

Massachusetts Technology Park Corporation

(A Component Unit of the
Commonwealth of Massachusetts)

Financial Statements and
Required Supplementary Information

Year Ended June 30, 2022

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

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Independent Auditor's Report

Board of Directors
Massachusetts Technology Park Corporation

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Massachusetts Technology Park Corporation (the Organization), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization'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 governmental activities, the business-type activities, and each major fund of the Organization, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 – Adoption of New Accounting Standard

As discussed in Note 1 of the accompanying financial statements, the Organization adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the year ended June 30, 2022. Accordingly, net position was restated as of July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Organization'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 Organization'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* 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
January 25, 2023

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

This section of the Massachusetts Technology Park Corporation's annual financial report presents management's discussion and analysis of the financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements, which follow this section.

Agency Overview

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

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

To achieve that goal, MassTech:

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

MassTech is advancing economic development in key areas such as digital health technology, information technology, broadband deployment, advanced manufacturing, cybersecurity, and other emerging sectors such as robotics and the Internet of Things ("IoT"). Over its 40-year history, MassTech has managed numerous complex projects, overseeing more than \$672 million in public funding by providing grants, loans, and other financial assistance to thousands of projects across the Commonwealth of Massachusetts (the "Commonwealth" or "Massachusetts"). Through its major divisions and centers - the Innovation Institute (the "Innovation Institute"), the Massachusetts eHealth Institute ("MeHI"), the Massachusetts Broadband Institute ("MBI"), the MassCyberCenter, and the Center for Advanced Manufacturing ("CAM"), MassTech is stimulating economic activity throughout the Commonwealth.

The Innovation Institute at MassTech

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

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

- Supports rigorous, collaborative, interdisciplinary research and development partnerships at Massachusetts universities;
- Enhances the ability of the Commonwealth's academic research centers to compete for millions of dollars in federal research awards and aligns technology capacities at its research institutions with the needs of industry;
- Strengthens the technology and innovation ecosystem in regions across the Commonwealth by advancing projects or initiatives that contribute to a competitive advantage for existing and emerging industry clusters.

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- Secures the economic benefits of downstream production and employment for all regions of the Commonwealth as new research and technologies are commercialized in the marketplace;
- Analyzes the Massachusetts innovation economy through the development of the annual Index of the Massachusetts Innovation Economy as well as sector and regional specific analyses;
- Partners with and invests in novel talent development initiatives such as internship support and targeted higher education and adult education technology training programs, many of these initiatives have a focus on diversity and inclusion;
- Support focused efforts that support Diversity in Tech in order to increase the number of individuals from underrepresented or diverse populations who are receive internships or career gateway opportunities within technology firms across the Commonwealth.
- Provides business assistance services targeted toward firms in the technology sector with the goal of helping businesses relocate to or expand in the Commonwealth. The Innovation Institute provides referrals to state resources as well as assisting startup entrepreneurs and tech firms leverage other resources in the tech ecosystem;
- Develops regional innovation economies and cluster growth by supporting high value innovation based economic development activities including support of targeted cluster growth opportunities; analysis of opportunities for growth in technology clusters such as Robotics, Quantum Computing, Artificial Intelligence, FinTech, Marine Tech and Blockchain; and
- Convenes key stakeholders in promising clusters to develop consensus around targeted action agendas.

As a mechanism to drive growth in industry clusters, the Innovation Institute also administers a Collaborative Research Matching Grant Program which was created by the Massachusetts Legislature and recapitalized with an additional \$52 million in 2021 through the economic development bill, "An Act Enabling Partnerships for Growth". This program provides matching capital funds for scientific or technology research and development projects sponsored by the University of Massachusetts, research universities, non-profit entities, or non-profit research institutions in the Commonwealth. Nine new awards were made under this program in fiscal year 2022. To date, 21 awards have been made under this fund for a total of \$50 million of capital investment to fund and help develop large-scale, long-term collaborative research projects sponsored by Massachusetts-based research entities. This program enables the Innovation Institute to strengthen research capacity in the Commonwealth through these research investments and by convening the directors of research centers to share best practices and to promote partnerships with key industry partners.

In July 2021 the Legislature enacted and the Governor signed a bill broadening the allowable uses of the Collaborative Research Matching Grant Program by providing MassTech with the ability to make strategic investments in ecosystem projects that reach beyond the scope of the research-based projects previously authorized under the program. In February of 2022, working in close collaboration with the Commonwealth's Executive Office of Housing and Economic Development (EOHED), the Innovation Institute launched the Technology & Innovation Ecosystem Awards Program to support capital projects, led by organizations in Massachusetts, that provide a new technology, business, talent, capital or other ecosystem support program or initiative that demonstrably contributes to growth in the state's technology and innovation sectors. The T&I Ecosystem Program seeks to strengthen the technology and innovation ecosystem in regions across the Commonwealth, advance technology and innovation sector projects that will contribute to a competitive advantage for existing and emerging industry clusters in Massachusetts, and improve conditions overall for job growth; business expansion and new business formation; and other indicators of growth in the innovation economy. In fiscal year 2022, one award was made under this program for approximately \$2 million.

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Two other programs contribute to the goals of the Innovation Institute: the MassTech Intern Partnership and the Massachusetts Innovation Mentoring Initiative. The Intern Partnership pays matching stipends to small- and medium-sized technology companies in Massachusetts to support the hiring of two- and four-year college students as interns. This program has funded more than 1,150 interns at approximately 425 companies. MassTech's Entrepreneur Mentoring effort is designed to support regional entrepreneur mentoring activities in underserved regions of the state through support for organizations that provide seasoned mentors to emerging startups. In fiscal year 2022, the Innovation Institute participated in 13 regional entrepreneur support initiatives helping to expand and enhance programs and activities to reach more people, target diverse communities, and increase the impact.

The MassCyberCenter

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

Funding for the MassCyberCenter in fiscal year 2022 includes a state appropriation of \$2,450,000 which included \$1.5 million earmarked for collaboration with community colleges and state universities, to provide regional security operations center (SOC) services for the monitoring and detection of cyber threat activity to municipalities, nonprofits and small businesses and cyber range services, which shall include opportunities for cybersecurity workforce training. As a result, the MassCyberCenter initiated efforts to establish a Massachusetts cybersecurity consortium ("the Consortium") to help provide solutions to municipalities, small businesses, and other organizations for protection against cyber threats, as well as grow and promote the diversity of the cybersecurity talent pipeline. Through the creation of, and engagement with, SOC and Range facilities on campuses known as Cybersecurity Centers of Excellence (CCEs), the Consortium will aim to address the following needs of the Massachusetts cybersecurity ecosystem ("the Imperatives"):

- Undersecurity – Organizations across the Commonwealth, especially municipalities, small businesses, and non-profits, are challenged to find affordable resources to defend themselves against growing cybersecurity threats and maintain cyber resiliency
- Underemployment – There is a supply shortage of trained workers available to meet the cybersecurity industry's workforce demands. Additionally, communities of color and women are underrepresented in the cybersecurity workforce and are frequently overlooked for employment due to a lack of experience.
- Employee Training – Businesses across the Commonwealth do not have a location to send their employees to receive cybersecurity training at an affordable rate.
- Business/Economic Development – There is a need to convene regional hubs for business development where cybersecurity entrepreneurs can establish and grow startups or where specific industry segments such as defense contractors can receive specialized support.

The MassCyberCenter is also providing a grant to support the creation and initial start-up costs of a non-profit entity that shall provide strategic oversight to programs and help identify additional funding sources to support the Consortium. The non-profit will establish guidelines to advance the Imperatives, support educational programs, advocate to public and private stakeholders, and allocate financial resources. The non-profit will also negotiate and administer Cyber Range and Managed Security Services Provider contracts which will support CCE cybersecurity programs.

In the Chapter 102 of the Acts 2021, "An act relative to immediate Covid-19 recovery needs", \$15 million was authorized for MassTech to support the Commonwealth's cybersecurity workforce and infrastructure in collaboration with the Commonwealth's public institutions of higher education, to provide regional security

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operations center services for the monitoring and detection of cyber threat activity to municipalities, non-profits and small businesses and cyber range services, which shall include opportunities for cybersecurity workforce training; and to prioritize the expansion of the cybersecurity workforce in the Commonwealth with a focus on underserved and underrepresented populations in the cybersecurity sector. MassCyberCenter is working with eligible CCEs to grant funds to support the development of their cybersecurity programs including construction and equipment procurement costs associated with Cyber Ranges and SOC's.

