

# Massachusetts Technology Park Corporation

(A Component Unit of the  
Commonwealth of Massachusetts)

Financial Statements and  
Required Supplementary Information

Year Ended June 30, 2023

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

Financial Statements and Required Supplementary Information

Year Ended June 30, 2023

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

As discussed in Note 12 to the financial statements, the June 30, 2023, financial statements have been restated to correct a misstatement. 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 February 15, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

***RSM US LLP***

Boston, Massachusetts  
February 15, 2024

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

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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, 2023. 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, broadband deployment, advanced manufacturing, cybersecurity, and other emerging sectors such as robotics, quantum computing, and artificial intelligence. Over its 41-year history, MassTech has managed numerous complex projects, overseeing more than \$739 million in public funding by providing grants 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, develops 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.
- Secures the economic benefits of downstream production and employment for all regions of the Commonwealth as new research and technologies are commercialized in the marketplace;

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- Analyzes the Massachusetts innovation economy through the development of the annual Index of the Massachusetts Innovation Economy as well as sector and regional specific analyses;
- Partners with and invests in novel talent development initiatives such as internship support and targeted higher education and adult education technology training programs, many of which have a focus on diversity and inclusion;
- Support focused efforts that support Diversity in Tech to increase the number of individuals from underrepresented or diverse populations who 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. Two new awards totaling \$7 million were made under this program in fiscal year 2023. To date, 23 awards have been made under this fund for a total of \$57 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 2022, working in close collaboration with the Commonwealth's Executive Office of Economic Development (EOED), 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 2023, four awards were made under this program for approximately \$5.9 million.

Two other programs contribute to the goals of the Innovation Institute: The MassTech Intern Partnership (MTIP) and the Massachusetts 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 1,345 interns at approximately 412 companies.

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The Intern Partnership also supports a program that exposes high school girls underrepresented communities in Greater Boston to technical skills including programming, product design, prototyping and testing, learning about careers in robotics by touring robotics companies and culminates with summer internships at robotics companies subsidized by MassTech's MTIP. In addition, the Tech Talent Diversity initiative is currently supporting 3 programs intended to advance the Commonwealth's goals of diversifying the tech talent workforce in Massachusetts both by helping existing graduates gain a foothold in the tech industry and supporting new career pipelines that reach underserved communities.

MassTech's Entrepreneur Mentoring effort is designed to strengthen regional entrepreneur mentoring activities throughout the state through support for entrepreneur support organizations that provide a range of services to emerging startups. In fiscal year 2023, 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.

During the fiscal year, An Act Relating To Economic Growth And Relief For The Commonwealth appropriated \$5 million to support growth of the Massachusetts robotics industry cluster and preserve Massachusetts' competitive advantage.

## 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 2023 includes a state appropriation which included funding 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. MassCyberCenter continued to support and expand the consortium of academic institutions and private industry established to 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 Cyber Range facilities located at colleges and universities statewide, the Consortium aims 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 provided grant funding to support start-up costs of a non-profit entity called CyberTrust Massachusetts that provides strategic oversight to programs and helps identify additional funding sources to support the Consortium. CyberTrust Massachusetts establishes guidelines to advance the Imperatives, supports educational programs, and advocates to public and private stakeholders. CyberTrust Massachusetts also administers Cyber Range and Managed Security Services Provider contracts which will support SOC and Cyber Range facilities.



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MassCyberCenter is working with eligible colleges and universities to support the development of their cybersecurity programs and the establishment and operations of Cyber Ranges and SOC facilities. With funding from the Acts 2021, "An act relative to immediate Covid-19 recovery needs", authorized to support the Commonwealth's cybersecurity workforce and infrastructure in collaboration with the Commonwealth's public institutions of higher education, to provide regional security operations center services for the monitoring and detection of cyber threat activity to municipalities, non-profits and small businesses and cyber range services, the MassCyberCenter awarded \$4.1 million for construction, equipment, and operations costs for Cyber Ranges at Bridgewater State University, Mass Bay Community College, Salem State University, and Springfield Technical Community College.

The second Massachusetts Cybersecurity Month was held in October 2022, coinciding with national Cybersecurity Awareness Month. With a theme of "*Advance. Include. Secure.*" which recognized the public- and private-sector efforts to advance an inclusive and cyber-secure Commonwealth. The MassCyberCenter promoted cybersecurity awareness through the sixth annual Cybersecurity Forum, the second Massachusetts Municipal Cybersecurity Summit, and a public awareness campaign, "Life's Work on the Go," which provided helpful tips and resources citizens to use to secure their digital information, focused at people that work from mobile devices or home. Throughout the year, the MassCyberCenter continued collaboration with the Cyber Resilient Massachusetts Working Group ("CRMWG"), the Municipal Cybersecurity Sub-Working Group, the Regional IT Directors Working Group and the Cybersecurity Training and Education Working Group ("CTEWG"). The MassCyberCenter also continues to host an online Massachusetts Cybersecurity Jobs Board to aid job seekers and employers.

During fiscal year 2023, 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 2023 cohort included 39 students to be mentored bringing the cumulative total of student mentees in this program to more than 175 students with support from mentors from more than 45 companies.

### 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) to 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 M2I2 program was established in fiscal year 2016 as a key pillar of their innovation growth strategy for Massachusetts. This program 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. M2I2 provides capital cost share grant 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 2023, \$4.9 million in grants were awarded to five grantees.

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During fiscal year 2023, MassTech finalized work under the MassBridge grant from the U.S. Department of Defense's Manufacturing Technology Program for a manufacturing technician training program. The MassBridge project resulted in the following: (i) a nationwide benchmarking report on best practices in technician training, (ii) an industry skills need analysis by technology area and across multiple technologies, (iii) research to understand how wages affect manufacturing employment in the state, (iv) launch of a ~10-hour online program to introduce high school students, in a fun and engaging way, to advanced manufacturing technologies and associated careers pathways, (v) a statewide marketing campaign to showcase manufacturing careers and associated training programs, (vi) rubrics to evaluate the success of the program and students, and (vii) a process to bridge the skills gap between what existing community college curriculum covers and the skills employers seek..

