old garage structure, and work has begun to construct a new garage in its place. The new parking structure will offer modern parking amenities and other features while supporting the business of the MMC and its customers.

The Authority is considered a discretely presented component unit of the Commonwealth for financial statement reporting purposes and its annual financial statements are included by the Massachusetts State Comptroller's Office within its Annual Comprehensive Financial Report (ACFR) for the Commonwealth.

ABOUT OUR BUSINESS

WHAT WE DO

The MCCA operates three world-class public assembly facilities that generate significant regional economic activity by attracting conventions, trade shows, and other events to the Commonwealth. Two of these facilities, the BCEC and the Hynes, generate event-related revenue primarily from the sale and use of meeting and exhibition space, the sale of services that support the use of that space, such as electricity, internet, security, rigging and audio/visual services (together such services are referred to herein as Support Services), and income from food and beverage sales at the facilities. The third facility, the MMC, generates both arena event revenue, from hosting full seasons of minor league and college hockey games and other arena events, and convention event revenue from the attached convention center, which opened in October 2005. Through these facilities, the MCCA attracts hundreds of thousands of people to the Commonwealth annually, enriching the local economy with hotel and retail spending, and other direct spending on goods and services.

In late summer of 2014, the MCCA opened an outdoor venue named "The Lawn on D," (the Lawn) consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn was operated during 2014 and 2015 as an "experimental" project, in which various sales and operating models were evaluated for consideration for a more permanent outdoor venue in the future. The pilot phase's expenses of the Lawn were funded from the Authority's annual capital projects budget. Following deliberations in the fall and winter of 2015 and 2016, the Authority elected to re-open the Lawn in 2016 as a full business segment.

The MCCA also operates a 1,367 space underground public parking space, the BCG, located in the Back Bay/Beacon Hill neighborhood of Boston. The BCG is a top-tier parking facility in the heart of Boston, providing secure and accessible parking for commuters, nearby residents, and tourists alike. The garage generates revenue almost exclusively as a result of parking fees. Currently, the BCG is managed by agreement with a garage management company that also manages a number of other parking facilities in the Greater Boston area.

Massachusetts Convention Center Authority (A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Effective December 1, 2020, the Authority assumed operations of the existing SCCG. The SCCG appears as a separate full business segment, as reported in the Other Supplementary Information section of these financial statements.

MANAGEMENT'S OBJECTIVES AND STRATEGY

The Authority's mission is to generate significant regional economic activity by attracting conventions, tradeshow, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth. To accomplish this, the Authority's management operates the business consistent with strategic business principles for success in the short term and over longer periods of time. Unifying the management team and the Authority's dedicated employees and contractors in achieving its priorities is part of the Authority's over-arching goal, and management believes it is critical to Boston, Springfield and the Commonwealth of Massachusetts remaining competitive in the meetings industry.

SUMMARY OF FINANCIAL PERFORMANCE

Condensed Financial Information

Statements of Net Position

	2023	2022
Cash, cash equivalents and investments.....	\$ 86,057,802	\$ 67,190,809
Receivables and other assets.....	639,154,168	652,429,755
Total assets.....	725,211,970	719,620,564
Deferred outflow of resources.....	9,047,827	8,711,372
Total assets and deferred outflows of resources.....	734,259,797	728,331,936
Current liabilities.....	23,749,979	23,925,323
Noncurrent liabilities.....	41,195,129	35,033,567
Total liabilities.....	64,945,108	58,958,890
Deferred inflows of resources.....	27,958,676	31,384,741
Total liabilities and deferred inflows of resources.....	92,903,784	90,343,631
Net position.....	\$ 641,356,013	\$ 637,988,305

In fiscal year 2023 the Authority continued to recover from the aftermath of the COVID-19 pandemic, with revenues and associated Authority business increasing meaningfully from fiscal year 2022. Consistent with other convention industry peers and the broader hospitality sector, the Boston and Springfield venues experienced strong interest in event customers, exhibitors and attendees to participate at events in persons, as seen through increased sales across all of the Authority's major revenue categories and operating segments.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

The Authority's net position increased by \$3.368 million, or 0.53%, from \$637.988 million in fiscal year 2022 to \$641.356 million in fiscal year 2023. Total assets grew to \$725.212 million from the prior year amount of \$719.621 million, as the Authority's cash and cash equivalents grew by \$18.867 million driven by a \$13.466 million increase in its restricted investments for retiree liabilities and a \$5.631 million increase in its unrestricted cash accounts. Total other assets decreased by \$13.276 million, driven primarily by a \$14.031 million decrease in the Authority's capital assets. Deferred outflows increased modestly in fiscal year 2023, from \$8.711 million in fiscal year 2022 to \$9.048 million. Total assets and deferred outflows grew by \$5.928 million or 0.81%, from \$728.332 million to \$734.260 million.

Total liabilities in fiscal year 2023 grew by \$5.986 million, or 10.15%, from \$58.959 million in fiscal year 2022 to \$64.945 million. Of note, the change was primarily driven by a \$6.162 million increase in noncurrent liabilities, with the net pension liability increasing by \$6.412 million offset by the net other post-employment benefits (OPEB) liability falling by \$768 thousand. Deferred inflows decreased by \$3.426 million in fiscal year 2023, from \$31.385 million in fiscal year 2022 to \$27.959 million. Combined, total liabilities and deferred outflows increased by \$2.560 million, or 2.83%, to \$92.904 million in fiscal year 2023.

Notably, total operating revenues in fiscal year 2023 were approximately \$82.825 million, a 30.87% increase from the prior year. Corresponding to the increase in its revenues, the Authority saw a similar jump in its operating expenses in fiscal year 2023 across nearly all major categories. The Authority's staffing levels rose and expenses that are closely linked to event activities, such as energy expenses and contracted services, increased. In fiscal year 2023 total operating expenses were approximately \$127.529 million including depreciation, and approximately \$89.580 million without depreciation. For comparison, during fiscal year 2022 the same amounts were approximately \$108.176 million and \$69.853 million, respectively.

Overall, the result of the Authority's operations was a total operating reimbursement request from the Convention Center Fund of \$2.366 million, which compares to the statutory limit of \$28 million. The Authority reported a coverage ratio of 0.91 compared to 0.98 achieved in fiscal year 2022. More discussion on this metric is provided later in this section, including the historical comparison for the Authority's annual financial performance.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS

Condensed Financial Information

Statements of Revenues, Expenses and Changes in Net Position

	2023	2022
Operating revenues	\$ 82,824,733	\$ 63,290,119
Operating expenses	127,528,651	108,175,847
Operating income/(loss)	(44,703,918)	(44,885,728)
Nonoperating revenues/(expenses), net	20,883,047	13,049,037
Loss before capital contributions	(23,820,871)	(31,836,691)
Capital contributions:		
Massachusetts CCF - capital contributions	26,573,388	21,072,045
Capital contributions from other entities	615,191	—
Capital assets transferred to other entities	—	(2,944,909)
Change in net position	3,367,708	(13,709,555)
Net position, beginning of year	637,988,305	651,697,860
Net position, end of year	<u>\$ 641,356,013</u>	<u>\$ 637,988,305</u>

Operating Revenues

During FY 23 operating revenues were approximately \$82.825 million, an increase of approximately \$19.535 million or 30.87% from FY 22. As noted, as event activity continued to recover in fiscal year 2023, the Authority saw an increase across all its major revenue categories. This represents the greatest amount of annual revenues ever earned by the Authority, surpassing its pre-COVID high of \$79.057 million in fiscal year 2019. Convention rental revenues totaled \$19.102 million, representing a 22.55% increase from the fiscal year 2022 level of \$15.586 million.

Convention services, which consist of sources such as Authority sales of event security, electrical, internet and rigging services, increased substantially in fiscal year 2023. Total reported revenues were approximately \$25.916 million, which is an 35.20% increase from fiscal year 2022's amount of approximately \$19.168 million. Show consumption, most notably by large event customers and exhibitors, continue to grow back to levels consistent with pre-COVID.

In fiscal year 2023 total food and beverage revenues were \$15.193 million, an 92.54% increase from earnings from this category in fiscal year 2022. These represent the earnings by the Authority's food and beverage operators at its BCEC, Hynes and MMC facilities after the latter's cost of operations and other related charges. Similar to convention services, food and beverage consumption was very strong and demonstrates the strong recovery in show attendance and participation.

Parking fees, earned primarily at the BCG, totaled \$13.314 million in fiscal year 2023. This result corresponds to a 1.93% increase year over year from fiscal year 2022, even with the loss of parking proceeds from the closure of the SCCG in the summer of 2022. The BCG's daily and monthly parkers

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

continue to grow in numbers, in the aftermath of COVID-19, with commuter traffic and entertainment and recreational demand recovering.

Commercial revenues, which are generated from lease payments by hotel (BCEC) and restaurant (Hynes) tenants, totaled approximately \$3.747 million in fiscal year 2023. This represents a 9.96% increase from the prior year's revenue of approximately \$3.408 million. A key driver of this year-over-year growth has been the increase in demand for hotel rooms at tenant properties, from which the Authority generates a portion of its annual ground lease rent.

Other revenues, which can include a variety of sources, most notably waterfront transportation services, but also one-time insurance claims and proceeds from short-term leases, increased during fiscal year 2023 by \$1.378 million from \$4.176 million in fiscal year 2022 to \$5.553 million in fiscal year 2023. This corresponding 33.00% increase was generated, in part, by the Authority receiving utility rebates associated with energy efficiency capital projects it has implemented, as well as insurance related proceeds.

Operating Expenses

With the recovery of its core business, the Authority's total operating expenses grew by \$19.353 million, or 17.89%, from approximately \$108.176 million in fiscal year 2022 to approximately \$127.529 million in fiscal year 2023. After adjusting to exclude depreciation expense, these amounts were approximately \$89.580 million and \$69.853 million, respectively, for fiscal years 2023 and 2022, an increase of 28.24%.

Total salaries and benefits expenses in fiscal year 2023 totaled approximately \$29.711 million, which compares to approximately \$27.843 million in fiscal year 2022, or a 6.71% annual increase. During fiscal year 2023, while its expense controls implemented during the COVID-19 pandemic had ceased, the Authority faced challenges in filling vacancies and experienced corresponding savings as a result. Furthermore, the Authority continued to see heightened turnover in filled positions across all its departments.

Other operating expenses totaled approximately \$22.336 million in fiscal year 2023. This expense category includes a range of cost items such as supplies and equipment, software licenses, sales and marketing activities, legal services and credit card and other fiscal fees. The fiscal year 2023 result corresponds to a 29.13% increase from fiscal year 2022's amount of approximately \$17.297 million. During the year, many expenses that had been reduced during COVID-19 to historical lows continued to be restored, particularly in cases where they were essential, such as supplies, to support event activities. The Authority also witnessed increases in its legal services, fiscal fees and insurance coverage accounts. Finally, the Authority continued to increase its annual spending levels for sales and marketing activities.