The first Massachusetts Cybersecurity Month was held in October 2021, coinciding with nation Cybersecurity Awareness Month. With a theme of "Life's Work on the Go," the MassCyberCenter promoted cybersecurity awareness through a series of branded events, such as the fifth annual Cybersecurity Forum and the first Massachusetts Municipal Cybersecurity Summit. The MassCyberCenter website hosted a video of Governor Baker kicking off cybersecurity month, a copy of the proclamation which officially designate October as Massachusetts Cybersecurity Month plus a calendar of cybersecurity-related events taking place in Massachusetts during the month. MassTech Communications team provided logos, social media materials and packaged information to help organizations host their own local cybersecurity events. The 2021 Forum, focused on the theme "*Building Momentum*," with a continued goal of helping strengthen connections across the cybersecurity ecosystem and solidifying the Commonwealth's global leadership in cybersecurity. The Cybersecurity Forum included representatives from both the Federal and Massachusetts governments; the private sector, including startups to many of the world's largest cybersecurity companies; and Massachusetts-based R&D institutions that are driving cutting-edge discoveries. The Municipal Cybersecurity Summit was an on-line event for the Commonwealth's 351 municipalities highlighting the importance of local cybersecurity, made possible through funding from a Department of Homeland Security State-Share Grant.

The Cyber Resilient Massachusetts Working Group ("CRMWG") was established to bring together public and private sector leaders to identify ways the Commonwealth's innovative technology ecosystem can help Massachusetts municipalities and critical institutions protect sensitive data, increase cybersecurity awareness, and respond to emerging threats. Over 45 member organizations participate in the CRMWG and additional sub-working groups focused on municipalities, strategic planning, table top exercises, and critical infrastructure. During fiscal year 2022, the CRMWG held monthly meetings and two Tabletop Exercises which focused on the importance of planning and collaboration in response to cyber incidents. The Municipal Cybersecurity Sub-working Group continued to focus on building regional collaboration through partnerships with the Regional IT Directors Working Group and promoting the Minimum Baseline of Cybersecurity for Municipalities, building on a fiscal year 2021 funded project to provide informational materials on the Baseline. These efforts were showcased in a panel presentation at the Massachusetts Municipal Association Annual Meeting in January of 2022.

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

During fiscal year 2022, MassCyberCenter expanded the Cybersecurity Mentorship Program to provide additional opportunities for diverse Massachusetts undergraduate college students to learn about careers in cybersecurity and develop their professional networks through direct engagement with industry professionals. The goal of the Cybersecurity Mentorship Program is to encourage diverse undergraduate college students to pursue a career in cybersecurity and promote the diversity of the cybersecurity workforce in Massachusetts. The spring 2022 cohort included 41 students to be mentored bringing the cumulative total of student mentees in this program to more than 100 students with support from mentors from more than 34 companies.

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The Center for Advanced Manufacturing

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

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

The Baker-Polito Administration established the M2I2 program in fiscal year 2016 as a key pillar of their innovation growth strategy for Massachusetts and established oversight of this initiative at MassTech. This initiative represents a substantial commitment to develop manufacturing infrastructure within the state's academic, research, and manufacturing industry, and is a direct response to Manufacturing USA, a national network of federally sponsored, collaborative communities, each with the mission of securing the future of their respective technologies. M2I2 leverages leading Massachusetts research universities to strengthen the Commonwealth's research-to-manufacturing infrastructure. Through grants administered by the Executive Office of Housing and Economic Development (EOHED), M2I2 provides capital cost share for projects located within the Commonwealth's borders, boosting economic development through its support for job creation and growth in existing and emerging industry clusters across Massachusetts. During fiscal year 2022, more than \$9.5 million in grants were awarded to seventeen grantees bringing the total M2I2 awards to over \$83 million and 70 projects to date.

In July 2020, MassTech was awarded a \$3.2 million grant from the U.S. Department of Defense's Manufacturing Technology Program for a manufacturing technician training program that could serve as a national model. This effort, named MassBridge, is led by the Center for Advanced Manufacturing along with a team of experts from academia, industry, and federal and state agencies. Through the MassBridge project a well-connected, state-based training and career pathway model - a "Bridge" for technicians that spans the gaps between the Commonwealth of Massachusetts' state-wide advanced manufacturing programs and the needs of the Manufacturing USA Institutes is being deployed at five Massachusetts community colleges. In addition, a curriculum has been developed to expose high school students to emerging technologies and the career opportunities that exist within them, and an industry engagement framework is in place to create the connections between educational programs and industry to strengthen partnerships and pipeline.

CAM received an appropriation to administer the Advanced Manufacturing Training grant program, formerly administered by EOHED. The program includes a grant program for consortiums that provide workforce development services in advanced manufacturing. This program is aligned with the Baker-Polito Administration's regional planning initiative aimed at addressing the skills gap by bringing together regional teams of educators, workforce, and economic development professionals to create regional blueprints for growth strategies in every region of the Commonwealth. During the fiscal year, 4 awards to MassHire Workforce Boards were made totaling \$2.3 million.

In fiscal year 2022, CAM launched the Massachusetts Manufacturing Accelerate Program ("MMAP") to help Massachusetts-based small to medium-sized manufacturers prepare their businesses to meet the demands of Industry 4.0 and the manufacturing of new technologies and innovations that align with key industries in the Commonwealth. The program provides grants to manufacturer for capital equipment purchases and enables access to new supply chain connections, new opportunities, and growth through non-profit

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partners. These partnerships will provide assistance through technical support, workforce development support, business connections, or other means of assistance to help manufacturers drive efficiencies and scale their business. The \$10 million of capital funding for this program was authorized in 2022 through the economic development bill, "An Act Enabling Partnerships for Growth". The program awarded \$2.1 million in funding to 13 manufacturers that will be distributed through five non-profit partners this fiscal year.

In September of 2021, CAM hosted the first Massachusetts Manufacturing Mash-Up with more than 600 attendees to help build an ecosystem of manufacturers, federal labs, academic institutions and solution providers from the Commonwealth to help manufacturers compete and connect research and early state technologies to commercialization opportunities.

In early 2021, the MA Semiconductor Coalition was launched to align Massachusetts companies, federal labs, academic institutions and state government around pending federal legislation to reshore semiconductor manufacturing to the country. More than 17 institutions were involved and met weekly to align the strengths of MA to address the chips shortage and the next generation of chips to meet emerging industries.

Massachusetts eHealth Institute

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

In 2016, MeHI's mission was further expanded through the enactment of state economic development legislation which charged MeHI with supporting the growth of a digital health industry sector within the Commonwealth. Under this work, MeHI has served as the implementing agency of the Massachusetts Digital Health Initiative, which was launched to position Massachusetts as the leading global ecosystem for digital health. Digital Health is among the fastest growing industry sectors in the country and Massachusetts is positioned at the forefront of this growth, combining its strengths in both healthcare and technology to drive innovation. Massachusetts is already home to more than 380 digital health companies and the Initiative aims to increase the growth of these firms. MeHI connects policymakers, healthcare experts, physicians, and business leaders to break down the barriers to widespread integration of these advanced technologies.

During fiscal year 2022, MeHI has three programs to promote its mission.

Two of these programs are conducted under agreements with the Commonwealth of Massachusetts Executive Office of Health and Human Services. The HIway Adoption and Outreach Services develops and delivers services to promote health information exchange adoption and utilization among healthcare providers. MeHI's Medicaid Services provides technical assistance, enrollment and validation services related to the Medicaid EHR Incentive Program. The Medicaid Services activities were completed as of June 30, 2022 in conjunction with the scheduled end of the federal Medicaid EHR Incentive Program. In addition to the above services, MeHI's Digital Health program focused on the growth of the Commonwealth's digital health ecosystem and support for caregivers in Massachusetts by:

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- Owning, maintaining, and enhancing the MassDigitalHealth.org web portal, including improving and promoting the only statewide digital health job board in the United States with over 300 companies and approximately 2,700 open digital health jobs as of the end of fiscal year 2022;
- Expanding efforts to support unpaid family caregivers through the Mass Caregiving Initiative. The Initiative works with stakeholders on three focus areas: employers, community, and innovation. MeHI supports the Massachusetts Caregiver Coalition to help employers support their employees who are family caregivers. In addition, MeHI works with the Executive Office of Elder Affairs to address the needs of caregivers and their communities, and hosts webinars and other activities to highlight innovative solutions that leaders and organizations can use to lessen caregiver stress and support caregivers. This focus on supporting innovation in aging and caregiving is in alignment with one of the Baker-Polito Administration's priorities;
- Continuing the Digital Health Sandbox Network and Grant Program which supports Massachusetts digital health companies in accessing testing and validation opportunities at Massachusetts research and development centers (the 'sandboxes' for innovation). The program has expanded from one Sandbox in fiscal year 2019 to ten Sandbox locations and one Sandbox tool as of the end of fiscal year 2022 MeHI awarded \$62,500 in grants to the Sandboxes to support projects with three Massachusetts digital health companies during the year;
- Running the 'Right Care 4 You' grant program to support the goals of the Massachusetts Employer Health Coalition by offsetting the costs for Massachusetts digital health companies to pilot their products and services with Massachusetts employers. In fiscal year 2020 MeHI awarded \$189,360 to two Massachusetts digital health companies to pilot their products and quantify their impact on their employer partner's healthcare costs. In FY22, MeHI continued to support the companies as they completed their pilots with their employer partners. One company submitted its final report but will continue to follow up with pilot participants at six months and one year, post pilot. The second company submitted interim project results and will submit final results in FY23.
- Running the Digital Health COVID-19 Recovery Challenge Program, funded by a \$682,880 federal grant from the U.S. Department of Commerce's Economic Development Agency as part of their SPRINT Challenge. Through the program, MeHI partnered with Lever, Inc., a business accelerator and innovation support organization, and leveraged MeHI's Sandbox Network to help commercialize digital health solutions that support COVID-19 recovery. Across two Challenges, MeHI sponsored 16 companies to participate in Lever's customized accelerator program. MeHI also awarded \$500,000 in grants to four Sandboxes to support projects with eight of those companies. The projects will conclude in FY23.