CAM continued to administer the Advanced Manufacturing Training grant program. The program includes a grant program for consortiums that provide workforce development services in advanced manufacturing. This program is 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 approximately \$2.3 million.

In fiscal year 2023, CAM also continued the Massachusetts Manufacturing Accelerate Program ("MMAP") which was created 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 provided grants to manufacturers for capital equipment purchases and enabled access to new supply chain connections, new opportunities, and growth through non-profit partners. These partnerships provide assistance through technical support, workforce development support, business connections, or other means of assistance to help manufacturers drive efficiency and scale their business. The initial \$10 million of capital funding authorized in 2022 was supplemented with an additional \$14 million under the Acts of 2023. The program awarded two rounds of funding in fiscal year 2023 totaling \$5.5 million in funding to 26 manufacturers that will be distributed through eight non-profit partners.

In September of 2022, CAM hosted the second Massachusetts Manufacturing Mash-Up approximately 1,200 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. The Mass-Up included hands-on STEM challenges for students from Innovation Pathway schools around the Commonwealth, plus special sessions on robotics in manufacturing, award presentations, and a startup pitch competition.

Through the work of the MA Semiconductor Coalition which launched in 2021, CAM started planning for the passage of the federal CHIPS Act and related funding opportunities like Microelectronics Commons. In February of 2023 on behalf of the Northeast Microelectronics Coalition ("NEMC"), MassTech submitted a proposal to be designated as a hub under the Department of Defense's Microelectronics Commons program funded by the 2022 CHIPS and Science Act. The NEMC consisted of 85 organizations from the six New England states plus New York and New Jersey, with a unique mix of defense-oriented microelectronics experts and the wide range of technical and program management expertise in the region. The NEMC organizations include large commercial and defense corporations, Federally Funded R&D Centers, small and medium enterprises, startups, academic institutions, and nonprofits, all overseen by an advisory group. In September of 2023, MassTech was awarded \$19.7 million in funding through the federal CHIPS and Science Act to establish the Northeast Microelectronics Coalition Hub (NEMC), a regional hub that will advance the microelectronics needs of the U.S. Department of Defense (DoD) while spurring new jobs, workforce training opportunities, and investment in the region's advanced manufacturing and technology sectors.

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## Massachusetts eHealth Institute

MeHI works 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 and MeHI's mission was further expanded in 2016 to support the growth of a digital health industry sector within the Commonwealth. Under this work, MeHI serves 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 450 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 2023, MeHI had two primary programs furthering its mission. The first was conducted under an agreement 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. The second was MeHI's Digital Health program focused on the growth of the Commonwealth's digital health ecosystem and support for caregivers in Massachusetts by:

- 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 nearly 300 companies and approximately 2,000 open digital health jobs as of the end of fiscal year 2023.
- 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 to twelve Sandbox locations and one Sandbox tool as of the end of fiscal year 2023. MeHI awarded \$50,000 in grants to the Sandboxes to support projects with two Massachusetts digital health companies through the Rolling Grant program during the year. In addition, MeHI launched the Healthy Aging Sandbox Challenge and selected eight companies to participate in the program. The eight companies were matched with Sandboxes, scoped projects, and pitched for funding at an event in June 2023. Four winners were selected, and awards were made through the program in early FY24;
- Running the Digital Health COVID-19 Recovery Challenge Program, funded by a federal grant from the U.S. Department of Commerce's Economic Development Agency as part of their SPRINT Challenge Through the program which concluded on June 30, 2023, 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. During fiscal year 2023, MeHI awarded \$250,000 in grants to four Sandboxes to support projects with four of those companies.
- 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

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highlight innovative solutions that leaders and organizations can use to lessen caregiver stress and support caregivers.

## 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 as well as funds for required investments in MBI's middle mile broadband network, *MassBroadband 123*.

MBI's Last Mile program was designed to support and co-invest in broadband solutions for the Massachusetts towns who have lacked residential broadband service. This program includes grants to private broadband service providers and direct grants to municipalities. As part of this effort, the Last Mile Infrastructure Grant Program, launched by the EOED empowered communities to use these grants to fund design and engineering, and construction services directly, as they would other local infrastructure projects. The EOED administered 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. EOED awarded grants to 21 towns, totaling approximately \$31.3 million and all those towns have completed projects.

During fiscal year 2023, MBI continued to support projects underway in the unserved and underserved towns. At the end of the fiscal year of the original 53 Last Mile towns, 48 towns have completed, and fully operational broadband networks and 4 towns have broadband networks that are partially lit, with customer installations occurring on a rolling basis until construction is completed. There is one remaining town project that is in the make ready phase.

The *MassBroadband 123* network, 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 2023, MassTech continued to administer the programs to expand internet access with funding from the 'Partnerships for Recovery' plan. One of those programs, the Mass Internet Connect ("MIC") program assisted unemployed job seekers working with MassHire to help them address technology barriers, including accessing the internet, obtaining an internet-connected device, or online skills training. The Mass Internet Connect program concluded and was closed out during FY23. In total, the MIC program assisted approximately 12,000 jobseekers. A second program, which has also ended, expanded Wi-Fi Hotspots in unserved communities. This program supported the remaining unserved communities in western and central Massachusetts with outdoor and indoor hotspots, helping provide critical connectivity during the Covid-19 pandemic to communities that were 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 pockets of locations along town edges and low-density areas. To prepare for infrastructure investments that will deploy federal broadband funding, MBI used a \$1 million subaward from EOED to conduct a data collection and mapping effort funded through a planning grant from the U.S. Economic Development Administration (EDA). This effort has resulted in the broadband mapping portal that has been developed and maintained by MBI that

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will support the ability of the Commonwealth to make targeted broadband investments across all regions by identifying unserved and underserved locations, including homes and businesses.

As part of the American Rescue Plan Act legislation \$75 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
- Empower communities to use digital tools through the provision of devices, connectivity, and training to low-income populations.