The Authority's contracted services expenses totaled approximately \$24.426 million in fiscal year 2023, or a 50.31% increase from the prior year's level of approximately \$16.250 million. Many of the expenses under this category are incurred in direct support of event activities at the Authority's venues, such as contracted event security, parking and cleaning and house labor services. Additionally, building system maintenance contract expenses, such as vertical transportation and HVAC systems, increased back to levels consistent with pre-COVID-19 levels. Key services that support both front of house and back offices activities, including computer support services, trash removal, and professional services, increased substantially as well.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Utility expenses at the Authority's venues totaled approximately \$13.107 million in fiscal year 2023, which reflects a 54.90% increase from the fiscal year 2022 amount of approximately \$8.462 million. With the return of the Authority's core event business, consumption of electricity, water/sewer, natural gas and steam all increased substantially. Notably, during points of fiscal year 2023, the Authority witnessed unit electrical costs that had more than doubled from the prior year. The Authority continues to implement measures to reduce energy demand, helping to limit the total year over year increases in these costs.

Nonoperating Revenues/(Expenses), Net

Total FY 23 net nonoperating revenues were approximately \$20.883 million, made up of: \$13 thousand in federal grants; \$710 thousand in interest earned on the Boston Tea Party Ships and Museum loan; approximately \$2.310 million in nonemployer contributions to the pension plan and an approximately \$15.095 million gain in earnings on the Authority's pension trust.

Interest on Loans

The Authority recognized \$710 thousand in interest earnings related to its \$18 million loan to the Boston Tea Party Ships and Museums. In fiscal 2021 the Authority agreed to allow the borrower to discontinue monthly repayments for the bulk of fiscal year. All unpaid interest was ultimately recognized and added to the balance of the outstanding loan principal and cash payments for interest began in June 2021 and principal in December 2021. Further discussion follows in a later section addressing this event and the loan.

COMPARISON TO BUDGET

Operating Revenues

Operating revenues in fiscal year 2023 were approximately \$25.550 million more than the Authority's adopted budget, or 43.79% above budget. While the Authority's adopted fiscal year 2023 budget assumed the continuing recovery of event-related revenues from the COVID-19 pandemic lows, actual attendance and consumption by show planners and exhibitors for event services proved to be much stronger than what the Authority originally budgeted for the year. This resulted in greater demand for event services and meeting space, including at the BCEC, the Hynes and the MassMutual Center. For the BCEC alone, actual fiscal year 2023 revenues were \$15.566 million greater than projected, totaling \$44.516 million compared to a budget of approximately \$28.950 million.

Parking revenues, most notably at the Boston Common Garage (BCG), grew on pace with budget. At the close of the year, total BCG revenues were \$11.580 million, \$62 thousand greater than the Authority's fiscal year 2023 budget. The BCG has benefited from greater commuter demand as well as a sharp bounce back in nightlife and weekend attractions in Boston since the summer of 2021.

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Operating Expenses

After excluding depreciation and other related items not typically included in the Authority's calculation of its net cost of operations, total budgeted expenses in fiscal year 2023 were approximately \$82.844 million. Actual expenses in fiscal year 2023 were approximately \$86.887 million, or 4.88% above budget. With the strong and greater than anticipated demand from events, the Authority spent more on cleaning, security and key maintenance contracts compared to originally-budgeted levels. Utility expenses, especially the costs of electricity, were greater than budgeted reflecting historically high unit costs at various times during the fiscal year.

Nonoperating Revenues/(Expenses), Net

In fiscal year 2023, net nonoperating revenues totaled approximately \$10.317 million, compared to the original budget of net nonoperating expenses of approximately \$712 thousand from interest earnings. The variance of approximately \$9.605 million resulted mainly from the FY22 year-end funding drawn from the CCF to offset the Authority's OPEB and Pension liabilities, which was offset by \$4.106 million in nonoperating expenses associated with discontinued capital expenses or expenses funded from the capital budget that were not capitalizable. Historically, the Authority has only budgeted for interest earnings annually in its adopted budget.

Key Performance Metrics

	2023	2022
Operating Coverage Ratio Calculation:		
Operating revenue (including investment income and interest on loans)	\$ 83,902,408	\$ 64,334,418
Operating expense (excluding depreciation, certain amounts paid for restricted net position and amounts paid from the capital budget).....	92,544,872	65,487,190
MCCA operating coverage ratio	0.91	0.98
Revenue per gross square foot (BCEC)	\$ 62.55	\$ 43.10
Revenue per gross square foot (Hynes), excluding commercial space	\$ 57.62	\$ 43.44
Revenue per gross square foot (MMC)	\$ 28.88	\$ 17.04
Revenue per attendee (MMC) - Arena	\$ 26.26	\$ 20.97
Average revenue per space per day (BCG).....	\$ 23.21	\$ 22.28

The MCCA's management believes one important measure of the Authority's financial performance is its operating coverage ratio, which reveals the degree to which gross revenues from operations (including investment income and interest on loans) cover gross operating expenses (excluding depreciation, amounts paid from restricted net position and the capital budget). Use of this ratio reveals, in part, the degree to which the Authority must rely on nonoperating revenue (largely the annual subsidy from the CCF) to offset its net cost of operations. The greater the ratio, the more successful the Authority has been in generating resources independently and in meeting its goal to increase its financial self-sufficiency. Historically, management believes during a typical business year this ratio will fluctuate between 0.65 and 0.75 (or +/- 7% from the 0.70 mid-point) depending on event activities in any specific year. However, with is implementation of plans for diversification of revenue streams and efforts to minimize expense

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

increases, management continues to work to sustain the annual coverage ratio to well above the historical target.

In FY 23 and FY 22, the Authority's operating coverage ratios (defined above) were 0.91 and 0.98, respectively. The fiscal year 2023 result marks a drop from the prior year, but still reflects a relatively high amount for this benchmark and indicates the continuing strength of the recovery by the Authority in its core event business activities over the course of the year. Prior to COVID-19, the Authority had experienced meaningful increases from historical levels, helped by improving performance across the Authority's facilities, most notably the BCEC. The Authority expects that it will remain a critical measure by which to assess the Authority's financial performance for comparison to prior year as well as historical results generally.

The convention centers' revenue-generating performance can also be measured by their Revenue Per Gross Square Feet (Rev. PGSF), which is the total event related revenue achieved in the fiscal year divided by the facility's gross square feet available for rental. This measures the amount of revenue the Authority was able to generate from the facility, assuming that all salable square feet are equally capable of generating revenue from customers. Management believes this metric is a good reflection of both the number and quality of events leasing convention center space. It is also a helpful -albeit not perfect- measure with which to compare the Authority's performance to other large venues in the U.S. with whom the Authority competes. Generally, but not in all cases, as Rev. PGSF increases so does the venue's profitability since incremental revenues typically more than cover variable expenses.

In fiscal year 2023, the BCEC's Rev. PGSF increased from \$62.55/sq. ft. to \$43.10/sq. ft. as the Authority continued its strong recovery from the COVID-19 pandemic. The Hynes experienced revenue of \$57.62/sq. ft., up substantially from the \$43.44/sq. ft. that was generated at the Hynes during fiscal year 2022.

Both the BCEC and Hynes have benefited from a sharp recovery in event related revenues, especially in rental, event support services and food and beverage services.

In fiscal year 2023, the MMC's arena top-line performance, as measured by revenue per attendee, was \$26.26, up from \$20.97 generated in fiscal year 2022. Using revenue per gross square foot, PGSF, as the measurement, performance of the convention center increased from \$17.04/PGSF in fiscal year 2022 to \$28.88/PGSF in fiscal year 2023, corresponding to the continuing strength of the convention center's recovery.

The BCG performance is measured by its Revenue per Space per Day, which is the total parking revenue achieved in the fiscal year divided by the facility's total number of available spaces per year (1,367 spaces times 365 days). Management believes this metric is a good reflection of our ability to "turn" the space during the day to maximize daily occupancy. In fiscal year 2023, BCG Revenue per Space was \$23.21, increasing from fiscal year 2022's \$22.28. In fiscal year 2023 the BCG witnessed modest growth in demand in daily and monthly parkers corresponding to increased demand for commuter parking and entertainment and recreational destinations adjacent to the BCG.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

CONSTRUCTION ACTIVITIES

During fiscal year 2017, the Authority reviewed and revised its existing capital projects planning program to ensure the efficient and effective future investment of resources in the technology and infrastructure needs across all of its facilities. The program provides the Authority with the projected future capital requirements necessary to keep the Authority's assets in excellent working condition. During fiscal year 2023, the Authority placed approximately \$9.697 million of assets in service and had capital asset disposals of approximately \$163 thousand. The net construction in process balance for fiscal year 2023 is approximately \$42.036 million. Total net capital assets totaled approximately \$581.466 million (see Note 5, page 35). In addition, the Authority has a number of on-going capital projects representing approximately \$303.214 million in restricted projects of which approximately \$31.646 million has been spent to date (see Note 14, page 48).

Chapter 195 of the Acts of 2014 authorized the expansion of the BCEC, which calls for development and construction of approximately 1.3 million additional square feet to the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. The funding authorized for the construction totals \$1 billion. Initial design, construction, and related activities by the Authority began in fiscal year 2015 but are currently on hold.

RISK ASSESSMENT

The Authority's financial performance and the value of its facilities are subject to a variety of risks normally associated with governmental authorities, and with the ownership and operation of real estate properties including, but not limited to, overall economic conditions as well as conditions specific to the convention and trade show industry. Operating risk, development risk, and environmental risk are among the general risks the Authority faces, and the Authority is also subject to fluctuations in the travel and tourism industry and the exhibit and trade show industry.