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

Massachusetts Broadband Institute

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

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

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MBI's Last Mile program was designed to support and co-invest in broadband solutions for the Massachusetts towns who have lacked residential broadband service. This program includes grants to private broadband service providers and direct grants to municipalities. As part of this effort, the Last Mile Infrastructure Grant Program, launched by the EOHEd in April 2017, was modeled after their existing MassWorks grant program and was designed to provide funding for eligible unserved towns which will develop and build municipally-owned broadband networks. The program empowers communities to use these grants to fund design and engineering, and construction services directly, as they would other local infrastructure projects. The EOHEd is administering the Last Mile Infrastructure Grant Program, with up to \$20 million in MBI's bond funds as approved by the MBI Board of Directors along with funds from the 2018 authorization. To date, EOHEd has awarded grants to 21 towns, totaling approximately \$31.3 million and 18 of those towns have completed projects.

During fiscal year 2022, MBI continued to identify support projects underway in the unserved towns. At the end of the fiscal year, of the original 53 Last Mile towns (including underserved towns), 42 towns have completed and fully operational broadband networks, 9 other towns have broadband networks that are partially lit, with customer installations occurring on a rolling basis until construction is completed. The remaining two town projects are either in the design, make ready, or construction phases.

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

During fiscal year 2022, MassTech continued to administer the programs to expand internet access funded through the \$9.2 million from the Commonwealth of Massachusetts as part of the 'Partnerships for Recovery' plan. The Mass Internet Connect program assists unemployed job seekers working with MassHire to help them address technology barriers, including accessing the internet, obtaining an internet-connected device, or online skills training. Since its inception, the Mass Internet Connect program assisted approximately 7,500 jobseekers. A second program expanded Wi-Fi Hotspots in unserved communities. This program continues to support remaining unserved communities in western and central Massachusetts with outdoor and indoor hotspots, helping provide critical connectivity to communities that are waiting for high-speed internet networks to be built through the state's Last Mile program.

The Commonwealth seeks to identify remaining broadband coverage gaps, including pocket locations along town edges and low density areas. Existing federal coverage data is not detailed or accurate enough, and service providers are not required to reveal their unserved areas, so the exact locations of the premises in the unserved pockets are often unknown and difficult to determine. To prepare for infrastructure investments that will deploy federal broadband funding, MBI has been awarded a \$1 million subaward from EOHEd to conduct a comprehensive data collection and mapping effort which is funded through a planning grant from the U.S. Economic Development Administration (EDA). This effort will enable the Commonwealth to make targeted broadband investments across all regions by identifying unserved and underserved locations, including homes and businesses.

As part of Governor Baker's American Rescue Plan Act legislation \$50 million was authorized by the State Legislature for digital equity investments to close the digital divide. The funding shall be used to:

- Facilitate equitable broadband service adoption in unserved and underserved communities;
- Expand digital literacy for residents experiencing economic hardship; and

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- Empower communities to use digital tools through the provision of devices, connectivity and training to low-income populations.

MBI is working with EOHEd on the development of programs that will be administered by MBI, as subrecipient of the ARPA funding, to invest more deeply in proven programs and expand digital equity offerings to individuals in need of support.

There are two additional funding sources from the federal government that will bolster the investments in broadband infrastructure and digital equity and inclusion programs in the Commonwealth:

- American Rescue Plan Act (ARPA) Capital Project Funding (Enacted March 2021 by Congress)
- Federal Infrastructure, Investment & Jobs Act (IIJA) (Enacted November 2021 by Congress)

MIB is coordinating with the Commonwealth of Massachusetts to develop plans that will be submitted to the U.S. Treasury Department to deploy the Capital Project Funds. The primary focus will be on launching a Broadband Infrastructure Grant Program. Building upon the success of the Last Mile infrastructure grant program, EOHEd and MBI subject to approval of a grant plan by the US Treasury Department, intend to launch a grant program to address gaps in affordable, reliable broadband infrastructure by expanding access and connectivity in unserved and underserved locations across the Commonwealth, with a priority on unserved locations. The first phase of this grant program will proceed concurrently with the statewide data collection and mapping effort. These investments of Capital Projects Funds alongside the capital investments the Administration have supported in the Last Mile and Middle Mile operations will continue to ensure that access to broadband is possible for as many residents as possible. MBI and the Commonwealth are also working on plans for IIJA funding which will be developed consistent with the guidance and timeframes set forth in the National Telecommunications and Information Administration Notice of Funding Opportunities.

Campus Operations

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Overview of the Financial Statements

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

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

Financial Analysis

The statement of net position is a government-wide statement that presents information on all of MassTech's assets, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases in net position serve as one indicator of MassTech's financial condition. On the following page is a summary of the statement of net position for fiscal years 2022 and 2021.

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

Management's Discussion and Analysis (Unaudited)
Summary of Statements of Net Position
June 30, 2022 and 2021

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Noncurrent assets	\$ 110,723	\$ 2,641,097	\$ 2,751,820	\$ 110,723	\$ -	\$ 110,723
Other noncapital assets	44,840,827	11,896,227	56,737,054	31,730,606	9,017,512	40,748,118
Capital assets (net of accumulated amortization and depreciation)	41,987,424	3,315,199	45,302,623	44,361,575	3,887,706	48,249,281
Total assets	86,938,974	17,852,523	104,791,497	76,202,904	12,905,218	89,108,122
LIABILITIES						
Noncurrent liabilities	-	125,000	125,000	532,853	144,931	677,784
Other liabilities	25,113,003	731,892	25,844,895	10,409,301	18,073	10,427,374
Total liabilities	25,113,003	856,892	25,969,895	10,942,154	163,004	11,105,158
DEFERRED INFLOWS OF RESOURCES						
Lease related items	-	3,187,369	3,187,369	-	-	-
Total deferred inflows of resources	-	3,187,369	3,187,369	-	-	-
NET POSITION						
Net investment in capital assets	\$ 39,957,613	\$ 3,315,199	\$ 43,272,812	\$ 44,361,575	\$ 3,887,706	\$ 48,249,281
Restricted for:						
Massachusetts e-Health Institute	7,037,966	-	7,037,966	8,593,838	-	8,593,838
Innovation Institute	8,835,994	-	8,835,994	9,710,455	-	9,710,455
MassCyberCenter	1,884,300	-	1,884,300	460,104	-	460,104
Center for Advanced Manufacturing	1,948,490	-	1,948,490	133,398	-	133,398
Massachusetts Broadband Institute	1,272,189	-	1,272,189	2,001,380	-	2,001,380
Campus Development/other corporate purposes	-	3,700,955	3,700,955	-	3,699,300	3,699,300
Unrestricted	889,419	6,792,108	7,681,527	-	5,155,208	5,155,208
Total net position	\$ 61,825,971	\$ 13,808,262	\$ 75,634,233	\$ 65,260,750	\$ 12,742,214	\$ 78,002,964

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Assets

MassTech's total assets were approximately \$104.8 million as of June 30, 2022, an increase of approximately \$15.7 million from the prior year.

Non-capital assets were approximately \$59.5 million and include restricted, committed, and unrestricted cash and cash equivalents totaling \$41.2 million, receivables of \$17.7 million, and prepaid and other assets of \$.6 million.

MassTech's investment in capital assets for its governmental and business-type activities as of June 30, 2022 is approximately \$43.3 million net of depreciation, amortization, and the deferred inflow of resources associated with the capital lease. The investment in capital assets includes buildings, improvements, furniture, equipment, leases and broadband infrastructure. The decrease in investment in capital assets for the current fiscal year was approximately \$5 million, primarily attributable to depreciation of the MassBroadband 123 network. Refer to Note 3 of the financial statements for more detailed information about capital assets.

Liabilities

Liabilities were approximately \$26 million as of June 30, 2022, an increase of approximately \$14.8 million from the prior year. Of this change, approximately \$5.8 million relates to an increase in accounts payable and accrued expenses, including \$1.5 million in Innovation Institute, primarily related to more R&D Matching Grant financial assistance expenses, \$2.7 million in MBI related to more Last Mile grants expenses, \$.9 million in Center for Advanced Manufacturing for MMAP and Training grant expenses, and \$.7 million in the Proprietary Fund related to obligations due from the General Fund; an increase of \$5.4 million in Funding Received in Advance primarily due to the receipt of Broadband Recovery Funding that will be expended in the coming fiscal years; an increase in Due to Other funds of \$1.9 million primarily related to the receipt of cash in the Proprietary Fund to be transferred for the R&D Matching Grant program, and a \$1.8 million increase in lease liabilities / deferred inflows of resource related to the implementation of GASB Statement No. 87, *Leases*, classification of leases.