MBI has worked with EOED and has launched two programs that are being administered by MBI, as subrecipient of the \$75 million in ARPA funding, to invest more deeply in proven programs and expand digital equity offerings to individuals in need of support:

- Digital Equity Partnership Program – MBI is partnering with high-capacity organizations to support the implementation of the Digital Equity Partnership Program's six initiatives across the state. Once designated as partners, these entities have fiduciary and technical responsibilities associated with executing the grant funding, as well as access to resources designed to build capacity and expertise in digital equity implementation activities. The six initiatives are: (1) Digital Literacy Initiative; (2) Wi-Fi Access Initiative; (3) Public Space Internet Modernization Initiative; (4) Connectivity Initiative for Economic Hardship; (5) Device Distribution and Refurbishment Initiative; and (6) Education, Outreach and Adoption. MBI awarded 7 partnership grants during the fiscal year totaling \$31.2 million.
- Municipal Digital Equity Planning Program - The goal of the Municipal Digital Equity Planning Program is to enable municipalities, or other local bodies of government, to engage in planning activities related to digital equity and bridging the digital divide. These planning activities will result in strategic documents designed to identify the community's needs, interest, and key assets and provide a framework that will guide future municipal decision-making and potential investments and activities that will increase access and usage of the internet for the populations most impacted by the COVID-19 pandemic. 20 towns and cities have started the planning process and additional municipalities are at other stages of the enrollment process.

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)  
 MBI has coordinated with the Commonwealth of Massachusetts to obtain approval of two programs that will be funded through a \$175 million allocation of funding from the U.S Treasury Department. MBI expects to launch the first program, the Broadband Infrastructure Gap Networks Grant Program, in the Fall of 2023. This Program will fund the deployment of broadband infrastructure in areas that currently lack access to broadband services offering download speeds of at least 100 Mbps and upload speeds of at least 20 Mbps. Networks funded through this Program must be designed to deliver broadband service that meets or exceeds 100 Mbps symmetrical speeds. The other program approved by the U.S. Treasury Department seeks to address the needs of low-income households that encounter issues with the reliability or quality of their internet service. These investments of Capital Projects Funds alongside the capital investments the Commonwealth 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.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

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- Federal Infrastructure, Investment & Jobs Act (IIJA) (Enacted November 2021 by Congress)

The National Telecommunications and Information Administration (NTIA) released Notices of Funding Opportunity for the Broadband Equity, Access, and Deployment (BEAD) Program and the State Digital Equity Planning Grant Program. MBI is working with EOED on the development of a Five-Year Action Plan for the BEAD Program that was submitted to NTIA in August 2023. MBI is also working with EOED on the development of a Statewide Digital Equity Plan (SDEP). The SDEP is required to be released for public comment prior to submittal to NTIA. The SDEP is expected to be submitted to NTIA in January 2024. The SDEP and BEAD planning efforts are being funded through planning grants awarded by NTIA and have been sub-awarded to MassTech from EOED. The SDEP will provide a framework for the deployment of Digital Equity Capacity Grants that will be awarded by NTIA. The BEAD Five-Year Action Plan will provide a framework for the investment of \$147 million in BEAD funds. MBI is pursuing a coordinated strategy to deploy Capital Project Fund investments and BEAD Program investments to expand coverage to unserved and underserved homes, businesses, and community anchor institutions. BEAD funds may also be expended for non-deployment activities if federal broadband deployment priorities are met.

## 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.

## 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 2023 and 2022.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
 Summary of Statements of Net Position  
 Year Ended June 30, 2023

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>						
Noncapital assets	\$ 79,070,357	\$ 13,347,101	\$ 92,417,458	\$ 44,951,550	\$ 11,725,333	\$ 56,676,883
Internal balances	(1,910,467)	1,910,467	-	(2,811,991)	2,811,991	-
Capital assets (net of accumulated amortization and depreciation)	37,640,724	3,133,747	40,774,471	41,987,424	3,315,199	45,302,623
Total assets	114,800,614	18,391,315	133,191,929	84,126,983	17,852,523	101,979,506
<b>LIABILITIES</b>						
Noncurrent liabilities	1,426,253	125,000	1,551,253	2,024,583	125,000	2,149,583
Other liabilities	29,501,677	31,717	29,533,394	20,276,429	731,892	21,008,321
Total liabilities	30,927,930	156,717	31,084,647	22,301,012	856,892	23,157,904
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Lease related items	-	2,640,962	2,640,962	-	3,187,369	3,187,369
Total deferred inflows of resources	-	2,640,962	2,640,962	-	3,187,369	3,187,369
<b>NET POSITION</b>						
Net investment in capital assets	\$ 36,151,414	\$ 3,133,747	\$ 39,285,161	\$ 39,957,613	\$ 3,315,199	\$ 43,272,812
Restricted for:						
Massachusetts e-Health Institute	6,531,165	-	6,531,165	7,037,966	-	7,037,966
Innovation Institute	20,165,247	-	20,165,247	8,835,994	-	8,835,994
MassCyberCenter	2,756,534	-	2,756,534	1,884,300	-	1,884,300
Center for Advanced Manufacturing	12,324,031	-	12,324,031	1,948,490	-	1,948,490
Massachusetts Broadband Institute	5,277,609	-	5,277,609	1,272,189	-	1,272,189
Campus Development/other corporate purposes	-	3,341,461	3,341,461	-	3,700,955	3,700,955
Unrestricted	666,684	9,118,428	9,785,112	889,419	6,792,108	7,681,527
Total net position	\$ 83,872,684	\$ 15,593,636	\$ 99,466,320	\$ 61,825,971	\$ 13,808,262	\$ 75,634,233

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

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## Assets

MassTech's total assets were approximately \$133.2 million as of June 30, 2023, an increase of approximately \$31.2 million from the prior year.

Noncapital assets were approximately \$92.4 million and include restricted, committed, and unrestricted cash and cash equivalents totaling \$81.1 million, receivables of \$10.0 million, and prepaid and other assets of \$1.3 million.