The Authority has hands-on management teams for each of the facilities it operates. Although the Authority believes that its real estate portfolio and revenue sources are significantly diversified, a material reduction in demand for space at any of its facilities or a material decrease in the support and food and beverage consumption by show customers could have a material impact on its annual operating revenues which would consequently impact its cash flows and operating results adversely.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 415 Summer Street, Boston, Massachusetts 02210.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

As of June 30, 2023

	Business Type Activities
Assets	
Current assets:	
Cash and cash equivalents.....	\$ 30,664,728
Restricted cash and cash equivalents.....	455,667
Restricted investments.....	54,937,407
Receivables, net of allowance for uncollectible amounts:	
Grants from the Commonwealth.....	7,089,791
Convention.....	8,780,995
Loans.....	518,440
Leases.....	1,518,989
Public-private partnership.....	1,988,030
Other.....	322,023
Prepaid expenses.....	3,090,154
Other current assets.....	162,356
Total current assets.....	109,528,580
Noncurrent assets:	
Restricted cash and cash equivalents.....	594,432
Receivables, net of allowance for uncollectible amounts:	
Convention.....	221,395
Loans.....	14,988,850
Leases.....	12,268,174
Public-private partnership.....	6,144,809
Capital assets not being depreciated.....	224,552,372
Capital assets, net of accumulated depreciation.....	356,335,191
Right-to-use assets, net of accumulated amortization.....	119,314
Right-to-use software, net of accumulated amortization.....	458,853
Total noncurrent assets.....	615,683,390
Total assets.....	725,211,970
Deferred outflows of resources:	
Pension related.....	3,618,081
OPEB related.....	5,429,746
Total deferred outflows of resources.....	9,047,827
Total assets and deferred outflows of resources.....	734,259,797

(Continued)

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

As of June 30, 2023

	Business Type Activities
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	8,999,698
Unearned revenue	12,307,046
Accrued compensated absences	1,235,565
Leases	54,537
Software subscription	325,983
Environmental remediation	827,150
Total current liabilities	23,749,979
Noncurrent liabilities:	
Unearned revenue	532,442
Accrued compensated absences	553,044
Leases	65,144
Software subscription	9,812
Net pension liability	35,984,851
Net OPEB liability	4,049,836
Total noncurrent liabilities	41,195,129
Total liabilities	64,945,108
Deferred inflows of resources:	
Pension related	5,334,976
OPEB related	1,183,848
Lease related	13,307,013
Public-private partnership related	8,132,839
Total deferred inflows of resources	27,958,676
Total liabilities and deferred of inflows of resources	92,903,784
Net position:	
Net investment in capital assets	581,010,253
Restricted for:	
Future pension contributions	54,923,918
Transportation planning/roadway improvements	1,050,099
Unrestricted	4,371,743
Total net position	\$ 641,356,013

See notes to financial statements

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Revenues, Expenses and Changes in Net Position

June 30, 2023

	Business Type Activities
Operating revenues:	
Convention services income	\$ 25,915,631
Convention rental income	19,101,509
Food and beverage	15,193,049
Parking fees	13,313,822
Commercial revenue	3,747,277
Other	5,553,445
Total operating revenues	82,824,733
Operating expenses:	
Salaries and benefits - operating	24,545,939
Salaries and benefits - administrative	5,164,630
Other operating expenses	22,335,582
Contracted services	24,426,208
Utilities	13,107,219
Depreciation and amortization	37,949,073
Total operating expenses	127,528,651
Operating loss	(44,703,918)
Nonoperating revenues:	
Massachusetts Convention Center Fund - operating subsidy	2,365,770
Federal grants	12,662
Nonemployer contribution to pension plan	2,309,566
Interest received on lease receivable	276,491
Interest received on loans receivable	709,993
Investment income	91,191
Investment income, net - pension trust (restricted)	15,094,934
Gain on disposal of capital assets	22,440
Total nonoperating revenues	20,883,047
Loss before capital contributions	(23,820,871)
Capital contributions:	
Massachusetts Convention Center Fund - capital contributions	26,573,388
Other capital contributions	615,191
Total capital contributions	27,188,579
Change in net position	3,367,708
Net position - beginning of year	637,988,305
Net position - end of year	\$ 641,356,013

See notes to financial statements

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows

June 30, 2023

	Business Type Activities
Cash flows from operating activities:	
Receipts from customers and users	\$ 85,038,067
Payments to vendors	(63,280,908)
Payments to employees	(31,856,388)
Net cash used in operating activities	(10,099,229)
Cash flows from noncapital financing activities:	
Massachusetts Convention Center Fund - operating subsidy	11,688,773
Federal grants	12,662
Net cash provided by noncapital financing activities	11,701,435
Cash flows from capital and related financings activities:	
Massachusetts Convention Center Fund - capital contributions	25,019,992
Acquisition and construction of capital assets	(24,480,452)
Interest received on lease receivable	276,491
Capital contributions from other entities	615,191
Proceeds from the sale of capital assets	22,440
Net cash provided by capital and related financing activities	1,453,662
Cash flows from investing activities:	
Purchases of investments	(10,651,994)
Sale of investments	1,667,317
Loan repayments	495,669
Interest received on loans receivable	709,993
Investment income	10,718,860
Net cash provided by investing activities	2,939,845
Net change in cash and cash equivalents	5,995,713
Cash and cash equivalents - beginning of year (includes \$685,750 as restricted cash) ..	25,719,114
Cash and cash equivalents - end of year (includes \$1,050,099 as restricted cash)	\$ 31,714,827

(Continued)

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows

June 30, 2023

	Business Type Activities
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (44,703,918)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Cash from operating activities:	
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources not requiring current cash flows:	
Depreciation and amortization	37,949,073
Change in net pension liability	8,721,602
Change in deferred outflows - pension	1,079,364
Change in deferred inflows - pension	(10,265,977)
Change in net OPEB liability	(768,463)
Change in deferred outflows - OPEB	(1,415,818)
Change in deferred inflows - OPEB	297,779
Change in deferred inflows - leases	(1,590,706)
Effect of changes in operating assets and liabilities:	
Convention receivables, net	(278,181)
Lease receivables, net	1,387,052
Prepaid expenses	(455,767)
Other current assets	(62,120)
Accounts payable and accrued expenses	(3,386,245)
Unearned revenue	2,695,169
Accrued compensated absences	205,696
Environmental remediation	388,829
Leases	103,402
Total adjustments	34,604,689
Net cash used in operating activities	\$ (10,099,229)

See notes to financial statements

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Fiduciary Net Position

As of June 30, 2023

	OPEB Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ —	\$ 141,950
Investments:		
Common collective trusts	14,559,798	—
Fixed income mutual funds	699,802	—
Equity mutual funds	3,189,519	—
Total investments	18,449,119	—
Receivables, net of allowance for uncollectible amounts:		
Accounts receivable	—	87,671
Total assets	18,449,119	229,621
Liabilities		
Accrued expenses	6,206	—
Net position		
Restricted for:		
Post-employment benefits other than pensions	18,442,913	—
Individuals, organizations and other governments	—	229,621
Total net position	<u>\$ 18,442,913</u>	<u>\$ 229,621</u>

See notes to financial statements

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2023

	OPEB Trust Fund	Custodial Funds
Additions		
Contributions:		
Employer contributions.....	\$ 3,437,024	\$ —
Other additions.....	—	87,671
Total contributions	3,437,024	87,671
Investment income:		
Net appreciation of investments.....	1,492,389	—
Interest and dividends.....	160,422	—
Less investment expenses.....	(11,365)	—
Net investment gain	1,641,446	—
Total additions	5,078,470	87,671
Deductions		
Benefit payments.....	614,120	—
Administrative expenses	28,498	—
Total deductions	642,618	—
Change in net position.....	4,435,852	87,671
Restricted net position - beginning of year.....	14,007,061	141,950
Restricted net position - end of year.....	\$ 18,442,913	\$ 229,621

See notes to financial statements

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting entity

Establishment and Background

The Massachusetts Convention Center Authority (the Authority or MCCA) is a public authority created by act of the Legislature of the Commonwealth with the original purpose of acquiring and operating a portfolio of assets, specifically, the John B. Hynes Veterans Memorial Convention Center (the Hynes or the Hynes Convention Center) and the Boston Common Garage (BCG). The Authority's purpose is to generate significant regional economic activity by attracting conventions, trade shows, and other events to its facilities while maximizing investment return for the Commonwealth of Massachusetts (Commonwealth).

In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 30, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements must present the Center and its component units. The Authority, itself, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the Annual Comprehensive Financial Report (ACFR) of the Commonwealth.

Pursuant to Chapter 152 of the Acts of 1997, effective November 17, 1997 (the Act), the Authority was empowered to expand its portfolio of assets as follows:

- Design, construct, and operate a new Boston Convention & Exhibition Center (the BCEC) subject to appropriation of funds and financing by the Commonwealth.
- Receive, transfer, ownership, and control of the Springfield Civic Center, and subsequently expand and renovate the facility subject to appropriation of funds and financing by the Commonwealth.

In addition to these provisions, the Act also enlarged the Authority's Board of Directors (Board) from seven to 13 members. The BCEC officially opened for business in the summer of 2004, and the Springfield Civic Center project was completed in the fall of 2005 (see Note 5, now designated as the MassMutual Center (MMC)).

As part of the BCEC project, the Authority also ground leased a portion of the project site to the Boston Convention Center Hotel, LLC (the Hotel) for the purpose of the design, construction, ownership, and operation of a 790-room hotel adjacent and connected to the BCEC. The Authority was responsible for site preparations and construction of infrastructure associated with the Hotel construction. The Hotel officially opened for business in June of 2006. Subsequent acquisitions by the Authority of property adjacent to the BCEC have occurred since 2006, most notably the acquisition of properties on D and E street in South Boston. Such acquisitions have allowed the Authority to spur the design and construction

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

of two additional hotels for a total of 510 rooms, which are subject to the terms of a ground lease between the Authority and the hotel developer.

In late summer of 2014, the MCCA opened an outdoor venue named "The Lawn on D," (the Lawn) consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn was operated during 2014 and 2015 as an "experimental" project, in which various sales and operating models were evaluated for consideration for a more permanent outdoor venue in the future. The pilot phase's expenses of the Lawn were funded from the Authority's annual capital projects budget. Following deliberations in the fall and winter of 2015 and 2016, the Authority elected to re-open the Lawn in 2016 as a full business segment. The Lawn is open each year from May to October.

On November 23, 2020, the Authority purchased the Springfield Civic Center Garage (SCCG), adjacent to the Authority's MMC, from the City of Springfield Parking Authority. The Authority purchased the garage with the intent of demolishing the existing structure and replacing it with a new state of the art garage, which will be owned and operated by the Authority.

Funding

The Act, as amended by Section 439 of Chapter 26 of the Acts of 2003, created the Convention Center Fund (CCF or the Fund). The purpose of the Fund is to provide funding for the activities of the Authority. Section 439 amended Section 10(c) of the Act, which authorized up to \$23 million annually to defray the Authority's net cost of operations from its activities as well as providing for reserves for capital and current expenses of the Authority as defined on page 63. Chapter 195 of Acts of 2014 increased the fiscal years 2016, 2017, 2018, 2019 and 2020 (and on) caps to \$25 million, \$26 million, \$28 million, \$28 million and \$28 million, respectively. During fiscal year 2023, the Authority requested reimbursements from the Fund totaling \$28,939,158 for the net cost of operations (\$2,365,770) and the pay-go capital program (\$26,573,388).

Blended Component Unit

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Retiree Pension Trust (Pension Trust) was established for the advance accumulation of future pension contributions. The Pension Trust is governed by six trustees, which are to be comprised of individuals holding selected positions of the Authority. The Pension Trust is presented using the accrual basis of accounting and is reported as a blended component unit in the Authority's business-type activities financial statement. The Authority has determined that the Pension Trust should be reported as a blended component unit because the Pension Trust does not accumulate funds to pay benefits to Authority retirees. Rather, the purpose of the Pension Trust is to accumulate resources to stabilize the amount of future operating funds that the Authority will need to use to meet its contribution requirements under the Massachusetts State Employees' Retirement System (MSERS). The balances and activities of the Pension Trust are not part of the MSERS. Additionally, the purpose of the Pension Trust is to defray the Authority's future costs of the payments associated with the Authority's retiree pension benefits. The Pension Trust does not issue a separate audited financial statement.