MassTech has no long-term debt outstanding.

Deferred Inflows of Resources

Deferred Inflow of Resources as of June 30, 2022 was approximately \$3.2 million related to the implementation of GASB Statement No. 87, *Leases*, which was implemented as of July 1, 2021.

Net Position

Between fiscal years 2022 and 2021, the net position has decreased by approximately \$2.4 million to approximately \$75.6 million.

Net investment in capital assets represents approximately 57.2% of net position as of June 30, 2022. Of the remaining approximately 42.8% of MassTech's net position at June 30, 2022, approximately 11.7% is attributable to the Innovation Institute, approximately 9.3% to MeHI, approximately 1.7% to MBI, approximately 2.5% to MassCyberCenter, approximately 2.6% to Center for Advanced Manufacturing, approximately 4.9% to Campus Operations and other corporate purposes and the remaining approximately 10.1% is classified as unrestricted.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Unrestricted net position of the governmental activities increased by approximately \$.9 million compared to prior year.

Approximately \$43.3 million of net position is invested in capital assets. Of this amount, \$40.4 million is related to the MassBroadband 123 network.

Restricted net position of Massachusetts e-Health Institute decreased by approximately \$1.6 million as a result of the net impact of approximately \$2.4 million in revenues, primarily from the Commonwealth, offset by operating expenses, financial assistance expenses, and capital expenditures of approximately \$4.0 million.

Restricted net position of the Innovation Institute decreased by approximately \$.9 million as a result of the net impact of approximately \$10.8 million in revenues, primarily from the Commonwealth, offset by operating expenses, financial assistance expenses, transfers and capital expenditures of approximately \$11.7 million.

Restricted net position of the MBI decreased by approximately \$.7 million, primarily as a result of the GASB Statement No. 87, *Leases*, resulting in classification of certain middle mile facility leases as right-to-use lease assets.

The net position of the business-type activities was approximately \$13.8 million as of June 30, 2022, an increase of \$1.1 million. This increase is primarily a result of revenues of \$.9 million and transfers from governmental activities of \$.9 million offset by operating expenses of \$.8 million. The primary function of the business-type activities is the Campus Operations, the fund that relates to the development and maintenance of the 36-acre campus in Westborough, Massachusetts. Of the total net position, approximately \$3.3 million was invested in capital assets, approximately \$3.7 million was restricted for future investment in the campus and its buildings and other restricted purposes, and the remaining balance of approximately \$6.8 million was unrestricted.

The summary statements of net position show how the fiscal year activities impacted the net position. The following page contains the summary of changes in the statement of net position for the fiscal years 2022 and 2021:

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
 Summary of Statements of Activities
 Years Ended June 30, 2022 and 2021

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue:						
State funding	\$ 31,358,275	\$ -	\$ 31,358,275	\$ 25,515,972	\$ -	\$ 25,515,972
Federal funding	1,995,899	-	1,995,899	1,182,177	-	1,182,177
Outsourced corporate services	119,167	-	119,167	90,000	-	90,000
Other revenue	999,583	-	999,583	247,115	-	247,115
Campus operations	-	886,398	886,398	-	853,243	853,243
Total revenue	<u>34,472,924</u>	<u>886,398</u>	<u>35,359,322</u>	<u>27,035,264</u>	<u>853,243</u>	<u>27,888,507</u>
Expenses:						
Innovation Institute	11,706,485	-	11,706,485	10,005,162	-	10,005,162
MassCyberCenter	1,168,990	-	1,168,990	975,540	-	975,540
Center for Advanced Manufacturing	5,006,291	-	5,006,291	1,612,116	-	1,612,116
Massachusetts e-Health Institute	3,944,769	-	3,944,769	4,537,831	-	4,537,831
Massachusetts Broadband Institute	15,031,082	-	15,031,082	13,284,020	-	13,284,020
Economic Development/Other	150,081	-	150,081	162,167	-	162,167
Campus operations	-	770,004	770,004	-	803,808	803,808
Total expenses	<u>37,007,698</u>	<u>770,004</u>	<u>37,777,702</u>	<u>30,576,836</u>	<u>803,808</u>	<u>31,380,644</u>
Net position	(2,534,774)	116,394	(2,418,380)	(3,541,572)	49,435	(3,492,137)
Transfers	(923,059)	923,059	-	(177,643)	177,643	-
Investment earnings	90,650	26,595	117,245	44,837	13,948	58,785
Change in net position	<u>(3,367,183)</u>	<u>1,066,048</u>	<u>(2,301,135)</u>	<u>(3,674,378)</u>	<u>241,026</u>	<u>(3,433,352)</u>
Net position - beginning of year, restated as of July 1, 2021	<u>65,193,154</u>	<u>12,742,214</u>	<u>77,935,368</u>	<u>68,935,128</u>	<u>12,501,188</u>	<u>81,436,316</u>
Net position - end of year	<u>\$ 61,825,971</u>	<u>\$ 13,808,262</u>	<u>\$ 75,634,233</u>	<u>\$ 65,260,750</u>	<u>\$ 12,742,214</u>	<u>\$ 78,002,964</u>

Massachusetts Technology Park Corporation

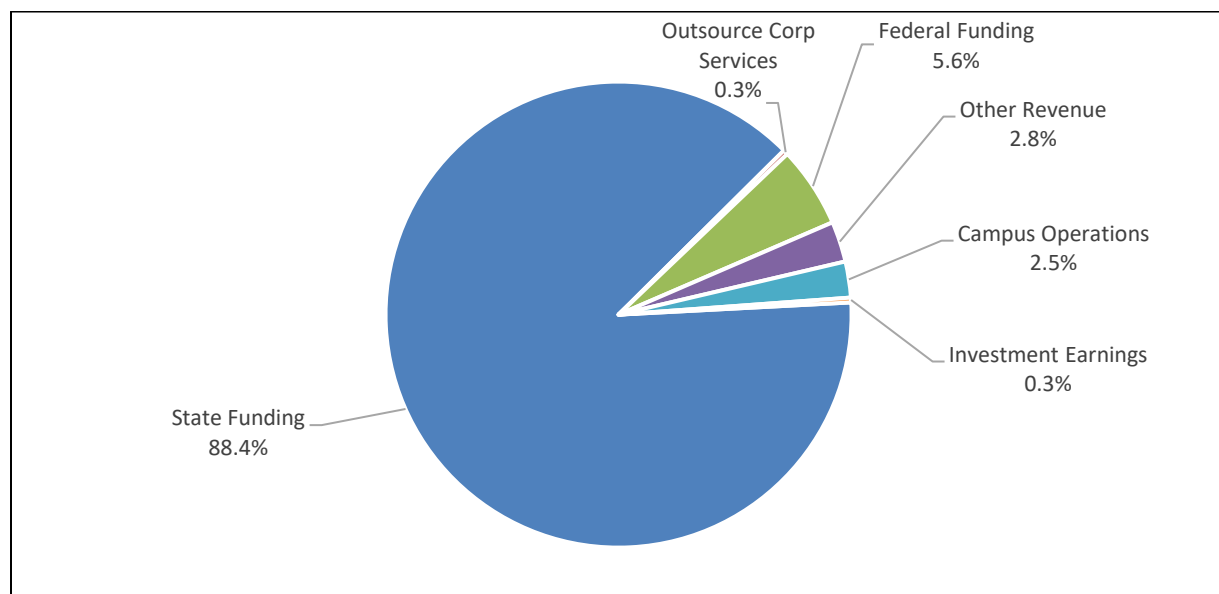
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Total governmental and business-type revenues, including investment earnings, were approximately \$35.5 million for the fiscal year ended on June 30, 2022, which was an increase of approximately \$7.5 million from the prior year. The change in revenue results from an increase of approximately \$5.8 million in state revenue, an increase of \$.8 million in federal funding, a combined increase of \$.8 million in other revenue, outsource corporate services and campus operations, and an increase in investment earnings of \$0.1 million. The state funding increased primarily due to new funding for the Center for Advanced Manufacturing's MMAP and Training grant programs, as well as new funding for the Mass Cyber Center's SOC/Cyber Range program. Total expenses increased by approximately \$6.4 million. MeHI's expenses decreased by approximately \$.6 million, primarily due to the decrease in HIway staffing and the ramp down of the Medicaid Program. MBI expenses increased by approximately \$1.8 million, primarily as a result of an increase in expenses related to the Middle Mile network. The Innovation Institute's expenses increased by approximately \$1.7 million, primarily as a result of increased financial assistance expenses in the Innovation Institute programs. The MassCyberCenter expenses increased by approximately \$.2 million, as a result of a slight increase of operating and financial assistance expenditures related to the new SOC/Cyber Range program. The Center for Advanced Manufacturing expenses increased by \$3.4 million, primarily as a result of an increase in financial assistance expenses due to new programs for MMAP and Advanced Manufacturing training. The Economic Development/Other Fund's expenses remained relatively flat. The proprietary fund's expenses decreased slightly by approximately \$.03 million.