MassTech's investment in capital assets for its governmental and business-type activities as of June 30, 2023, is approximately \$40.8 million net of depreciation and amortization. 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 \$4.5 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 \$31.0 million as of June 30, 2023, an increase of approximately \$8.0 million from the prior year. Of this change, approximately \$.2 million relates to a decrease in accounts payable and accrued expenses; an increase of \$8.7 million in Funding Received in Advance primarily due to the receipt of MBI ARPA funding that will be expended in the coming fiscal year; a decrease in Due to Other funds of \$.9 million, and a \$.6 million decrease in lease liabilities.

MassTech has no long-term debt outstanding.

## Deferred Inflows of Resources

Deferred Inflow of Resources as of June 30, 2023, was approximately \$2.6 million, a decrease of \$.5 million, which is related to amortization of the Kopin lease.

## Net Position

Between fiscal years 2023 and 2022, the net position has increased by approximately \$23.8 million to approximately \$99.5 million.

Net investment in capital assets represents approximately 39.5% of net position as of June 30, 2023. Of the approximately 61.5% of MassTech's net position remaining at June 30, 2023, approximately 20.3% is attributable to the Innovation Institute, approximately 6.6% to MeHI, approximately 5.3% to MBI, approximately 2.8% to MassCyberCenter, approximately 12.4% to Center for Advanced Manufacturing, approximately 3.4% to Campus Operations and other corporate purposes, and the approximately 9.8% remaining 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, 2023

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Unrestricted net position of the governmental activities decreased by approximately \$.2 million compared to prior year.

Approximately \$39.3 million of net position is invested in capital assets. Of this amount, \$36 million is related to the MassBroadband 123 network.

Restricted net position of Massachusetts e-Health Institute decreased by approximately \$.5 million as a result of the net impact of approximately \$1.6 million in revenues, primarily from the Commonwealth, offset by operating and financial assistance expenses of approximately \$2.1 million.

Restricted net position of the Innovation Institute increased by approximately \$11.3 million as a result of the net impact of approximately \$24.1 million in revenues, primarily from the Commonwealth, offset by operating expenses, financial assistance expenses, and transfers of approximately \$12.8 million.

Restricted net position of the MassCyberCenter increased by approximately \$.9 million, primarily as a result of the net impact of approximately \$2.9 million in revenues, primarily from the Commonwealth, offset by operating and financial assistance expenses of approximately \$2 million.

Restricted net position of the Center for Advanced Manufacturing increased by approximately \$10.4 million, primarily as a result of the net impact of approximately \$17.7 million in revenues, primarily from the Commonwealth, offset by operating and financial assistance expenses of approximately \$7.3 million.

Restricted net position of the MBI increased by approximately \$4.0 million, primarily as a result of the recognition of Broadband Recovery funding that will be expended in the coming fiscal years.

The net position of the business-type activities was approximately \$15.6 million as of June 30, 2023, an increase of \$1.8 million. This increase is primarily a result of revenues of \$1.2 million and transfers from governmental activities of \$1.3 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 \$3.1 million was invested in capital assets, approximately \$3.3 million was restricted for future investment in the campus and its buildings and other restricted purposes, and the remaining balance of approximately \$9.1 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 2023 and 2022:

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
 Summary of Statements of Activities  
 Year Ended June 30, 2023

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue:</b>						
State funding	\$ 49,089,641	\$ -	\$ 49,089,641	\$ 31,358,275	\$ -	\$ 31,358,275
Federal funding	4,142,833	-	4,142,833	1,995,899	-	1,995,899
Outsourced corporate services	125,000	-	125,000	119,167	-	119,167
Other revenue	1,220,267	-	1,220,267	999,583	-	999,583
Campus operations	-	842,868	842,868	-	886,398	886,398
Total revenue	54,577,741	842,868	55,420,609	34,472,924	886,398	35,359,322
<b>Expenses:</b>						
Innovation Institute	12,754,436	-	12,754,436	11,706,485	-	11,706,485
MassCyberCenter	2,308,371	-	2,308,371	1,168,990	-	1,168,990
Center for Advanced Manufacturing	7,301,521	-	7,301,521	5,006,291	-	5,006,291
Massachusetts e-Health Institute	2,134,863	-	2,134,863	3,944,769	-	3,944,769
Massachusetts Broadband Institute	13,392,498	-	13,392,498	15,031,082	-	15,031,082
Economic Development/Other	149,486	-	149,486	150,081	-	150,081
Campus operations	-	747,018	747,018	-	770,004	770,004
Total expenses	38,041,175	747,018	38,788,193	37,007,698	770,004	37,777,702
Revenues, net of expenses	16,536,566	95,850	16,632,416	(2,534,774)	116,394	(2,418,380)
Transfers	(1,271,264)	1,271,264	-	(923,059)	923,059	-
Investment earnings	1,473,440	418,260	1,891,700	90,650	26,595	117,245
Change in net position	16,738,742	1,785,374	18,524,116	(3,367,183)	1,066,048	(2,301,135)
Net position - beginning of year	61,825,971	13,808,262	75,634,233	65,193,154	12,742,214	77,935,368
Prior period restatement	5,307,971	-	5,307,971	-	-	-
Net position - beginning of year - restated	67,133,942	13,808,262	80,942,204	65,193,154	12,742,214	77,935,368
Net position - end of year	\$ 83,872,684	\$ 15,593,636	\$ 99,466,320	\$ 61,825,971	\$ 13,808,262	\$ 75,634,233