Fiduciary Funds

- OPEB Trust Fund

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable OPEB Trust (OPEB Trust) was established to administer the single-employer defined benefit other post-employment benefit (OPEB) plan that is used to provide postemployment benefits to the Authority's retirees. The OPEB Trust assets are solely dedicated for the purpose of providing OPEB to retirees in accordance with the OPEB Plan's benefit terms. The OPEB Trust is governed by six trustees, which are to be comprised of individuals holding selected positions of the Authority. In accordance with the requirements of GASB Statement No. 84, *Fiduciary Activities*, the OPEB Trust is presented using the accrual basis of accounting and is reported as an OPEB

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Trust Fund in the fiduciary funds financial statement. The OPEB Trust did not issue a separate audited financial statement.

- **Custodial Fund**

On February 22, 2011, the Authority entered into a loan agreement with the Boston Tea Party Ship, Inc. (BTPS) for a loan in the amount of \$18 million to be used for approved expenses related to the Boston Tea Party Ship and Museum (BTPSM). As part of the agreement, the BTPS is to fund a reserve to be held pending satisfactory repayment of the loan principle, at which time the reserves are to be returned to the BTPS.

Measurement focus, basis of accounting, and basis of presentation

The Authority's financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Operating revenues and expenses are segregated from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the principal operations of the Authority. Operating revenues consist primarily of convention center services and rental revenues and parking fees charged to users of the BCG. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are measured at fair value, with the exception of money market mutual funds (presented as cash and cash equivalents) which are held at amortized cost, which approximates fair value.

Pension and OPEB Trust investments are reported at fair value using quoted market prices or the best available estimate thereof. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value GAAP hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted assets

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, agreements with or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted cash was received from the prior sale of air rights and has been restricted for transportation planning/roadway improvements pursuant to an agreement with the City of Boston. Restricted investments have been restricted for future pension contributions, in accordance with the purpose of the Pension Trust.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Accounts receivable

Grants from the Commonwealth

The Authority is reimbursed by the Commonwealth to defray its net cost of operations from activities as well as providing reserves for capital, pension, and OPEB trusts, and current expenses of the Authority. These amounts are considered 100% collectible.

Convention

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 2023, the allowance for doubtful accounts amounted to \$178,303.

Loans

During FY2011, the Authority authorized an \$18 million loan to the BTPSM for the construction of the Boston Tea Party Museum and historical replica ships. Loan amounts were distributed based on reimbursement requests submitted during the period of construction. On April 1, 2020, the Authority and the BTPSM entered into a Deferment Agreement and Amendment to the Loan Agreement (the Deferment). The Deferment granted relief and postponement of loan repayments from April 1, 2020 through June 30, 2020 (the Deferment Period) and extended the maturity date to October 1, 2042. In connection with the Deferment, the Authority capitalized accrued interest amounts of \$173,334 as principal during FY2020 over the deferment period. The post-deferment period monthly payments increased to \$92,261 from \$91,238.

On January 12, 2021, the Authority and the BTPSM entered into a Second Deferment Agreement and Amendment to Loan Agreement (the Second Deferment). Among other things, the Second Deferment granted relief and postponed loan repayments from July 1, 2020 to June 30, 2021 (the Second Deferment Period). As a result of the Second Deferment, the Authority capitalized additional accrued interest amounts of \$701,138 as principal over the Second Deferment Period. The new repayment amount as of July 1, 2021 was \$61,057 a month until January 1, 2022 at which time the monthly payment increases to \$100,472 until final maturity.

The outstanding loan principal at June 30, 2023 totaled \$15,507,290 and no allowance for doubtful accounts on outstanding loans was deemed necessary.

Lease receivable

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 lease receivable is measured at the present value of the lease payments expected to be received during the lease term.

Public-private partnership receivable

The Agency recognizes a public-private partnership receivable at the commencement of an agreement with a private company to operate water ferries. This receivable is measured as the total value of the future installment payments expected to be received under the terms of the public-private partnership agreement.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Capital assets

The Authority's capital assets consist of land, construction in progress, intangible assets, land improvements, buildings and improvements, and equipment and fixtures.

Capital assets are recorded at cost. Donated capital assets are recorded at the acquisition fair market value at the date of donation.

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land, intangible assets, and construction in progress) are depreciated on a straight-line basis. Depreciation expense is charged to the function of the capital asset being depreciated, as an operating expense. The estimated useful lives and capitalization thresholds are as follows:

Capital Asset Type	Estimated Useful Life (in years)	Capitalization Threshold
Land improvements	10	\$ 50,000
Buildings and improvements	5-30	50,000
Equipment and fixtures	3-5	5,000

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The Authority assesses the carrying value of capital assets 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 by the Authority are reported using GASB Statement No 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Authority did not record any impairment charges related to its property as of June 30, 2023 as there were no indicators of impairment.

Intangible right-to-use assets and software

Right-to-use (RTU) assets and RTU software are recognized at the lease commencement date and represents the Authority's right-to-use an underlying asset or software for the lease term. RTU assets and RTU software are measured at the initial value of the lease liability plus and payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of the RTU assets, RTU software and lease liabilities when it is reasonably certain the options will be exercised.

Revenue recognition

Revenues are recognized on the accrual basis of accounting. The BCEC, Lawn on D, Hynes Convention Center, and MMC revenues consist primarily of rental income and income for services such as electricity, commercial revenue, air, water, telephone, cleaning, rigging, security, internet access, equipment, and food and beverage revenues. These revenues are recognized upon the completion of the event. BCG revenue consists of parking fees and are recognized at the time of sale for transient parkers and each

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

monthly when earned for monthly parkers. Proceeds from insurance claims awarded to the Authority are recognized as current revenues when there is a high degree of certainty of each individual claim's eligibility for insurance reimbursement and the corresponding award amount.

Grants from the Commonwealth reflect revenues and receivables due from the Commonwealth (from the CCF) to offset the Authority's net cost of operations, pay-as-you-go capital programming, and set funding aside to defray the costs of its retiree pension and OPEB liabilities. Funds are disbursed by the Commonwealth to the Authority in accordance with an annual funding agreement executed between the Executive Office for Administration and Finance and the Authority.

Amounts received in advance of services rendered or revenue earned are recorded as unearned revenue.

Nonemployer contributions from the Commonwealth are contributions made to the pension plan on the Authority's behalf by the Commonwealth. MSERS developed an effective contribution methodology, which allocates total actual contributions amongst participating employers. The nonemployer contributions result from differences between the effective contribution of the Authority and the Authority's actual contributions to the plan during the fiscal year.

Pension benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MSERS and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other post-employment benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Compensated absences (vacation pay and sick leave benefits)

All union employees are contractually entitled to receive vacation pay benefits and, upon retirement, sick leave benefits which are capped at varying amounts based upon the applicable contract. In addition, the Authority has extended a similar, but more limited, benefit to all other eligible employees. Vacation and sick leave benefits accrued for employees at June 30, 2023 totaled \$1,788,609 and is reflected in the accompanying statement of net position as accrued compensated absences.

Deferred inflows/outflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expenses) until that time. These items are reported as a category below the assets on the statement of net position.

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the statement of net position.

The Authority has reported the following deferred outflows of resources and deferred inflows of resources in these financial statements:

- Deferred outflows of resources or deferred inflows of resources for amounts not recognized in pension or OPEB expense due to the difference between the measurement date and the fiscal year end date and are noted as deferred inflows and/or deferred outflows from pensions and OPEB.
- The Authority, as a lessor, recognizes a deferred inflow of resources at the commencement of the lease term, with certain exceptions for short-term leases and leases that transfer ownership of the underlying assets. The deferred inflow of resources is measured as the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.
- The Authority recognizes a deferred inflow of resources upon the inception of a public-private partnership. The deferred inflow of resources is measured as the value of the receivable for installment payments in addition to any payments received from the operator at or before the commencement of the public-private partnership term.

Net position

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in the following categories:

- *Net investment in capital assets* represents capital assets, including right-to-use assets and software, net of accumulated depreciation and amortization, and outstanding principal balances of debt attributable to asset acquisitions, construction, and improvements.
- *Restricted net position* is reported when amounts are restricted by outside parties for a specific future use. Net position has been restricted for future pension contributions, which represents the net position of the Pension Trust, transportation planning, which represents amounts related to the previous sale of air rights pursuant to an agreement with the City of Boston and amounts reserved for capital and marketing purposes pursuant to a contract with Levy Fine Dining.
- *Unrestricted net position* represents the remaining net position not considered invested in capital assets, or restricted.

Use of estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Implementation of Significant New Accounting Pronouncements

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement provides guidance on the accounting and financial reporting for public-private and public-public partnership arrangements (PPPs), including required note disclosures. A PPP is an agreement where one party, the transferor, contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a specified period of time.

The Authority adopted the requirements of GASB 94 effective July 1, 2022, and has applied the provisions of this standard in these financial statements, including footnote disclosures. As of July 1, 2022, the implementation had no impact on net position and resulted in recording and increasing assets and liabilities totaling \$8.1 million, see [Note 4](#).

In May 2020, the GASB issued GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This Statement requires the recognition of certain right-to-use subscription assets (an intangible asset) and a corresponding subscription liability and as outflows of resources based on the payment provisions of the contract.

The Authority adopted the requirements of GASB 96 effective July 1, 2022 and has applied the provisions of this standard in these financial statements, including footnote disclosures. As of July 1, 2022, the net impact in the Statement of Revenues, Expenses, and Changes in Net position was a decrease of \$0.1 million during the fiscal year ending June 30, 2023, and resulted in recording and increasing assets and liabilities totaling \$0.46 million and \$0.34 million, respectively, see [Note 8](#).

NOTE 2 - DEPOSITS AND INVESTMENTS

Authority (Excluding the Pension and OPEB Trusts)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's custodial bank has collateralized all deposits over \$250,000 by establishing a restricted pool of investments separate from the bank's other assets in amounts sufficient to cover the Authority's deposits. At June 30, 2023, bank deposits totaling \$33,510,585 were not exposed to custodial credit risk. The carrying amounts of deposits totaled \$31,714,827 at June 30, 2023.

Custodial Funds

Deposits – custodial credit risk

Deposits held in a custodial nature for the benefit of others not included in the Authority are held in the same depository as all Authority accounts and are collateralized accordingly. At June 30, 2023, custodial bank deposits totaled \$141,950 and were not exposed to custodial credit risk. The carrying amount of the custodial deposits totaled \$141,950 at June 30, 2023.

Pension Trust (Blended Component Unit)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The Pension Trust does not have a policy for custodial credit risk of deposits. At June 30, 2023, there were no bank deposits on hand and no exposure to custodial credit risk. The Trustees have adopted a formal investment policy. It is the policy of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Investment Summary

The Pension Trust's investments at June 30, 2023 are presented below. All investments are presented by investment type.