Revenue

The total revenues of MassTech for the fiscal year ended June 30, 2022, were \$35.5 million, including investment earnings. Total revenues break down by source as follows:



MassTech's primary source of programmatic revenue during this fiscal year was state funding. The state funding included bond funds for MBI, the Innovation Institute's R&D Matching Grant Fund and the Center for Advanced Manufacturing's MMAP Program; the Innovation Institute and MassCyberCenter appropriations; MBI Partnerships for Recovery funding; and various State Agency service contracts. Other sources of revenue for fiscal year 2022 include federal funding, fees from the Massachusetts Life Sciences

Massachusetts Technology Park Corporation

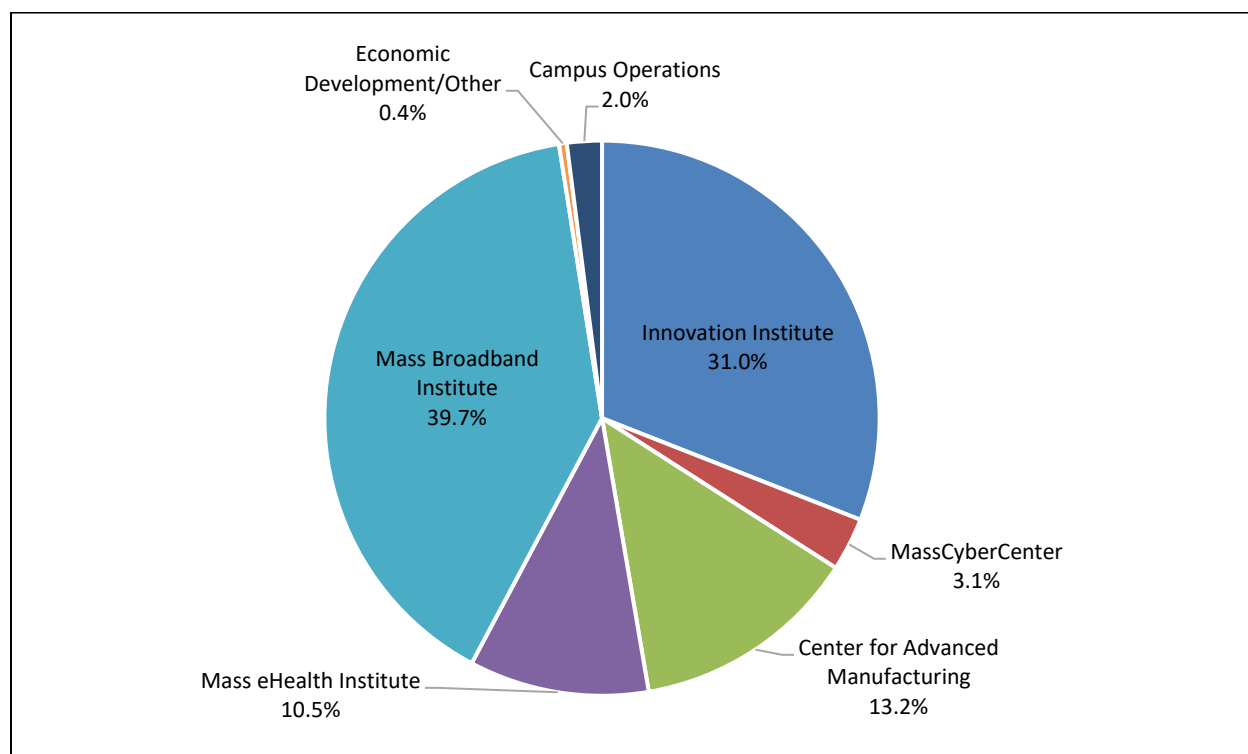
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

Center for outsourced corporate services, network operator payments, rentals of campus buildings, and investment earnings.

Expenses

The expenses for fiscal year 2022 were approximately \$37.8 million, which in addition to operating costs included approximately \$20.3 million of financial assistance expenses, \$1 million of MBI Network Operations expenses and \$5.6 million of depreciation and amortization expense, most of which is related to the MassBroadband 123 network. Financial assistance expenses are those paid out to award recipients or third-parties for projects which directly benefit the stakeholders in the Commonwealth. The breakdown of expense by division, based upon the fund-level financial statements is as follows:



Governmental Funds

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

The general fund is the chief operating fund of MassTech. At the end of the current fiscal year, fund balance of the general fund was approximately \$20.5 million. This consisted of approximately \$.5 million in non-spendable, \$11.1 million in committed, and \$8.9 million in restricted.

The general fund's net decrease in fund balance for the fiscal year was approximately \$.5 million. Overall revenues had a net increase of approximately \$6 million over the prior year, primarily due to an increase in state funding for the Center for Advanced Manufacturing's grant programs and the MassCyberCenter's

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

programs. Expenditures in the general fund increased by approximately \$7.3 million. There was an increase in expenditures in the Innovation Institute of \$1.1 million, the Center for Advanced Manufacturing of \$3.2 million, the MassCyberCenter of \$.1 million, the Mass Broadband Institute of \$2.7 million, and in Economic Development/Other of \$1.1 million, offset by a decrease in expenditures in the Mass eHealth Institute of \$1.4 million.

Requests for Information

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 4,827,700	\$ 4,827,700
Restricted cash and cash equivalents	21,604,474	3,700,955	25,305,429
Accounts receivable:			
Due from other funds	-	2,811,991	2,811,991
Other receivables	11,684,672	-	11,684,672
Lease receivable	-	3,195,734	3,195,734
Prepaid expense and other assets	596,838	944	597,782
Cash committed for program awards:			
Cash and cash equivalents	11,065,566	-	11,065,566
Total noncapital assets	<u>44,951,550</u>	<u>14,537,324</u>	<u>59,488,874</u>
Capital assets (net of accumulated amortization and depreciation):			
Depreciable and amortizeable capital assets:			
Right-to-use lease assets	4,576,462	-	4,576,462
Buildings	41,524	3,173,426	3,214,950
Improvements	24,434	106,994	131,428
Equipment	-	14,357	14,357
Furniture and fixtures	16,849	3,289	20,138
Fiber network - outside plant	36,860,442	-	36,860,442
Non-depreciable capital assets:			
Work in process	467,713	17,133	484,846
Total capital assets	<u>41,987,424</u>	<u>3,315,199</u>	<u>45,302,623</u>
Total assets	<u>86,938,974</u>	<u>17,852,523</u>	<u>104,791,497</u>
LIABILITIES			
Accounts payable	2,802,053	730,785	3,532,838
Accrued expenses	10,030,449	1,107	10,031,556
Funding received in advance	7,418,752	-	7,418,752
Due to other funds	2,811,991	-	2,811,991
Lease Liabilities	2,029,811	-	2,029,811
Other liabilities	19,947	125,000	144,947
Total liabilities	<u>25,113,003</u>	<u>856,892</u>	<u>25,969,895</u>
DEFERRED INFLOWS OF RESOURCES			
Lease related items	-	3,187,369	3,187,369
NET POSITION			
Net investment in capital assets	39,957,613	3,315,199	43,272,812
Restricted for:			
Massachusetts e-Health Institute	7,037,966	-	7,037,966
Innovation Institute	8,835,994	-	8,835,994
MassCyberCenter	1,884,300	-	1,884,300
Center for Advanced Manufacturing	1,948,490	-	1,948,490
Massachusetts Broadband Institute	1,272,189	-	1,272,189
Campus development	-	3,700,955	3,700,955
Unrestricted	889,419	6,792,108	7,681,527
Total net position	<u>\$ 61,825,971</u>	<u>\$ 13,808,262</u>	<u>\$ 75,634,233</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
				Governmental Activities	Business-Type Activities	
Governmental activities:						
Innovation Institute	\$ 11,706,485	\$ 75,000	\$ 10,740,184	\$ (891,301)	\$ -	\$ (891,301)
MassCyberCenter	1,168,990	58,000	2,553,997	1,443,007	-	1,443,007
Center for Advanced Manufacturing	5,006,291	642,877	6,221,515	1,858,101	-	1,858,101
Massachusetts e-Health Institute	3,944,769	2,307,911	123,444	(1,513,414)	-	(1,513,414)
Massachusetts Broadband Institute	15,031,082	896,583	10,734,246	(3,400,253)	-	(3,400,253)
Economic development/other	150,081	119,167	-	(30,914)	-	(30,914)
Total governmental activities	<u>37,007,698</u>	<u>4,099,538</u>	<u>30,373,386</u>	<u>(2,534,774)</u>	<u>-</u>	<u>(2,534,774)</u>
Business-type activities:						
Campus operations	770,004	886,398	-	-	116,394	116,394
Total business-type activities	<u>770,004</u>	<u>886,398</u>	<u>-</u>	<u>-</u>	<u>116,394</u>	<u>116,394</u>
Total	<u>\$ 37,777,702</u>	<u>\$ 4,985,936</u>	<u>\$ 30,373,386</u>	<u>(2,534,774)</u>	<u>116,394</u>	<u>(2,418,380)</u>
General revenues:						
Investment earnings				90,650	26,595	117,245
Transfers						
				(923,059)	923,059	-
Change in net position						
				(3,367,183)	1,066,048	(2,301,135)
Net position - beginning of year, as restated						
				65,193,154	12,742,214	77,935,368
Net position - end of year						
				<u>\$ 61,825,971</u>	<u>\$ 13,808,262</u>	<u>\$ 75,634,233</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Balance Sheet - Governmental Fund