# Massachusetts Technology Park Corporation

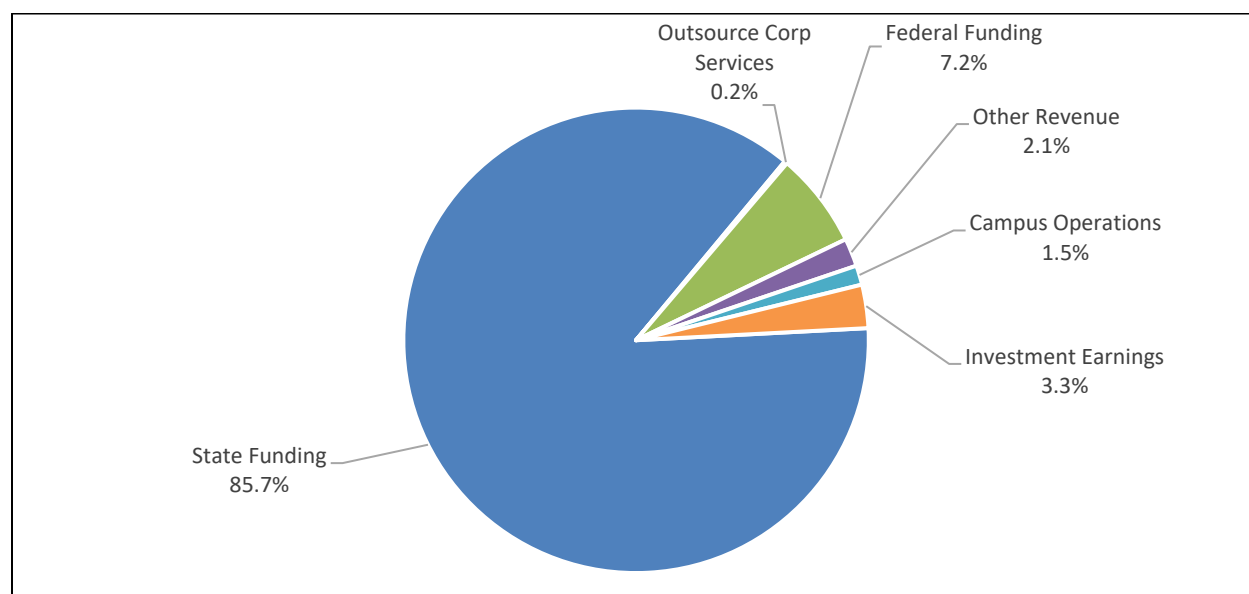
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

Total governmental and business-type revenues, including investment earnings, were approximately \$57.3 million for the fiscal year ended on June 30, 2023, which was an increase of approximately \$21.8 million from the prior year. The change in revenue results from an increase of approximately \$17.7 million in state funding, an increase of \$2.1 million in federal funding, a combined increase of \$.2 million in other revenue, outsource corporate services and campus operations, and an increase in investment earnings of approximately \$1.8 million. The state funding increased primarily due to increases in bond funding for the Center for Advanced Manufacturing's MMAP and M212 grant programs, as well as the Innovation Institute's Collaborative Research Matching Grant Program. Total expenses increased by approximately \$1.0 million. MeHI's expenses decreased by approximately \$1.8 million, primarily due to MeHI no longer executing the Medicaid Program. MBI expenses decreased by approximately \$1.6 million, primarily as a result of a decrease in financial assistance expenditures related to the Last Mile program, as the program is nearing completion. The Innovation Institute's expenses increased by approximately \$1.0 million, primarily as a result of increased personnel and related expenses and transfers. The MassCyberCenter expenses increased by approximately \$1.1 million as a result of increased financial assistance expenditures related to the SOC/Cyber Range program. The Center for Advanced Manufacturing expenses increased by \$2.3 million primarily as a result of an increase in financial assistance expenses under the MMAP and Advanced Manufacturing training grants, as well as increases in personnel and related expenses and transfers. The Economic Development/Other Fund's expenses remained relatively flat. The campus operations expenses decreased slightly by approximately \$.02 million.

## Revenue

The total revenues of MassTech for the fiscal year ended June 30, 2023, were \$57.3 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; and various State Agency service contracts. Other sources of revenue for fiscal year 2023

# Massachusetts Technology Park Corporation

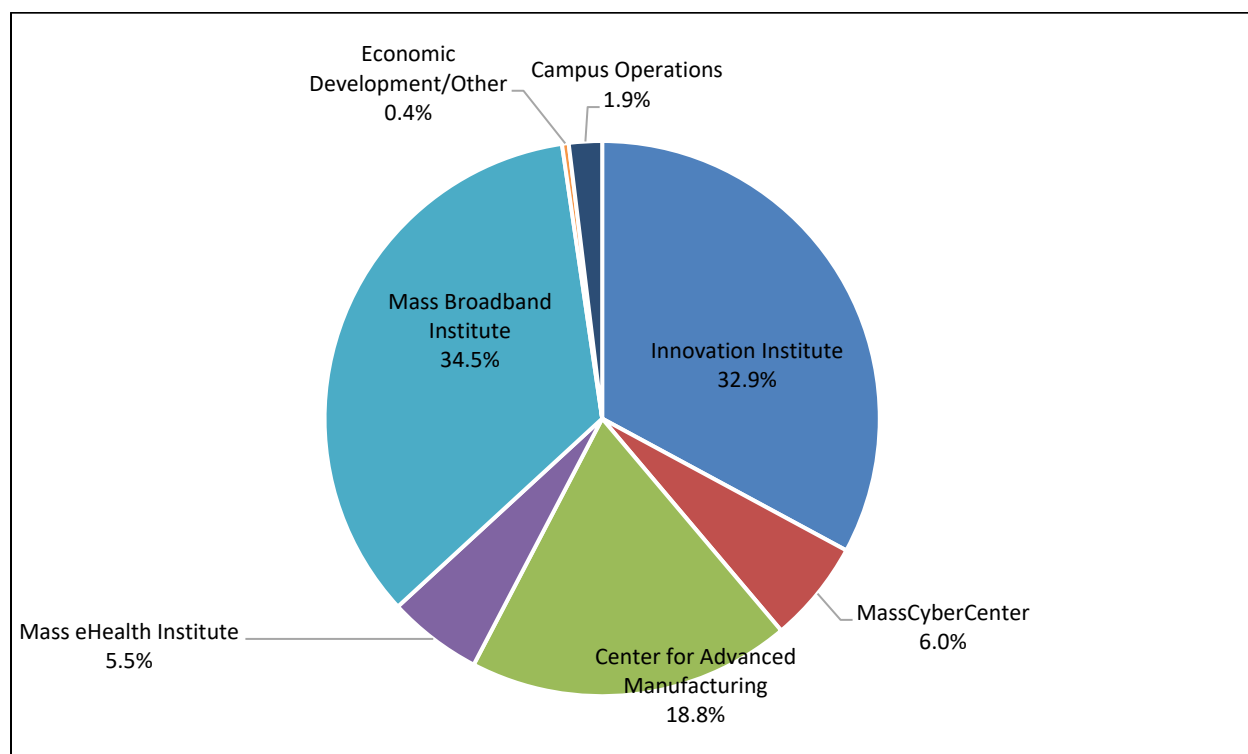
(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

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

## Expenses

The expenses for fiscal year 2023 were approximately \$38.8 million, which in addition to operating costs included approximately \$21.9 million of financial assistance expenses, \$1.1 million of MBI Network Operations expenses and \$5.7 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 \$46.5 million. This consisted of approximately \$1.2 million in non-spendable, \$35.5 million in committed, and \$9.8 million in restricted.