Investment Type	Fair Value
Fixed income mutual funds.....	\$ 2,187,615
Equity mutual funds	9,278,142
Common collective trusts	43,471,650
Total investments.....	<u>\$ 54,937,407</u>

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Pension Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Trust does not have a policy for custodial credit risk of investments. As of June 30, 2023, the Pension Trust's investments were held in the name of the Authority by the custodian and were not exposed to custodial credit risk.

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Pension Trust does not have a policy for credit risk of debt securities. As of June 30, 2023, the Pension Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The Pension Trust does not have a policy for concentration of credit risk. As of June 30, 2023, the Pension Trust's investments were exclusively in mutual funds and common/collective trusts and therefore were not exposed to concentration risk.

Investments – interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Pension Trust manages its exposure to interest rate risk by investing in fixed income mutual funds.

Investments – foreign currency risk

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

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Investments – fair value measurements

The Pension Trust and the OPEB Trust categorize their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs are significant other observable inputs other than quoted market prices; Level 3 inputs are significant unobservable inputs.

GAAP provides for the Authority to utilize a practical expedient to estimate fair value for certain investments funds that are not publicly traded. The Authority uses the net asset value (NAV) per share of the investment (or its equivalent) without further adjustment, if the NAV of the investment is determined in accordance with the specializing accounting guidance of investment companies, as of the measurement date and the Authority has no plan to sell the investment at a different value.

The Pension Trust categorization of recurring fair value measurements at June 30, 2023 was as follows:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income mutual funds.....	\$ 2,187,615	\$ 2,187,615	\$ —	\$ —
Equity mutual funds	9,278,142	9,278,142	—	—
Total investments by fair value level.....	11,465,757	\$ 11,465,757	\$ —	\$ —
Investments measured at the net asset value (NAV):				
Common collective trust funds	43,471,650			
Total investments	\$ 54,937,407			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented for the year ended June 30, 2023 was as follows:

Investment Measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common collective trust funds ⁽¹⁾	\$ 43,471,650	N/A	Daily	N/A

(1) - Common collective trust funds investments are stated at NAV based on the fair value of its underlying assets. The estimated fair value is based on information provided by the fund managers and included in the fund's audited financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

OPEB Trust Fund (OPEB Trust)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The OPEB Trust does not have a policy for custodial credit risk of deposits. At June 30, 2023, there were no bank deposits on hand and therefore no exposure to custodial credit risk.

The Trustees have adopted a formal investment policy. It is the policy of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Investment summary

The OPEB Trust's investments at June 30, 2023 are presented below. All investments are presented by investment type.

Investment Type	Fair Value
Fixed income mutual funds.....	\$ 699,802
Equity mutual funds	3,189,519
Common collective trusts	14,559,798
Total investments.....	<u><u>\$ 18,449,119</u></u>

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the OPEB Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The OPEB Trust does not have a policy for custodial credit risk of investments. As of June 30, 2023, the OPEB Trust's investments were held in the name of the Authority by the custodian and were not exposed to custodial credit risk.

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The OPEB Trust does not have a policy for credit risk of debt securities. As of June 30, 2023, the OPEB Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The OPEB Trust does not have a policy for concentration of credit risk. As of June 30, 2023, the OPEB Trust's investments were exclusively in mutual funds and common/collective trusts and therefore were not exposed to concentration risk.

Investments – interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The OPEB Trust manages its exposure to interest rate risk by investing in fixed income mutual funds.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Investments – foreign currency risk

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

Investments – fair value measurements

The OPEB Trust categorization of recurring fair value measurements at June 30, 2023 was as follows:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Fixed income mutual funds.....	\$ 699,802	\$ 699,802	\$ —	\$ —
Equity mutual funds.....	3,189,519	3,189,519	—	—
Total investments by fair value level.....	3,889,321	\$ 3,889,321	\$ —	\$ —
Investments measured at the net asset value (NAV):				
Common collective trust funds.....	14,559,798			
Total investments.....	\$ 18,449,119			

The valuation method for investments measured at the NAV per share (or its equivalent) is presented for the year ended June 30, 2023 was as follows:

Investment Measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common collective trust funds ⁽¹⁾	<u>\$ 14,559,798</u>	N/A	Daily	N/A

(1) - Common collective trust funds investments are stated at NAV based on the fair value of its underlying assets. The estimated fair value is based on information provided by the fund managers and included in the fund's audited financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2023, receivables consist of the following:

Receivable Type	Gross Receivables	Allowance for Uncollectibles	Net Receivable
Grant receivable from the Commonwealth	\$ 7,089,791	\$ —	\$ 7,089,791
Convention receivables	9,180,693	(178,303)	9,002,390
Loan receivables	15,507,290	—	15,507,290
Lease receivables	13,787,163	—	13,787,163
Public-private partnership receivable	8,132,839	—	8,132,839
Other receivables	322,023	—	322,023
Total receivables	<u>\$ 54,019,799</u>	<u>\$ (178,303)</u>	<u>\$ 53,841,496</u>

NOTE 4 - PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENT

The Authority has an arrangement with a private company (the operator) to provide water ferry service for employees of contracted companies (the licensees) as well as members of the general public. The contract runs through FY2024 with options to extend for three- and one-year periods ending in FY2027. The licensees annually fund this route through agreed upon amounts per licensee. The Authority retains ownership of three ferries throughout the term on the contract and reports them as capital assets with a carrying amount of \$878,025 at year-end and reports a public-private partnership receivable and offsetting deferred inflow of resources in the amount of \$8,132,839 as of June 30, 2023 pursuant to the public-private partnership arrangement.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 172,904,269	\$ 1,003,754	\$ —	\$ —	\$ 173,908,023
Construction in progress	29,321,165	25,756,229	(3,344,242)	(9,697,162)	42,035,990
Intangible assets	8,608,359	—	—	—	8,608,359
Total capital assets not being depreciated ..	210,833,793	26,759,983	(3,344,242)	(9,697,162)	224,552,372
Capital assets being depreciated and amortized:					
Land improvements	3,961,663	—	—	—	3,961,663
Building and improvements					
Boston Convention and Exhibition Center	726,849,114	—	—	5,382,770	732,231,884
Hynes Convention Center	257,484,494	—	—	79,394	257,563,888
MassMutual Center	78,001,594	—	—	3,197,936	81,199,530
Boston Common Garage	52,924,876	—	—	176,403	53,101,279
Equipment and fixtures	88,435,038	—	(96,087)	860,659	89,199,610
Leased equipment (intangible asset)	79,000	157,596	(66,943)	—	169,653
Right-to-use software (intangible asset)	—	907,115	—	—	907,115
Total capital assets being depreciated and amortized	1,207,735,779	1,064,711	(163,030)	9,697,162	1,218,334,622
Less accumulated depreciation:					
Land improvements	(2,575,064)	(396,166)	—	—	(2,971,230)
Building and improvements					
Boston Convention and Exhibition Center	(429,987,848)	(25,272,750)	—	—	(455,260,598)
Hynes Convention Center	(231,207,901)	(3,145,633)	—	—	(234,353,534)
MassMutual Center	(42,046,409)	(3,141,046)	—	—	(45,187,455)
Boston Common Garage	(36,080,772)	(2,227,831)	—	—	(38,308,603)
Equipment and fixtures	(81,673,873)	(3,263,457)	96,087	—	(84,841,243)
Less accumulated amortization:					
Leased equipment (intangible asset)	(63,354)	(53,928)	66,943	—	(50,339)
Right-to-use software (intangible asset)	—	(448,262)	—	—	(448,262)
Total accumulated depreciation and amortization	(823,635,221)	(37,949,073)	163,030	—	(861,421,264)
Total capital assets being depreciated and amortized, net	384,100,558	(36,884,362)	—	9,697,162	356,913,358
Total capital assets, net	\$ 594,934,351	\$ (10,124,379)	\$ (3,344,242)	\$ —	\$ 581,465,730

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 6 - NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company (MassMutual) for provision of naming rights at the new Springfield Civic Center. In consideration for \$5,000,000, the Springfield Civic Center was designated as the MassMutual Center. MassMutual in turn granted the Authority a license to use the intellectual property for limited use. Upon termination of the agreement, the name of the facility shall revert to the Springfield Civic Center. The term of the agreement commenced on September 29, 2005 (the opening date of the new center) and will end on the 15 year anniversary unless terminated earlier.

This agreement expired on June 30, 2021 and as of these financial statements a new agreement has not been entered into and the name of the center will remain as the MMC until either a new naming rights agreement is entered into or until the Authority is notified and the name revoked.

NOTE 7 - LEASES

The MCCA leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2024 and may provide for renewal options.

Total future minimum lease payments under lease agreements for the year ended June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 54,537	\$ 1,701	\$ 56,238
2025	53,310	690	54,000
2026	11,834	16	11,850
Total minimum lease payments	<u>\$ 119,681</u>	<u>\$ 2,407</u>	<u>\$ 122,088</u>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

Leased assets being amortized:	
Leased equipment	\$ 169,653
Less: accumulated amortization	
Leased equipment	<u>(50,339)</u>
Leased assets, net of accumulated amortization	<u>\$ 119,314</u>

Additionally, the MCCA, acting as lessor, leases certain grounds and space in and around MCCA buildings under long-term, noncancelable lease agreements. The leases expire at various dates through 2043 and provide for renewal options ranging from one to five years. During the year ended June 30, 2023, the MCCA recognized \$276,491 in lease interest revenue pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Total future minimum lease payments to be received under lease agreements at June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 1,680,066	\$ 245,063	\$ 1,925,129
2025	1,493,795	218,872	1,712,667
2026	663,904	201,482	865,386
2027	585,727	192,977	778,704
2028	585,727	184,178	769,905
2029 - 2033	2,928,633	770,961	3,699,594
2034 - 2038	2,928,633	480,709	3,409,342
2039 - 2043	2,440,528	131,568	2,572,096
Total minimum lease revenue	<u>\$ 13,307,013</u>	<u>\$ 2,425,810</u>	<u>\$ 15,732,823</u>

NOTE 8 - SOFTWARE SUBSCRIPTION ARRANGEMENTS

The MCCA leases software for various terms under long-term, noncancelable subscription based information technology arrangements (SBITA), which expire at various dates through FY2026 and may provide for renewal options.