June 30, 2022

	<u>General Fund</u>
ASSETS	
Restricted cash and cash equivalents	\$ 21,604,474
Other receivables	11,684,672
Prepaid expenses and other assets	486,115
Cash committed for program awards:	
Cash and cash equivalents	<u>11,065,566</u>
Total assets	<u><u>\$ 44,840,827</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,802,053
Accrued expenses	9,699,676
Due to other funds	2,811,991
Funding received in advance	7,418,752
Other current liabilities	<u>19,947</u>
Total liabilities	<u>22,752,419</u>
Deferred inflows of resources:	
Unavailable revenue	<u>1,637,087</u>
Total deferred Inflows of resources	<u>1,637,087</u>
Fund balance:	
Non-spendable	486,115
Committed	11,065,566
Restricted	<u>8,899,640</u>
Total fund balance	<u>20,451,321</u>
Total liabilities, deferred Inflows of resources, and fund balance	<u><u>\$ 44,840,827</u></u>
Total fund balance of governmental fund	\$ 20,451,321
Amounts reported for governmental funds above and those reported for governmental activities in the statement of net position are different because:	
Some assets are not available and payable in the current period and therefore are not reported in the fund statements	110,723
Some liabilities are not due and payable in the current period and therefore are not reported in the fund statements:	
Lease liabilities	(2,024,583)
Accrued compensated absences	(336,001)
Unavailable revenues meet the criteria for revenue recognition in the statement of activities	1,637,087
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, not reported in funds	<u>41,987,424</u>
Net position of governmental activities	<u><u>\$ 61,825,971</u></u>

See notes to financial statements.

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

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2022

	<u>General Fund</u>
Revenue:	
State funding	\$ 30,502,510
Federal funding	1,555,964
Investment earnings	90,650
Outsourced corporate services	119,167
Other revenue	1,049,583
Total revenues	<u>33,317,874</u>
Expenditures:	
Current:	
Innovation Institute	11,140,824
MassCyberCenter	977,664
Center for Advanced Manufacturing	4,757,156
Massachusetts e-Health Institute	3,170,107
Massachusetts Broadband Institute	11,731,415
Economic development/Other	1,258,404
Debt service:	
Lease Principal	528,509
Lease Interest	49,029
Total expenditures	<u>33,613,108</u>
Other financing sources (uses):	
Lease related items	739,696
Transfers out	(923,059)
Total other financing uses	<u>(183,363)</u>
Net change in fund balance	(478,597)
Fund balance - beginning of year	<u>20,929,918</u>
Fund balance - end of year	<u>\$ 20,451,321</u>
Net change in fund balance - general fund	\$ (478,597)
Amounts reported for governmental funds above and those reported for governmental activities in the statement of activities are different because:	
Unavailable revenues meet the criteria for revenue recognition in the statement of activities	1,637,087
Some revenues in the fund statements were recognized in the statement of activities in a prior year	(391,387)
Some programmatic expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	531,407
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of capital is allocated over their estimated useful lives as depreciation expense.	(3,925,997)
The initial recognition of leases entered into in the current year do not provide current financial resources.	<u>(739,696)</u>
Change in net position of governmental activities	<u>\$ (3,367,183)</u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position - Proprietary Fund
June 30, 2022

	Campus Operations
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,827,700
Restricted cash and cash equivalents	3,700,955
Due from other funds	2,811,991
Lease receivable, current portion	554,637
Prepaid expenses and other current assets	944
Total current assets	11,896,227
Non-Current Assets	
Lease receivable	2,641,097
Total non-current assets	2,641,097
Capital assets:	
Buildings	20,383,318
Improvements	1,392,879
Equipment	106,016
Furniture and fixtures	174,670
Work in process	17,133
Total capital assets	22,074,016
Less - accumulated depreciation	(18,758,817)
Total capital assets - net	3,315,199
Total assets	\$ 17,852,523
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 730,785
Accrued expenses	1,107
Total current liabilities	731,892
Noncurrent liabilities:	
Other liabilities	125,000
Total noncurrent liabilities	125,000
Total liabilities	856,892
DEFERRED INFLOWS OF RESOURCES	
Lease related items	3,187,369
NET POSITION	
Net investment in capital assets	3,315,199
Restricted for campus development/other purposes	3,700,955
Unrestricted	6,792,108
Total net position	13,808,262
Total liabilities, deferred inflows of resources and net position	\$ 17,852,523

See notes to financial statements.

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

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Fund
Year Ended June 30, 2022

	<u>Campus Operations</u>
Operating revenue:	
Lease revenue	\$ 737,274
Reimbursement from other funds	147,803
Other revenue	<u>1,321</u>
Total operating revenue	<u>886,398</u>
Operating expenses:	
Personnel and support services	176,379
Depreciation	<u>593,625</u>
Total expenses	<u>770,004</u>
Operating income	116,394
Nonoperating revenue - interest income	26,595
Other financing sources:	
Transfers in	<u>923,059</u>
Change in net position	1,066,048
Total net position - beginning of year	<u>12,742,214</u>
Total net position - end of year	<u><u>\$ 13,808,262</u></u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2022

	<u>Campus Operations</u>
Cash flows from operating activities:	
Receipts from leases and rentals	\$ 728,259
Other operating income	1,321
Reimbursement from other funds	147,803
Payroll and vendor payments	<u>(177,904)</u>
Net cash provided by operating activities	699,479
Cash flows used in noncapital financing activities - interfund activities	(288,833)
Cash flows used in capital and related financing activities - capital purchases	(21,118)
Cash flows from investing activities - interest received	<u>26,595</u>
Net increase in cash and cash equivalents	416,123
Cash and cash equivalents - beginning of year	<u>8,112,532</u>
Cash and cash equivalents - end of year	<u><u>\$ 8,528,655</u></u>
Displayed as:	
Cash and cash equivalents	\$ 4,827,700
Restricted cash and cash equivalents	<u>3,700,955</u>
	<u><u>\$ 8,528,655</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 116,394
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	593,625
Changes in assets and liabilities:	
Prepaid expenses and other current assets	538,776
Accounts payable	15,000
Accrued expenses	(16,528)
Other liabilities	<u>(547,788)</u>
Net cash provided by operating activities	<u><u>\$ 699,479</u></u>

See notes to financial statements.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

MassTech is responsible for the oversight of:

- (i) The Innovation Institute at MassTech (the “Innovation Institute”), a technology and innovation economic development effort, to create conditions for growth in the Massachusetts innovation economy;
- (ii) The Massachusetts e-Health Institute (“MeHI”), established to promote Health IT innovation, technology and competitiveness to improve the safety, quality and efficiency of health care across the Commonwealth of Massachusetts.;
- (iii) The Massachusetts Broadband Institute (“MBI”), established to make affordable high-speed Internet available to all homes, businesses, schools, libraries, medical facilities, government offices, and other public places across the Commonwealth.;
- (iv) The MassCyberCenter launched to enhance opportunities for the Massachusetts cybersecurity ecosystem to compete as the national cybersecurity leader while strengthening the resiliency of the Commonwealth’s public and private communities;
- (v) The Center for Advanced Manufacturing (“CAM”), created to foster the most complete, most connected, and fastest manufacturing ecosystem from innovation through production;
- (vi) A 36-acre campus and its related operations.

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Reporting Entity...continued

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

Government-Wide and Fund-Level Financial Statements

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

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

The Organization reports the following major governmental fund:

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

The Organization reports the following major proprietary fund:

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Measurement Focus, Basis of Accounting, and Financial Reporting Presentation

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

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

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

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

Budgets and Appropriations

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash and Cash Equivalents

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

Cash and Cash Equivalents - Committed for Program Awards

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

Investments

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenues, expenses and changes in net position. None of MassTech's investments in 2022 qualified to be reported under this hierarchy in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, but instead qualify as cash equivalents under GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, as MassTech participates in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost as described in Note 2.