The general fund's net increase in fund balance for the fiscal year was approximately \$20.8 million. Overall, revenues had a net increase of approximately \$23.0 million over the prior year, primarily due to an increase in state funding for the Center for Advanced Manufacturing's grant programs and the Innovation Institute

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2023

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Collaborative Research Matching program. Expenditures in the general fund increased by approximately \$.7 million. There was an approximate increase in expenditures in the Innovation Institute of \$1.4 million, the Center for Advanced Manufacturing of \$2.4 million, the MassCyberCenter of \$1.3 million, and debt service increased by \$.1 million. This was offset by a decrease in expenditures in the Mass eHealth Institute of \$.7 million, the Mass Broadband Institute of \$2.7 million, and in Economic Development/Other of \$1.1 million. Other financing uses, primarily related to transfers between Governmental and Business-Type funds decreased by \$1 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, 2023

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 7,319,145	\$ 7,319,145
Restricted cash and cash equivalents	34,935,977	3,341,461	38,277,438
Accounts receivable:			
Other receivables	7,304,968	-	7,304,968
Internal balances	(1,910,467)	1,910,467	-
Lease receivable	-	2,686,495	2,686,495
Prepaid expense and other assets	1,305,848	-	1,305,848
Cash committed for program awards:			
Cash and cash equivalents	35,523,564	-	35,523,564
Total noncapital assets	<u>77,159,890</u>	<u>15,257,568</u>	<u>92,417,458</u>
Capital assets (net of accumulated amortization and depreciation):			
Depreciable and amortizable capital assets:			
Right-to-use lease assets	3,866,852	-	3,866,852
Subscription assets	123,323	-	123,323
Buildings	38,869	2,666,033	2,704,902
Improvements	19,140	444,187	463,327
Equipment	121,887	22,610	144,497
Furniture and fixtures	10,532	917	11,449
Fiber network - outside plant	33,165,553	-	33,165,553
Non-depreciable capital assets:			
Work in process	294,568	-	294,568
Total capital assets	<u>37,640,724</u>	<u>3,133,747</u>	<u>40,774,471</u>
Total assets	<u>114,800,614</u>	<u>18,391,315</u>	<u>133,191,929</u>
<b>LIABILITIES</b>			
Accounts payable	914,498	4,534	919,032
Accrued expenses	12,395,127	24,937	12,420,064
Funding received in advance	16,114,768	2,246	16,117,014
Lease liabilities	1,485,093	-	1,485,093
Other liabilities	18,444	125,000	143,444
Total liabilities	<u>30,927,930</u>	<u>156,717</u>	<u>31,084,647</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Lease related items	-	2,640,962	2,640,962
<b>NET POSITION</b>			
Net investment in capital assets	36,151,414	3,133,747	39,285,161
Restricted for:			
Massachusetts e-Health Institute	6,531,165	-	6,531,165
Innovation Institute	20,165,247	-	20,165,247
MassCyberCenter	2,756,534	-	2,756,534
Center for Advanced Manufacturing	12,324,031	-	12,324,031
Massachusetts Broadband Institute	5,277,609	-	5,277,609
Campus development	-	3,341,461	3,341,461
Unrestricted	666,684	9,118,428	9,785,112
Total net position	<u>\$ 83,872,684</u>	<u>\$ 15,593,636</u>	<u>\$ 99,466,320</u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Activities  
Year Ended June 30, 2023

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	\$ 12,754,436	\$ 75,000	\$ 23,524,563	\$ 10,845,127	\$ -	\$ 10,845,127
MassCyberCenter	2,308,371	17,000	3,091,733	800,362	-	800,362
Center for Advanced Manufacturing	7,301,521	53,000	17,549,488	10,300,967	-	10,300,967
Massachusetts e-Health Institute	2,134,863	864,488	482,249	(788,126)	-	(788,126)
Massachusetts Broadband Institute	13,392,498	1,150,269	7,644,951	(4,597,278)	-	(4,597,278)
Economic development/other	149,486	125,000	-	(24,486)	-	(24,486)
Total governmental activities	<u>38,041,175</u>	<u>2,284,757</u>	<u>52,292,984</u>	<u>16,536,566</u>	<u>-</u>	<u>16,536,566</u>
Business-type activities:						
Campus operations	747,018	842,868	-	-	95,850	95,850
Total business-type activities	<u>747,018</u>	<u>842,868</u>	<u>-</u>	<u>-</u>	<u>95,850</u>	<u>95,850</u>
Total	<u>\$ 38,788,193</u>	<u>\$ 3,127,625</u>	<u>\$ 52,292,984</u>	<u>16,536,566</u>	<u>95,850</u>	<u>16,632,416</u>
General revenues:						
Investment earnings				1,473,440	418,260	1,891,700
Transfers				(1,271,264)	1,271,264	-
Change in net position				<u>16,738,742</u>	<u>1,785,374</u>	<u>18,524,116</u>
Net position - beginning of year				61,825,971	13,808,262	75,634,233
Prior period restatement				5,307,971	-	5,307,971
Net position - beginning of year, as restated				<u>67,133,942</u>	<u>13,808,262</u>	<u>80,942,204</u>
Net position - end of year				<u>\$ 83,872,684</u>	<u>\$ 15,593,636</u>	<u>\$ 99,466,320</u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