Total future minimum lease payments under lease agreements at June 30, 2023 are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 325,983	\$ 1,394	\$ 327,377
2025	4,812	188	5,000
2026	5,000	—	5,000
Total minimum lease payments	<u>\$ 335,795</u>	<u>\$ 1,582</u>	<u>\$ 337,377</u>

Right-to-use software assets acquired through SBITAs for the year ended June 30, 2023 are shown below:

Right-to-use software being amortized:	
Software	\$ 907,115
Less: accumulated amortization	
Software	<u>(448,262)</u>
Right-to-use software, net of accumulated amortization	<u>\$ 458,853</u>

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 9 - LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance July 1, 2022	Additions	Deletions	Ending Balance June 30, 2023	Current Portion
Net pension liability	\$ 29,572,816	\$ 11,353,569	\$ (4,941,534)	\$ 35,984,851	\$ —
Net OPEB liability	4,818,299	3,057,751	(3,826,214)	4,049,836	—
Compensated absences.....	1,582,912	345,359	(139,662)	1,788,609	1,235,565
Environmental remediation	438,321	462,434	(73,605)	827,150	827,150
Leases	16,279	157,596	(54,194)	119,681	54,537
Software subscription arrangements	907,115	—	(571,320)	335,795	325,983
Total long-term liabilities	<u>\$ 37,335,742</u>	<u>\$ 15,376,709</u>	<u>\$ (9,606,529)</u>	<u>\$ 43,105,922</u>	<u>\$ 2,443,235</u>

NOTE 10 - ENVIRONMENTAL REMEDIATION

The Massachusetts Department of Environmental Protection (MassDEP) issued a policy in February 2016 entitled "Light Nonaqueous Phase Liquid (LNAPL) and the Massachusetts Contingency Plan (MCP): Guidance for Site Assessment and Closure." This policy indicates that total petroleum hydrocarbon (TPH) data greater than 1,000 mg/kg should be considered for evaluation of the potential presence of mobile LNAPL (separate phase petroleum product that is lighter than water). Based on its review of the MassDEP Guidance, the Authority's contracted licensed site professional (LSP) recommended further evaluation of elevated concentrations of TPH located at discrete areas of the Authority's property south of the BCEC. A subsurface exploration program to evaluate the potential presence of LNAPL (if any) was conducted from late September through November of 2016. Based on a review of test boring logs, it appears that the majority of the petroleum impacts on the Authority's property are localized to the areas towards the Authority's property line with an adjacent property owner. During fiscal year 2020 the Authority's LSP developed a plan for additional assessments to evaluate the extent of remediation that will be required on the Authority's property. The explorations were conducted in the 2nd quarter of FY2022, and the results of the assessments were presented to the Authority for its consideration for future remediation steps, which are anticipated to be completed during FY24. A liability of \$827,150 has been accrued in these financial statements.

The Authority has received a permanent solution status designation from MassDEP for certain properties it owns on D Street. Testing to support this application was conducted through fiscal year 2020 and was concluded in early 2021. Remediation is not required, and a Permanent Solution Statement and Notice of Activity and Use Limitation was prepared and submitted to MassDEP on November 28, 2022.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 11 - PENSION PLAN

General Information about the Pension Plan

Plan Description – Pensions are provided to eligible Authority employees through the MSERS, a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The MSERS is governed by the Massachusetts State Retirement Board (MSRB), which consists of five members, two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer, who serves as ex-officio and is the Chair of the MSRB. Membership in the MSERS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 18.5 hours per week. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Benefits Provided – The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. MGL establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The Legislature has the authority to amend these provisions.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' funding policies have been established by Chapter 32 of the Massachusetts General Laws (MGL). The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions – Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5% and 11% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000.

The MGLs governing employer contribution requirements to MSERS vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology, which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. The Authority's contributions to the pension plan for the year ended June 30, 2023 totaled \$1,552,603. Nonemployer contributions from the Commonwealth for the year ended June 30, 2023, measurement date one year prior, totaled \$2,309,566.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2023, the Authority reported a liability of \$35,984,851 for its proportionate share of the net pension liability. The June 30, 2023 net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022 for which update procedures were used to roll-forward the total pension liability to the measurement date (June 30, 2022). The Authority's proportion of the net pension liability is based on actual contributions adjusted for nonemployer contributions (as described previously). At June 30, 2023, the Authority's proportion was 0.25870%, which compared to a proportion of 0.28336% at June 30, 2022.

For the year ended June 30, 2023, the Authority recognized pension expense of \$1,087,592, and reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings		
on pension plan investments	\$ —	\$ 191,839
Differences between expected and actual experience	895,138	1,404,501
Changes in assumptions	990,721	—
Changes in proportion	179,619	3,738,636
Contributions made after the measurement date	1,552,603	—
Totals	<u>\$ 3,618,081</u>	<u>\$ 5,334,976</u>

The \$1,552,603 reported as deferred outflows of resources related to pension resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability during fiscal year 2024. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2023 will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ (512,155)
2025	(1,139,417)
2026	(2,270,376)
2027	1,306,144
2028	(653,694)
Total	<u>\$ (3,269,498)</u>

Actuarial Assumptions – The June 30, 2022 total pension liability was based on an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022, using the following actuarial assumptions:

1. (a) 2.50% inflation rate, (b) 7.00% investment rate of return, (c) 3.50% interest rate credited to the annuity savings fund, and (d) 3.00% cost of living increase on the first \$13,000 of allowance each year.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

2. Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement mortality reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020, set forward one year for females.
 - Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020, set forward one year for females.
 - For disabled retirees, the mortality rate reflects the post-retirement mortality described above, set forward one year.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study dated February 27, 2014 for the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the target asset allocation are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
Global equity	38.00 %	4.20 %
Core fixed income	15.00 %	0.50 %
Private equity	15.00 %	7.30 %
Portfolio completion strategies	10.00 %	2.70 %
Real estate	10.00 %	3.30 %
Value added fixed income.....	8.00 %	3.70 %
Timber/natural resources	4.00 %	3.90 %
Totals	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that contributions from employers will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 49,631,292	\$ 35,984,851	\$ 24,437,966

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's ACFR.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

Plan description

On November 15, 2017, the OPEB Trust was established to administer the single-employer defined benefit OPEB plan that is used to provide post-employment benefits. The Authority's net OPEB liability was measured as of June 30, 2023 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Plan membership – At June 30, 2023 membership consisted of the following:

Actives	235
Retirees	97
Totals	<u>332</u>

Benefits provided – The Authority provides health and life insurance coverage for its retirees and their survivors as a single-employer defined benefit OPEB plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process (for union employees) or Board of Trustees (the Trustees) policy decisions (for nonunion employees).

Contributions – The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The required contribution rates of firemen and oilers union employees hired on or before December 1, 2010 and after December 1, 2010 are 20% and 25%, respectively. For all other employees hired after June 30, 2008, the required contribution rate is 25%. For nonunion employees hired between July 1, 2003 and July 31, 2008, the required contribution rate is 25%. All other employees hired before July 1, 2003, the required contribution rate is 20%. The Authority pays the remaining required contribution for each type of employee. The Authority also reimburses firemen and oilers, and local three union retired employees for the employee portion (10% for retirees who retired on or before July 1, 1994; 15% for retirees who retired after July 1, 1994; 20% for retirees who retired after October 1, 2009; and 100% for additional catastrophic illness coverage) of the insurance benefits if they have five years of continuous service with the Authority at the time of retirement. Those employees who have less than five years of continuous service do not receive this benefit. There are currently 13 union retired employees who receive this benefit. In addition, the Authority used to cover these costs for

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

nonunion retirees but has discontinued that practice. There are currently eight nonunion retired employees who were grandfathered in under the old policy. The funding policy established by the OPEB Trust is to fund annually, at a minimum, the projected annual cost of the plan. In addition, the Authority may contribute up to 50% of any operating surpluses to the trust.

For the fiscal year ended June 30, 2023, the employer contributions totaled \$3,528,435. The Trust did not receive contributions from any other sources.

Net OPEB Liability (Plan Reporting) – GASB Statement No. 75

Investment Policy – The OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote. It is the policy of the Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following was the Trustees' adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Domestic equity - small/mid cap	31.50 %
Domestic fixed income	20.75 %
Cash and cash equivalents	17.25 %
Domestic equity - large cap	16.75 %
International equity - developed markets	11.75 %
International equity - emerging markets	2.00 %
Totals	<u>100.00 %</u>

Rate of Return – For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 10.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the Authority at June 30, 2023, were as follows:

Total OPEB liability	\$ 22,492,749
Plan fiduciary net position	<u>18,442,913</u>
Authority's net OPEB liability	<u>\$ 4,049,836</u>
Plan fiduciary net position as a percentage of the total OPEB liability	81.99%

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Assumptions – The total OPEB liability was determined by performing update procedures to roll the liability forward from the actuarial valuation as of July 1, 2022 to the June 30, 2023 measurement date. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Individual entry age normal
Investment rate of return:	5.24%, net of OPEB plan investment expense, including inflation
Healthcare/medical cost trend rate:	6.50% in FY2023 and changing by various amounts until an ultimate rate of 3.63% in FY2060
Inflationary rate:	2.50% as of June 30, 2023 and for future periods
Pre-retirement mortality:	RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one for females
Post-retirement mortality:	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females
Disability mortality:	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward one year

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Real estate	6.25 %
Alternatives	5.95 %
International equity - emerging markets	5.45 %
International equity - developed markets	4.64 %
Domestic equity - small/mid cap	4.55 %
Domestic equity - large cap	4.10 %
Domestic fixed income	1.05 %
International fixed income	0.96 %

Discount Rate – The discount rate used to measure the total OPEB liability was 5.24% at June 30, 2023. The discount rate was selected using a blend of the Municipal Bond Index Rate (4.26% at June 30, 2023) for unfunded periods and the Investment Rate of Return (5.24% at June 30, 2023) for funded periods.

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (4.24%)	Current Discount Rate (5.24%)	1% Increase (6.24%)
Net OPEB liability	\$ 8,068,697	\$ 4,049,836	\$ 894,116

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 528,711	\$ 4,049,836	\$ 8,621,680

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Net OPEB Liability (Employer Reporting) – GASB Statement No. 75

The Authority's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which through update procedures was rolled forward to the June 30, 2023 measurement date.

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022	\$ 18,825,360	\$ 14,007,061	\$ 4,818,299
Changes for the fiscal year:			
Service cost	689,615	—	689,615
Interest on total OPEB liability	1,128,951	—	1,128,951
Changes in assumptions	3,245,208	—	3,245,208
Differences between actual and expected experience	(690,854)	—	(690,854)
Contributions - employer	—	3,528,435	(3,528,435)
Net investment income	—	1,641,446	(1,641,446)
Benefit payments, including implicit costs	(705,531)	(705,531)	—
Administrative expenses	—	(28,498)	28,498
Net changes	3,667,389	4,435,852	(768,463)
Balance at June 30, 2023	\$ 22,492,749	\$ 18,442,913	\$ 4,049,836

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$1,614,097. At June 30, 2023, the Authority reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 182,910	\$ —
Differences between expected and actual experience	821,861	759,797
Changes in assumptions	4,424,975	424,051
Totals	\$ 5,429,746	\$ 1,183,848

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

Amounts reported as deferred outflows and inflows of resources related to OPEB at June 30, 2023 will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2024.....	\$ 678,284
2025.....	469,729
2026.....	1,438,392
2027.....	772,271
2028.....	522,316
Thereafter	364,906
Total	<u>\$ 4,245,898</u>

NOTE 13 - RISK FINANCING

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

The Group Insurance Commission administers healthcare and other insurance for the Authority's employees and retirees.