Accounts Receivable

Accounts Receivable represents the amounts owed to MassTech from the Commonwealth of Massachusetts and from other sources of income and reimbursements. Balances that management has deemed uncertain with regard to collectability have been reserved. No reserves were deemed necessary at June 30, 2022.

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Capital Assets

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

Buildings	40 years
Improvements	5 - 7 years
Equipment	3 years
Furniture and fixtures	7 years
Fiber network - outside plant	20 years
Conduit	20 years
Indefeasible rights of use leased assets	25 years
Point of interconnections	10 years
Other network equipment	5 years
Lease Facilities and Buildings	1-10 years

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

Valuation of Capital Assets

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

Accounts Payable and Accrued Expenses

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

Deferred Inflows of Resources

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

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Net Position

- Net investment in capital assets - Net investment in capital assets represent net position consisting of capital assets, net of accumulated depreciation, amortization, and deferred inflow of resources for capital leases. At June 30, 2022, the government-wide statement of net position reports approximately \$43.3 million of net investments in capital assets.
- Restricted - Restricted net position represents net position that is not available as it's legally restricted by enabling legislation or by outside parties for use for a specific purpose. Specifically, the Organization's restricted net position is restricted for use in the Innovation Institute, MeHI, MBI, MassCyberCenter, CAM, other legislatively approved mandates, and for other purposes related to the operations of the campus and for programmatic development. At June 30, 2022, the government-wide statement of net position reports approximately \$24.7 million of restricted net position.
- Unrestricted - Unrestricted net position represents net position that is not subject to legal restrictions imposed by enabling legislation or by outside parties for use for a specific purpose. Unrestricted net position may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2022, the government-wide statement of net position reports approximately \$7.7 million of unrestricted net position.

Fund Balance

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

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

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Net Position and Fund Flow Assumption

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

Income Taxes

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

In June 2017, GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. MassTech implemented GASB Statement No. 87, *Leases*, effective as of July 1, 2021 which increased right-to-use leased assets, lease receivable, lease liability and deferred inflow of resources by \$4.5 million, \$3.7 million, \$1.7 million and \$3.7 million, respectively and decreased net position of governmental activities by \$.1 million at July 1, 2021. Of the \$4.5 million increase in right-to-use leased asset increase, \$2.9 million was reclassified from capital assets to right-of-use lease assets upon implementation. Adoption of this standard has a \$0 impact on beginning Business-Type Activities net position.

In June 2018, the GASB issued GASB No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This objective of this standard is to establish accounting requirements for interest cost incurred before the end of a construction period. This standard is effective for financial statements for fiscal years beginning after December 15, 2020. Earlier application is encouraged. The requirements of this standard should be applied prospectively. This pronouncement did not have any material impact on MassTech financial statements.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Subsequent Events

Management has evaluated subsequent events as of January 25, 2023.

2. CASH AND CASH EQUIVALENTS

The Board of MassTech is empowered under Chapter 40J of the MGL to invest corporate assets pending their programmatic use pursuant to the prudent investor rule under Massachusetts law, subject to the fiduciary standards contained in Chapter 32 of the MGL. During fiscal year 2022, these assets were fully allocated to short-term investments/money market accounts which qualify as cash equivalents.

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

At June 30, 2022, bank deposits were \$5,727,918 which excludes the amount held in the Massachusetts Municipal Depository Trust ("MMDT" or the "Trust"). Of that amount, \$500,000 was not exposed to custodial credit risk as uninsured and uncollateralized because it was insured by the FDIC. The remaining balance of \$5,227,918 was exposed to such risk.

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

Investment options the MMDT offers are a cash portfolio which offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and Short-Term Bond Portfolio which offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized. MassTech's investment balance as of June 30, 2022 at MMDT was solely in the cash portfolio. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amends Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. At June 30, 2022, MassTech's deposits with MMDT totaled \$35,472,245. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2022

2. CASH AND CASH EQUIVALENTS...continued

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

Cash balance	\$ 5,726,450
Massachusetts Municipal Depository Trust ("MMDT") – Cash Portfolio	35,472,245
	<u>\$ 41,198,695</u>

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

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

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

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2022

3. CAPITAL ASSETS

Capital assets of MassTech at June 30, 2022 are summarized as follows:

	Governmental Activities	Business- Type Activities	Total
Buildings	\$ 91,803	\$20,383,318	\$ 20,475,121
Improvements	537,113	1,392,879	1,929,992
Equipment	792,674	106,016	898,690
Furniture and fixtures	503,634	174,670	678,304
Fiber network - outside plant	54,879,810	-	54,879,810
Conduit	6,150,119	-	6,150,119
Poles	177,568	-	177,568
Points of interconnection	13,546,900	-	13,546,900
Community anchor institutions	6,370,251	-	6,370,251
Other equipment	765,879	-	765,879
Spares MB123	1,073,725	-	1,073,725
Work in process	467,713	17,133	484,846
	<u>\$85,357,189</u>	<u>\$22,074,016</u>	<u>\$107,431,205</u>
Less - accumulated depreciation:			
Buildings	(50,279)	(17,209,892)	(17,260,171)
Improvements	(512,679)	(1,285,885)	(1,798,564)
Equipment	(792,674)	(91,659)	(884,333)
Furniture and fixtures	(486,785)	(171,381)	(658,166)
Fiber network - outside plant	(23,641,463)	-	(23,641,463)
Conduit	(2,611,562)	-	(2,611,562)
Poles	(74,931)	-	(74,931)
Points of interconnection	(11,565,999)	-	(11,565,999)
Community anchor institutions	(6,370,251)	-	(6,370,251)
Other equipment	(765,879)	-	(765,879)
Spares MB123	(1,073,725)	-	(1,073,725)
	<u>(47,946,227)</u>	<u>(18,758,817)</u>	<u>(66,705,044)</u>
Right-to-use lease assets:			
Indefeasible right of use leases	4,338,317	-	4,338,317
Right to use Leased Space and Buildings	2,291,542	-	2,291,542
	<u>6,629,859</u>	<u>-</u>	<u>6,629,859</u>
Less - accumulated amortization:			
Indefeasible right of use lease	(1,575,431)	-	(1,575,431)
Right to use Leased Space and Buildings	(477,966)	-	(477,966)
	<u>(2,053,397)</u>	<u>-</u>	<u>(2,053,397)</u>
	<u>(49,999,624)</u>	<u>(18,758,817)</u>	<u>(68,758,441)</u>
Capital assets – net of depreciation and amortization	<u>\$41,987,424</u>	<u>\$ 3,315,199</u>	<u>\$45,302,623</u>

Massachusetts Technology Park Corporation

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Notes to Financial Statements
Year Ended June 30, 2022

3. CAPITAL ASSETS...continued

<u>Governmental Activities</u>	Balance July 1, 2021	Additions	Transfers/ Disposals/ Adjustments	Balance June 30, 2022
Buildings	\$ 91,803	\$ -	\$ -	\$ 91,803
Improvements	537,114	-	-	537,114
Equipment	792,674	-	-	792,674
Furniture and fixtures	503,634	-	-	503,634
Fiber network - outside plant	54,879,808	-	-	54,879,808
Conduit	6,150,120	-	-	6,150,120
Poles	177,568	-	-	177,568
Points of interconnection	13,303,628	243,272	-	13,546,900
Community anchor institution	6,370,251	-	-	6,370,251
Other equipment	765,879	-	-	765,879
Spares MB123	1,073,725	-	-	1,073,725
Construction-in-process	286,960	208,716	(27,963)	467,713
	<u>84,933,164</u>	<u>451,988</u>	<u>(27,963)</u>	<u>85,357,189</u>
Less - accumulated depreciation:				
Building	(47,625)	(2,655)	-	(50,280)
Improvement	(503,964)	(8,715)	-	(512,679)
Equipment	(788,967)	(3,707)	-	(792,674)
Furniture and fixtures	(478,940)	(7,845)	-	(486,785)
Fiber network - outside plant	(20,933,754)	(2,707,709)	-	(23,641,463)
Conduit	(2,304,056)	(307,506)	-	(2,611,562)
Poles	(66,052)	(8,879)	-	(74,931)
Points of interconnection	(10,217,331)	(1,348,668)	-	(11,565,999)
Community anchor institution	(6,370,250)	-	-	(6,370,250)
Other equipment	(765,879)	-	-	(765,879)
Spares MB123	(1,073,725)	-	-	(1,073,725)
	<u>(43,550,543)</u>	<u>(4,395,684)</u>	<u>-</u>	<u>(47,946,227)</u>
Right-to-use lease assets				
Indefeasible rights of use leases	4,338,317	-	-	4,338,317
Right to use leased space and Buildings	1,551,846	739,696	-	2,291,542
	<u>5,890,163</u>	<u>739,696</u>	<u>-</u>	<u>6,629,859</u>
Less - accumulated amortization of leased assets				
Indefeasible rights of use leases	(1,359,363)	(216,068)	-	(1,575,431)
Right to use leased space and Buildings	-	(477,966)	-	(477,966)
	<u>(1,359,363)</u>	<u>(694,034)</u>	<u>-</u>	<u>(2,053,397)</u>
	<u>(44,909,906)</u>	<u>(5,089,718)</u>	<u>-</u>	<u>(49,999,624)</u>
Capital assets – net of depreciation and amortization	<u>\$ 45,913,421</u>	<u>\$ (3,898,034)</u>	<u>\$ (27,963)</u>	<u>\$41,987,424</u>

Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements
Year Ended June 30, 2022

3. CAPITAL ASSETS...continued

<u>Business -Type Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Transfers/ Disposals/ Adjustments</u>	<u>Balance June 30,2022</u>
Buildings	\$ 20,383,318	\$ -	\$ -	\$20,383,318
Improvements	1,328,590	64,289	-	1,392,879
Equipment	88,104	17,912	-	106,016
Furniture and fixtures	174,670	-	-	174,670
Work-in-process	<u>78,216</u>	<u>(61,083)</u>	-	<u>17,133</u>
	<u>22,052,898</u>	<u>21,118</u>	<u>-</u>	<u>22,074,016</u>
Less - accumulated depreciation:				
Building	(16,702,499)	(507,393)	-	(17,209,892)
Improvement	(1,207,224)	(78,661)	-	(1,285,885)
Equipment	(87,825)	(3,834)	-	(91,659)
Furniture and fixtures	<u>(167,644)</u>	<u>(3,737)</u>	-	<u>(171,381)</u>
	<u>(18,165,192)</u>	<u>(593,625)</u>	<u>-</u>	<u>(18,758,817)</u>
Capital assets – net of depreciation	<u>\$ 3,887,706</u>	<u>\$ (572,507)</u>	<u>\$ -</u>	<u>\$ 3,315,199</u>

Total depreciation and amortization expense for the year ended June 30, 2022, was \$5,683,343. Of that amount, \$5,089,718 (comprising approximately \$8,804, \$206, \$206, \$10,001, \$4,604,947 and \$465,554 in the Innovation Institute, MassCyberCenter, Center for Advanced Manufacturing, MeHI, MBI and Economic Development Fund, respectively) is reported in the governmental activities and \$593,625 is reported in the business-type activities.

4. DEFINED CONTRIBUTION PLANS

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

Employees of MassTech do not participate in social security. Under the simplified pension plan, MassTech makes a monthly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2022 pension expense was \$863,954.

Under the 401(a) plan, MassTech matches 50% of employees' contributions into their defined contribution plan with a maximum MassTech contribution of 3% of the employee's salary. In accordance with the plan, these contributions will "vest" at a rate of 25% for every full year an employee has been employed at MassTech. For the year ended June 30, 2022, MassTech's total contributions were \$143,388 of which \$118,669 was vested. These contributions were based on employee contributions of \$492,945.

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Notes to Financial Statements
Year Ended June 30, 2022

5. LEASES

Lessee-Lease Liabilities

MassTech leases office space at Two Center Plaza in Boston from an unrelated third party under a lease which will expire in October 2024. In accordance with the Boston Lease, MassTech deposited \$94,301 with Lessor which is included in prepaid and other assets in the accompanying statement of net position at June 30, 2022.

MassTech also has two agreements with unrelated third parties for facility space in which certain MassTech-owned network equipment and fiber cable is located. One facility is located in Springfield and has a term through September 30, 2024 with options for two additional five-year term extensions. The other facility is located in Boston with a term through June 2032. In accordance with the Boston lease, MassTech deposited \$16,422 with Lessor which is included in prepaid and other assets in the accompanying statement of net position at June 30, 2022.

These leases require monthly payments and the total estimated net present value of rent to be paid by MassTech for the remaining terms of the leases as of June 30, 2022 are as follows:

Fiscal Year Ending			
June 30	Principal Payments	Interest Payments	Total Payments
2023	\$ 598,330	\$ 56,973	\$ 655,303
2024	627,802	37,091	664,893
2025	258,082	20,015	278,097
2026	66,523	16,577	83,100
2027	68,718	14,382	83,100
2028-2032	379,125	36,375	415,500
2033-2035	<u>26,003</u>	<u>997</u>	<u>27,000</u>
Total	<u>\$ 2,024,583</u>	<u>\$ 182,410</u>	<u>\$ 2,206,993</u>

The principal portion of the payments in the above table plus the lease interest payable amount of \$5,228 associated with these leases as of June 30, 2022 are recorded in the financial statements as a lease liability.

In addition to the leases above, as part of the construction of the *MassBroadband 123* network, MassTech holds Indefeasible Rights of Use ("IRU") of certain network fiber and conduit assets. Under the terms of these IRU agreements which were entered into with unrelated third parties, up-front payments were required for each 25-year right to use the applicable leased network asset. The value and amortization of these IRU agreements are included as capital assets in the financial statement of MassTech. There are no annual lease payments due for these IRUs, therefore there is no associated lease liability.

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Notes to Financial Statements
Year Ended June 30, 2022

5. LEASES...continued

Lessor-Lease Receivable

MassTech leases its Integrated Circuit Fabrication Facility ("ICFF") to an unrelated party in accordance with a lease (the "Lease") which has a current expiration date in April 2023. In accordance with the Lease, the lessee deposited \$125,000 with MassTech. These funds are included in other noncurrent liabilities in the accompanying statement of net position for the proprietary fund at June 30, 2022. The provisions of the lease allow for a 5-year extension option and the lessor provided notice of its intent in October of 2021. The extension options have been exercised and therefore is included in the schedule below. The Lease requires monthly base rent payments, as defined, payable in advance. Estimated net present value of future lease payments to be received by MassTech as of June 30 are as follows:

Fiscal Year ending June 30	Principal Payment	Interest Payment	Total Payment
2023	\$ 507,928	\$ 96,072	\$ 604,000
2024	524,684	79,316	604,000
2025	541,992	62,008	604,000
2026	559,872	44,128	604,000
2027	578,341	25,659	604,000
2028	<u>474,687</u>	<u>6,835</u>	<u>481,522</u>
Total	<u>\$ 3,187,504</u>	<u>\$ 314,018</u>	<u>\$ 3,501,522</u>

Future payments to be made to MassTech under this lease plus interest receivable of \$8,230 as of June 30, 2022 are included as a Lease Receivable in the financial statements.

MassTech continues to incur certain operating costs related to the ICFF. Under the terms of the Lease, the lessee has agreed to reimburse MassTech for these costs. For the year ended June 30, 2022, these reimbursements are included in lease revenue and amounted to \$60,182.

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

6. RISK MANAGEMENT

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

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

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

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

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Notes to Financial Statements
Year Ended June 30, 2022

7. INTERFUND ACTIVITY

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Campus Operations	General Fund	<u>\$2,811,991</u>

Interfund transfers activity totaled \$923,059 through June 30, 2022 primarily related to revenues recognized in the General Fund but transferred to Campus Operations.

Interfund transfers activity for allocated office related costs totaled \$147,803 for the period.

8. NONCURRENT LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Changes in noncurrent liabilities and deferred inflows of resources for the year ended June 30, 2022 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accrued Compensated Absences	\$ 338,899	\$ -	\$ 2,898	\$ 336,001
Lease related items	<u>1,813,396</u>	<u>739,696</u>	<u>528,509</u>	<u>2,024,583</u>
	<u>\$2,152,295</u>	<u>\$ 739,696</u>	<u>\$ 531,407</u>	<u>\$2,360,584</u>
<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deposits	\$ 125,000	\$ -	\$ -	\$ 125,000
Lease related items	<u>3,733,775</u>	<u>-</u>	<u>1,092,678</u>	<u>2,641,097</u>
	<u>\$3,858,775</u>	<u>\$ -</u>	<u>\$1,092,678</u>	<u>\$2,766,097</u>

9. CONTINGENCIES

From time to time, the Organization may become involved in various legal matters arising from the ordinary course of business. Management is unaware of any other matters requiring accrual or disclosure for related losses in the consolidated financial statements, other those described above.

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Notes to Financial Statements
Year Ended June 30, 2022

10. SERVICE CONCESSION ARRANGEMENTS

The Organization contracts with a third-party network service provider to operate its middle mile network including offering lit and dark fiber services to wholesale service providers in communities in western and north central Massachusetts. The Organization's fiber network assets have a carrying value of approximately \$40.8 million, net of \$47.76 million of accumulated depreciation and amortization. Under terms specified in the agreement, the Organization receives the lessor of either a fixed platform fee plus a revenue share, or the network service provider's network operating income. During fiscal year 2022, the amount received totaled \$893,833. At the conclusion of the agreement in August 2023, the Organization retains all ownership rights to its fiber network assets.



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

Independent Auditor's Report

Board of Directors
Massachusetts Technology Park Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities and each major fund of the Massachusetts Technology Park Corporation (the Organization), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 25, 2023. Our report contained an emphasis of matter paragraph for the adoption of the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Boston, Massachusetts

January 25, 2023