## Balance Sheet - Governmental Fund

June 30, 2023

	General Fund
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$ 34,935,977
Other receivables	7,304,968
Prepaid expenses and other assets	1,195,123
Cash committed for program awards:	
Cash and cash equivalents	35,523,564
Total assets	<u>\$ 78,959,632</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 914,498
Accrued expenses	12,065,655
Due to other funds	1,910,467
Funding received in advance	16,114,768
Other current liabilities	18,444
Total liabilities	<u>31,023,832</u>
Deferred inflows of resources:	
Unavailable revenue	1,391,038
Total deferred Inflows of resources	<u>1,391,038</u>
Fund balance:	
Non-spendable	1,195,123
Committed	35,523,564
Restricted	9,826,075
Total fund balance	<u>46,544,762</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 78,959,632</u>
Total fund balance of governmental fund	\$ 46,544,762
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	110,725
Some liabilities are not due and payable in the current period and therefore are not reported in the fund statements:	
Lease liabilities	(1,426,253)
Subscription liabilities	(58,840)
Accrued compensated absences	(329,472)
Unavailable revenues meet the criteria for revenue recognition in the statement of activities	1,391,038
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, not reported in funds	37,640,724
Net position of governmental activities	<u>\$ 83,872,684</u>



# 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, 2023

	<u>General Fund</u>
Revenue:	
State funding	\$ 49,795,759
Federal funding	3,682,762
Investment earnings	1,473,440
Outsourced corporate services	125,000
Other revenue	1,220,267
Total revenues	<u>56,297,228</u>
Expenditures:	
Current:	
Innovation Institute	12,533,291
MassCyberCenter	2,235,488
Center for Advanced Manufacturing	7,135,543
Massachusetts e-Health Institute	2,515,456
Massachusetts Broadband Institute	9,074,250
Economic development/Other	149,467
Debt service:	
Lease Principal	659,965
Lease Interest	57,509
Total expenditures	<u>34,360,969</u>
Other financing sources (uses):	
SBITA related items	120,475
Transfers out	(1,271,264)
Total other financing uses	<u>(1,150,789)</u>
Net change in fund balance	20,785,470
Fund balance - beginning of year - restated	<u>25,759,292</u>
Fund balance - end of year	<u>\$ 46,544,762</u>
Net change in fund balance - general fund	\$ 20,785,470
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	1,391,038
Some revenues in the fund statements were recognized in the statement of activities in a prior year	(1,637,085)
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	666,494
Related to capital assets:	
Governmental funds report capital outlays and lease right-of-use leases as expenditures in the statement of activities, the cost of capital and right-of-use lease assets is allocated over their estimated useful lives as depreciation and amortization	695,807
Other	(5,072,333)
The initial recognition of SBITA's entered into in the current year do not provide current financial resources.	29,826
	<u>(120,475)</u>
Change in net position of governmental activities	<u>\$ 16,738,742</u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Net Position - Proprietary Fund  
June 30, 2023

	Campus Operations
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,319,145
Restricted cash and cash equivalents	3,341,461
Due from other funds	1,910,467
Lease receivable, current portion	531,603
Total current assets	<u>13,102,676</u>
Non-current assets:	
Lease receivable	2,154,892
Total non-current assets	<u>2,154,892</u>
Capital assets:	
Buildings	20,383,318
Improvements	1,790,079
Equipment	126,498
Furniture and fixtures	174,670
Total capital assets	<u>22,474,565</u>
Less - accumulated depreciation	(19,340,818)
Total capital assets - net	<u>3,133,747</u>
Total assets	<u>\$ 18,391,315</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 4,534
Accrued expenses	24,937
Funds received in advance	2,246
Total current liabilities	<u>31,717</u>
Noncurrent liabilities:	
Other liabilities	125,000
Total noncurrent liabilities	<u>125,000</u>
Total liabilities	<u>156,717</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease related items	<u>2,640,962</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,133,747
Restricted for campus development/other purposes	3,341,461
Unrestricted	9,118,428
Total net position	<u>15,593,636</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 18,391,315</u>

# 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, 2023

	<u>Campus Operations</u>
Operating revenue:	
Lease revenue	\$ 699,044
Reimbursement from other funds	<u>143,824</u>
Total operating revenue	<u>842,868</u>
Operating expenses:	
Personnel and support services	165,017
Depreciation	<u>582,001</u>
Total expenses	<u>747,018</u>
Operating income	95,850
Nonoperating revenue - interest income	418,260
Other financing sources:	
Transfers in	<u>1,271,264</u>
Change in net position	1,785,374
Total net position - beginning of year	<u>13,808,262</u>
Total net position - end of year	<u><u>\$ 15,593,636</u></u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2023

	<u>Campus Operations</u>
Cash flows from operating activities:	
Receipts from leases and rentals	\$ 665,067
Reimbursement from other funds	143,824
Payroll and vendor payments	<u>(151,655)</u>
Net cash provided by operating activities	657,236
Cash flows provided by noncapital financing activities - interfund activities	1,457,004
Cash flows used in capital and related financing activities - capital purchases	(400,549)
Cash flows from investing activities - interest received	<u>418,260</u>
Net increase in cash and cash equivalents	2,131,951
Cash and cash equivalents - beginning of year	<u>8,528,655</u>
Cash and cash equivalents - end of year	<u><u>\$ 10,660,606</u></u>
Displayed as:	
Cash and cash equivalents	\$ 7,319,145
Restricted cash and cash equivalents	<u>3,341,461</u>
	<u><u>\$ 10,660,606</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 95,850
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	582,001
Changes in assets and liabilities:	
Lease receivable and deferred inflows	(37,168)
Accounts payable	(7,276)
Accrued expenses	<u>23,829</u>
Net cash provided by operating activities	<u><u>\$ 657,236</u></u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

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## 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, 2023

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## 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 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, 2023

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## 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, bond revenue, and federal funding. 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, 2023

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## 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 their 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 Executive Committee and/or the Board.