The Authority participates in a premium based workers' compensation plan. Claims have not exceeded insurance coverage for the past three years.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

NOTE 14 - COMMITMENTS

The following represents the Authority's ongoing projects at June 30, 2023:

Project	Total Committed Amount	Spent Through June 30, 2023	FY24 Commitment	Future Year Commitments
BCEC AHU replacement-assessment	\$ 74,000,000	\$ 6,011	\$ 175,000	\$ 73,818,989
BCEC CUP pump drives	1,400,000	98,323	511,672	790,005
BCEC ex-hall company switches	1,096,821	100,076	996,745	—
BCEC fire protection equipment replacement	562,946	50,833	252,524	259,589
BCEC grease traps and pump replacement	300,000	99,373	174,041	26,586
BCEC IT fiber assessment/improvements	9,000,000	13,953	381,289	8,604,758
BCEC kitchen cooler/freezer condenser and evaporator replacement	650,000	4,035	638,200	7,765
BCEC low mechanical roof membrane replacement	42,530,000	41,674	3,006,735	39,481,591
BCEC marquee update	2,500,000	8,858	1,930,434	560,708
BCEC MEP upgrade	7,924,789	7,874,789	50,000	—
BCEC north lobby coffee	3,440,000	252,692	2,575,660	611,648
BCEC physical security gates	754,077	147,977	606,100	—
BCEC POD studio build-out	257,534	54,569	202,965	—
BCEC pre-function lighting	640,000	12,984	425,812	201,204
BCEC radio upgrades	660,576	15,660	644,916	—
BCEC sidewalk improvement	4,400,000	592,731	1,170,051	2,637,218
BCEC The Fort Point Market	3,400,000	335,163	2,848,892	215,945
BCEC vertical concrete replacement	466,954	58,472	320,891	87,591
BCEC vertical core renovation	9,113,773	9,013,773	100,000	—
BCG radio upgrades	152,227	14,364	137,863	—
BCG storm drain pump	410,000	3,536	397,950	8,514
Hynes carpet replacement	827,280	52,458	774,822	—
Hynes concrete assessment and repair	250,000	10,520	140,178	99,302
Hynes escalator modernization	8,677,000	1,323,240	425,095	6,928,665
Hynes facility assessment	17,300,000	41,134	543,501	16,715,365
Hynes fire protection and plumbing	793,000	171,814	426,920	194,266
Hynes MEP phase II air handling units	16,200,000	107,065	2,394,208	13,698,727
Hynes MEP phase II switchgear	16,900,000	70,213	4,000,000	12,829,787
Hynes radio upgrades	385,000	14,667	291,653	78,680
MMC arena content management system	1,070,000	351,749	662,245	56,006
MMC digital displays	3,254,021	2,656,977	597,044	—
MMC garage	55,616,000	6,463,806	33,840,000	15,312,194
MMC marketplace upgrade	100,000	7,915	79,142	12,943
MMC radio upgrades	570,000	77,109	487,072	5,819
MMC stair 7	17,170,000	1,481,365	8,694,852	6,993,783
MMC stand 9 upgrade	115,000	8,361	94,088	12,551
MMC State Street tap upgrade	327,000	8,250	292,744	26,006
Total Commitments	\$ 303,213,998	\$ 31,646,489	\$ 71,291,304	\$200,276,205

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Notes to the Basic Financial Statements

* - The Future Year Commitments amounts reflect the Authority's best estimates developed along with its FY2024 capital projects budget. Being estimates, they may be subject to changes, including material differences, as each project moves forward and additional detail regarding project scope or cost becomes available.

NOTE 15 - CONTINGENCIES

Various legal actions and claims are pending against the Authority. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2023.

NOTE 16 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

GASB has issued the following pronouncements that may affect future financial presentation or fiscal practices of the Authority upon implementation:

GASB Statement No.	GASB Statement	Fiscal Year of Implementation
99	<i>Omnibus 2022, paragraphs 11-25</i>	Paragraphs 4-10 - 2024
100	<i>Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62</i>	2024
101	<i>Compensated Absences</i>	2025

The Authority is currently evaluating the applicability and impact of GASB Statements which have required adoption periods during fiscal year 2024 and after.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2023, the date the financial statements were available for issuance, noting that there have been no events that have occurred that would require recognition or disclosures in the financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)

Pension Plan - Schedule of the Authority's Proportionate Shares of the Net Pension Liability ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered payroll	Authority's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2023	0.25870%	\$ 35,984,851	\$ 17,427,847	206.48%	71.05%
June 30, 2022	0.28336%	29,572,816	16,263,803	181.83%	77.54%
June 30, 2021	0.29167%	50,043,618	17,245,575	290.18%	62.48%
June 30, 2020	0.29272%	42,836,764	17,872,718	239.68%	66.28%
June 30, 2019	0.28634%	37,882,242	17,440,857	217.20%	67.91%
June 30, 2018	0.30959%	39,703,950	16,460,292	241.21%	67.21%
June 30, 2017	0.32771%	45,107,233	17,677,269	255.17%	63.48%
June 30, 2016	0.33074%	37,647,760	18,217,216	205.50%	67.87%
June 30, 2015	0.33437%	24,824,160	18,319,823	140.14%	76.32%

(1) Data is being accumulated annually to present 10 years of the reported information.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)
Pension Plan - Schedule of the Authority's Contributions ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll
June 30, 2023	\$ 1,552,603	\$ 1,552,603	\$ —	\$ 17,427,847	8.91%
June 30, 2022	1,331,604	1,331,604	—	16,263,803	8.19%
June 30, 2021	1,187,874	1,187,874	—	17,245,575	6.89%
June 30, 2020	1,119,571	1,119,571	—	17,872,718	6.26%
June 30, 2019	875,322	875,322	—	17,440,857	5.02%
June 30, 2018	788,925	788,925	—	16,460,292	4.79%
June 30, 2017	754,322	754,322	—	17,677,269	4.27%
June 30, 2016	596,735	596,735	—	18,217,216	3.28%
June 30, 2015	540,096	540,096	—	18,319,823	2.95%

(1) Data is being accumulated annually to present 10 years of the reported information.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)

OPEB Plan - Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios ⁽¹⁾

Last Ten Fiscal Years

	2023	2022	2021	2020
Total OPEB Liability				
Total OPEB liability, July 1	\$ 18,825,360	\$ 16,768,154	\$ 13,022,744	\$ 11,895,777
Service cost	689,615	594,718	583,721	570,143
Interest on total OPEB liability, service cost and benefit payments	1,128,951	1,083,352	867,618	809,306
Benefit payments	(705,531)	(722,696)	(483,468)	(444,460)
Difference between expected and actual plan experience	(690,854)	—	1,438,256	(20,445)
Change in assumptions	3,245,208	1,101,832	1,339,283	212,423
Net change in OPEB liability	3,667,389	2,057,206	3,745,410	1,126,967
Total OPEB liability, June 30	<u>\$ 22,492,749</u>	<u>\$ 18,825,360</u>	<u>\$ 16,768,154</u>	<u>\$ 13,022,744</u>
Plan Fiduciary Net Position				
Plan fiduciary net position, July 1	\$ 14,007,061	\$ 16,320,052	\$ 12,096,439	\$ 6,530,551
Net investment gain/(loss)	1,641,446	(2,350,043)	4,158,566	(427,504)
Employer contributions to Trust	3,528,435	600,000	600,000	6,445,316
Benefit payments	(705,531)	(553,635)	(497,014)	(426,633)
Administrative expenses	(28,498)	(9,313)	(37,939)	(25,291)
Net change in Plan fiduciary net position	4,435,852	(2,312,991)	4,223,613	5,565,888
Plan fiduciary net position, June 30	<u>\$ 18,442,913</u>	<u>\$ 14,007,061</u>	<u>\$ 16,320,052</u>	<u>\$ 12,096,439</u>
Net OPEB liability	<u>\$ 4,049,836</u>	<u>\$ 4,818,299</u>	<u>\$ 448,102</u>	<u>\$ 926,305</u>
Plan fiduciary net position as a percentage of total OPEB liability	81.99%	74.41%	97.33%	92.89%
Covered-employee payroll	\$ 17,427,847	\$ 17,762,942	\$ 17,245,575	\$ 18,103,966
Net OPEB liability as a percentage of covered employee payroll	23.24%	27.13%	2.60%	5.12%

(1) Data is being accumulated annually to present 10 years of the reported information.

See notes to the schedule.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)

OPEB Plan - Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios ⁽¹⁾

Last Ten Fiscal Years

2019	2018
<hr/>	
\$ 12,972,576	\$ 11,700,165
541,348	733,395
832,004	769,989
(409,920)	(230,973)
(556,060)	—
(1,484,171)	—
<hr/>	
(1,076,799)	1,272,411
<hr/>	
\$ 11,895,777	\$ 12,972,576
<hr/>	
\$ 4,447,104	\$ —
250,742	100,622
2,258,881	4,594,569
(409,920)	(230,973)
(16,256)	(17,114)
<hr/>	
2,083,447	4,447,104
<hr/>	
\$ 6,530,551	\$ 4,447,104
<hr/>	
\$ 5,365,226	\$ 8,525,472
<hr/>	
54.90%	34.28%
\$ 17,576,666	\$ 21,608,853
30.52%	39.45%

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)
OPEB Plan - Notes to the OPEB Schedules

FY2023 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 5.89% from 5.24%. This change resulted in an increase in the total OPEB liability of approximately \$2,000,000.

Change in expected claims costs

Due to recent actuarial research, the Getzen model for future projected healthcare costs was adopted. This change resulted in an increase in the total OPEB liability of approximately \$1,200,000.

FY2022 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 5.89% from 6.37%. This change resulted in an increase in the total OPEB liability of approximately \$1,102,000.

FY2021 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.37% from 6.49%. This change resulted in an increase in the total OPEB liability of approximately \$280,000.

Change in expected claims costs

Due to updated guidance related to the implementation of Actuarial Standard of Practice 6, the methodology used for calculating expected claims was updated. This change resulted in an increase in the total OPEB liability of approximately \$1,100,000.

Change in projected healthcare costs

The projected healthcare costs were updated based on the Getzen model for future projected healthcare costs. This change did not have a material change on the total OPEB liability.

FY2020 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.49% from 6.61%. This change resulted in an increase in the total OPEB liability of approximately \$210,000.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)
OPEB Plan - Notes to the OPEB Schedules

Other

Other immaterial assumption changes resulted in an increase in the total OPEB liability of approximately \$2,000.

FY2019 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.61% from 6.25%. This change resulted in a decrease in the total OPEB liability of approximately \$590,000.

Change in medical trend rate

The expected long-term medical trend has been updated to 4.5% decreasing the total OPEB liability by approximately \$1,100,000.

Change in mortality

The mortality tables have been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females. This change resulted in an increase in the total OPEB liability of approximately \$210,000.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)
OPEB Plan - Schedule of the Authority's Contributions ⁽¹⁾

Fiscal year ended	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Authority's covered- employee payroll	Contributions as a percent of covered- employee payroll
June 30, 2023	\$ 870,872	\$ 3,528,435	\$ (2,657,563)	\$ 17,427,847	20.25%
June 30, 2022	827,872	600,000	227,872	17,762,942	3.38%
June 30, 2021	606,643	600,000	6,643	17,245,575	3.48%
June 30, 2020	636,685	6,445,316	(5,808,631)	18,103,966	35.60%
June 30, 2019	931,064	2,258,881	(1,327,817)	17,576,666	12.85%
June 30, 2018	1,332,006	4,594,569	(3,262,563)	21,608,853	21.26%

(1) Data is being accumulated annually to present 10 years of the reported information.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Required Supplementary Information (Unaudited)
OPEB Plan - Schedule of Investment Returns ⁽¹⁾
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018
Money-weighted rate of return, net of investment expense.....	10.23 %	(14.33)%	34.09%	(4.54)%	4.80%	5.65%

(1) Data is being accumulated annually to present 10 years of the reported information.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information (Unaudited)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual - Budgetary Basis
Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
BCEC	\$ 28,950,207	\$ 44,515,712	\$ 15,565,505
Lawn on D	1,610,000	2,204,953	594,953
Hynes	10,388,589	16,437,841	6,049,252
BCG	11,517,424	11,579,597	62,173
MMC	5,172,938	8,136,999	2,964,061
SCCG	—	838	838
Other income	—	312,954	312,954
Total revenues	57,639,158	83,188,894	25,549,736
Expenses:			
BCEC	35,834,549	39,944,009	(4,109,460)
Lawn on D	868,024	757,278	110,746
Hynes	14,354,288	14,085,222	269,066
BCG	2,687,391	2,236,039	451,352
MMC	10,233,346	13,040,985	(2,807,639)
SCCG	—	29,778	(29,778)
Central administrative	11,356,742	10,606,211	750,531
Marketing and sales	7,510,000	6,187,100	1,322,900
Total expenses	82,844,340	86,886,622	(4,042,282)
Excess/(deficiency) of revenues over expenses	(25,205,182)	(3,697,728)	21,507,454
Nonoperating revenues/(expenses):			
Federal grants	—	12,662	12,662
Investment and loan income	711,767	801,184	89,417
Abandoned capital projects reclassified from CIP	—	(2,933,794)	(2,933,794)
Expenses funded from the capital budget but not capitalizable	—	(1,171,854)	(1,171,854)
Pension/OPEB liability funding	—	13,608,793	13,608,793
Total nonoperating revenues/(expenses)	711,767	10,316,991	9,605,224
Change in net position	\$ (24,493,415)	\$ 6,619,263	\$ 31,112,678

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information (Unaudited)
Reconciliation of GAAP Operating Loss to Statutory Net Cost of Operations and
Operating Reimbursement Requests from the Convention Center Fund
Year Ended June 30, 2023

GAAP operating loss as presented in the statement of revenues, expenses
and changes in net position (page 17) \$ (44,703,918)

Adjustments to reconcile to the statutory net cost of operations as
defined within Chapter 190 of the Acts of 1982:

Depreciation expense.....	37,446,884
Amortization expense	502,189
Expenses from abandoned capital projects	2,933,794
Expenses funded from the capital budget but not capitalizable.....	1,171,854
Annual net pension cost calculated in accordance with GAAP	1,552,603
Annual net OPEB cost calculated in accordance with GAAP	(3,500,599)
Environmental remediation expenses.....	462,434
Tea party revenues reclassified to custodial funds	87,671
Interest received on loans receivables and investment income	801,184
Interest received on lease receivables.....	276,491
Other expenses.....	<u>72,869</u>

Total adjustments 41,807,374

Statutory net cost of operations (A) (2,896,544)

Adjustments/additions to reconcile to operating reimbursement
requests from the Convention Center Fund:

Boston Tea Party Principal Repayment	495,669
Federal grant revenue	12,662
Gain on the sale of capital assets.....	<u>22,440</u>

Total adjustments 530,771

Total operating reimbursement requests from the Convention Center Fund \$ (2,365,773)

(A) - Chapter 90 of the Acts of 1982 defines the net cost of operations as all current expenses incurred by the Authority less income received by the Authority in its ordinary course of business. Under provisions outlined within Chapter 152 of 1997 (and subsequent amendments), the Authority is eligible to receive up to \$28 million annually from the Massachusetts Convention and Exhibition Center Fund to defray its net cost of operations

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information (Unaudited)
Schedule of Consolidated Financial Statements by Operating Segment
Year Ended June 30, 2023

Summarized financial information for the fiscal year ended June 30, 2023 is presented as follows:

	BCEC	Lawn on D	Hynes	MMC	BCG	SCCG	Central Administration	Sales and Marketing	Pension Trust	Total
Assets:										
Current assets	\$ (11,735,314)	\$ (64,686)	\$ (5,929,566)	\$ (3,434,474)	\$ (1,651,091)	\$ (27,584)	\$ 79,835,335	\$ (2,857,114)	\$ —	\$ 54,135,506
Restricted assets	348,965	—	128,286	—	(348)	—	573,196	—	54,937,407	55,987,506
Noncurrent assets (excluding capital assets)	221,395	—	—	—	—	—	33,401,833	—	—	33,623,228
Capital assets	429,969,566	80,287	79,139,908	45,455,406	15,635,613	10,540,139	644,811	—	—	581,465,730
Total assets	418,804,612	15,601	73,338,628	42,020,932	13,984,174	10,512,555	114,455,175	(2,857,114)	54,937,407	725,211,970
Deferred outflows of resources	—	—	—	—	—	—	9,047,827	—	—	9,047,827
Total assets and deferred outflows of resources	418,804,612	15,601	73,338,628	42,020,932	13,984,174	10,512,555	123,503,002	(2,857,114)	54,937,407	734,259,797
Liabilities:										
Current liabilities	12,332,540	210,187	2,476,992	3,063,410	1,013,837	1,344,328	1,590,211	1,704,985	13,489	23,749,979
Noncurrent liabilities	307,722	—	224,719	—	—	—	40,662,688	—	—	41,195,129
Total liabilities	12,640,262	210,187	2,701,711	3,063,410	1,013,837	1,344,328	42,252,899	1,704,985	13,489	64,945,108
Deferred inflows of resources	—	—	—	—	—	—	27,958,676	—	—	27,958,676
Total liabilities and deferred inflows of resources	\$ 12,640,262	\$ 210,187	\$ 2,701,711	\$ 3,063,410	\$ 1,013,837	\$ 1,344,328	\$ 70,211,575	\$ 1,704,985	\$ 13,489	92,903,784

Net investment in capital assets	581,010,253
Restricted:	
Future pension contributions	54,923,918
Other	1,050,099
Unrestricted	4,371,743
Total net position	\$ 641,356,013

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information (Unaudited)
Schedule of Consolidated Financial Statements by Operating Segment
Year Ended June 30, 2023

	BCEC	Lawn on D	Hynes	MMC	BCG	SCCG	Central Administration	Sales and Marketing	Pension Trust	Total
Operating revenues	\$ 44,239,220	\$ 2,204,953	\$ 16,437,842	\$ 8,137,000	\$ 11,579,597	\$ 838	\$ 225,283	\$ —	\$ —	\$ 82,824,733
Operating expenses	(71,428,604)	(798,302)	(18,134,232)	(16,633,750)	(4,888,519)	(223,815)	(7,609,962)	(6,187,100)	(1,624,367)	(127,528,651)
Operating (loss)/income	(27,189,384)	1,406,651	(1,696,390)	(8,496,750)	6,691,078	(222,977)	(7,384,679)	(6,187,100)	(1,624,367)	(44,703,918)
Nonoperating revenues/(expenses):										
Convention Center Fund - operating subsidy	—	—	—	—	—	—	2,365,770	—	—	2,365,770
Federal grants	—	—	—	—	—	—	12,662	—	—	12,662
Nonemployer contribution	—	—	—	—	—	—	2,309,566	—	—	2,309,566
Interest on loans receivable	—	—	—	—	—	—	709,993	—	—	709,993
Interest on lease receivable	276,491	—	—	—	—	—	—	—	—	276,491
Investment income	—	—	—	—	—	—	91,191	—	15,094,934	15,186,125
Gain on disposal of capital assets	22,440	—	—	—	—	—	—	—	—	22,440
Income/(loss) before capital contributions	298,931	—	—	—	—	—	5,489,182	—	15,094,934	20,883,047
Capital contributions:										
Convention Center Fund - capital contributions	—	—	—	—	—	—	26,573,388	—	—	26,573,388
Cash capital contribution	590,666	—	—	24,525	—	—	—	—	—	615,191
Total capital contributions	590,666	—	—	24,525	—	—	26,573,388	—	—	27,188,579
Change in net position	<u>\$ (26,299,787)</u>	<u>\$ 1,406,651</u>	<u>\$ (1,696,390)</u>	<u>\$ (8,472,225)</u>	<u>\$ 6,691,078</u>	<u>\$ (222,977)</u>	<u>\$ 24,677,891</u>	<u>\$ (6,187,100)</u>	<u>\$ 13,470,567</u>	<u>\$ 3,367,708</u>
Net position - beginning of year										637,988,305
Net position - end of year										<u>\$ 641,356,013</u>

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Supplementary Information (Unaudited)
Schedule of Salary and Other Compensation of Highly Compensated Employees
Year Ended June 30, 2023

	Amounts Reported in FY23 Financial Statements*			
	Base Salary	Other Compensation	Total Compensation	Base Compensation at June 30, 2023
David Gibbons, Executive Director	\$ 264,618	\$ 51,642	\$ 316,260	\$ 264,618
Robert Noonan, Chief Information Security Officer	184,205	—	184,205	184,205
Michael Esmond, Chief Financial Officer	183,915	—	183,915	183,915
Christopher Donato, General Counsel	183,914	—	183,914	183,914
Diane DiAntonio, General Manager	183,478	—	183,478	183,478
John Donahue, Chief of Operations and Capital Projects	170,922	—	170,922	170,922
Nathan Little, Director of Event Communications	159,031	—	159,031	159,031
Devin Taylor, Director of Human Resources and Engagement	159,031	—	159,031	159,031
Total FY23 compensation	<u>\$ 1,489,114</u>	<u>\$ 51,642</u>	<u>\$ 1,540,756</u>	<u>\$ 1,489,114</u>

* Amounts reported on a cash basis.

(1) – For purposes of this schedule, highly compensated employees is defined as employees whose base salary exceeds \$150,000 a year.

**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 Convention Center Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 16, 2023. Our report contains an emphasis of matter paragraph for the adoption of Governmental Accounting Standards Board Statement No 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and No.96, *Subscription-Based IT Arrangements*.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM VS LLP

Boston, Massachusetts
November 16, 2023