### 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*, 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, expenditures and changes in net position. None of MassTech's investments in 2023 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, 2023.



# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 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
Subscription-based information technology arrangements (SBITAs)	1-4 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 the 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, 2023, 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, 2023

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## 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, 2023, the government-wide statement of net position reports approximately \$39.3 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, 2023, the government-wide statement of net position reports approximately \$50.4 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, 2023, the government-wide statement of net position reports approximately \$9.8 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

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

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## 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, liabilities, deferred inflows 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: Adopted

In May 2022, GASB issued GASB Statement No. 96, *Subscriptions Based Information Technology Arrangements (GASB 96)*. GASB 96 provides guidance on the financial reporting for Subscriptions Based Information Technology Arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. MassTech implemented GASB 96 as of July 1, 2022, which resulted in MassTech reclassifying approximately \$.03 million of SBITA related right-of-use assets that were reported as prepaid expenses in the financial statements in the prior year.

In March 2020, GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement established the definitions of PPPs and availability payment arrangements (APAs) and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. MassTech did not record any new assets or liabilities as a result of this statement but it did expand disclosure on its PPP arrangements.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

### Recently Issued Accounting Pronouncements: Not Yet Effective

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. MassTech is evaluating the impact of the GASB on its financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. MassTech is evaluating the impact of the GASB on its financial statements.

### Subsequent Events

Management has evaluated subsequent events as of February 15, 2024.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

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## 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 2023, 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, 2023, bank deposits were \$29,274,012, 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 \$28,774,012 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, 2023, 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, 2023, MassTech's deposits with MMDT totaled \$52,995,334. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 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, 2023:

Cash balance	\$ 28,124,813
Massachusetts Municipal Depository Trust ("MMDT") – Cash Portfolio	52,995,334
	<u>\$ 81,120,147</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

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 3. CAPITAL ASSETS

	Governmental Activities	Business-Type Activities	Total
Buildings	\$ 91,803	\$ 20,383,318	\$ 20,475,121
Improvements	537,114	1,790,079	2,327,193
Equipment	968,192	126,498	1,094,690
Furniture and fixtures	503,634	174,670	678,304
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	14,119,859	-	14,119,859
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	294,568	-	294,568
	<u>85,932,521</u>	<u>22,474,565</u>	<u>108,407,086</u>
Right-to-use lease assets:			
Subscription based information technology agreements	172,654	-	172,654
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>6,802,513</u>	<u>-</u>	<u>6,802,513</u>
Less - accumulated depreciation:			
Buildings	(52,934)	(17,717,285)	(17,770,219)
Improvements	(517,974)	(1,345,892)	(1,863,866)
Equipment	(846,305)	(103,888)	(950,193)
Furniture and fixtures	(493,102)	(173,753)	(666,855)
Fiber network - outside plant	(26,385,904)	-	(26,385,904)
Conduit	(2,919,068)	-	(2,919,068)
Poles	(83,810)	-	(83,810)
Points of interconnection	(12,773,021)	-	(12,773,021)
Community anchor institutions	(6,370,250)	-	(6,370,250)
Other equipment	(765,879)	-	(765,879)
Spares MB123	(1,073,725)	-	(1,073,725)
	<u>(52,281,972)</u>	<u>(19,340,818)</u>	<u>(71,622,790)</u>
Less - accumulated amortization:			
Subscription based information technology agreements	(49,331)	-	(49,331)
Indefeasible right of use lease	(1,748,965)	-	(1,748,965)
Right to use leased space and buildings	(1,014,042)	-	(1,014,042)
	<u>(2,812,338)</u>	<u>-</u>	<u>(2,812,338)</u>
Total accumulated depreciation	<u>(55,094,310)</u>	<u>(19,340,818)</u>	<u>(74,435,128)</u>
Capital assets – net of depreciation and amortization	<u>\$ 37,640,724</u>	<u>\$ 3,133,747</u>	<u>\$ 40,774,471</u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

### 3. CAPITAL ASSETS...continued

Governmental Activities	Balance* 7/1/2022	Additions	Transfers/ Disposals/ Adjustments	Balance 6/30/2023
Buildings	\$ 91,803	\$ -	\$ -	\$ 91,803
Improvements	537,114	-	-	537,114
Equipment	792,674	175,518	-	968,192
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	13,546,900	399,814	173,145	14,119,859
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	467,713	-	(173,145)	294,568
	<u>85,357,189</u>	<u>575,332</u>	<u>-</u>	<u>85,932,521</u>
Right-to-use lease assets:				
Subscription based information technology agreements	52,179	120,475	-	172,654
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>6,682,038</u>	<u>120,475</u>	<u>-</u>	<u>6,802,513</u>
Less - accumulated depreciation:				
Building	(50,280)	(2,654)	-	(52,934)
Improvement	(512,679)	(5,295)	-	(517,974)
Equipment	(792,674)	(53,631)	-	(846,305)
Furniture and fixtures	(486,785)	(6,317)	-	(493,102)
Fiber network - outside plant	(23,641,463)	(2,744,441)	-	(26,385,904)
Conduit	(2,611,562)	(307,506)	-	(2,919,068)
Poles	(74,931)	(8,879)	-	(83,810)
Points of interconnection	(11,565,999)	(1,207,022)	-	(12,773,021)
Community anchor institution	(6,370,250)	-	-	(6,370,250)
Other equipment	(765,879)	-	-	(765,879)
Spares MB123	(1,073,725)	-	-	(1,073,725)
	<u>(47,946,227)</u>	<u>(4,335,745)</u>	<u>-</u>	<u>(52,281,972)</u>
Less - accumulated amortization:				
Subscription based information technology agreements	(22,353)	(26,978)	-	(49,331)
Indefeasible right of use lease	(1,575,431)	(173,534)	-	(1,748,965)
Right to use leased space and buildings	(477,966)	(536,076)	-	(1,014,042)
	<u>(2,075,750)</u>	<u>(736,588)</u>	<u>-</u>	<u>(2,812,338)</u>
Total accumulated depreciation	<u>(50,021,977)</u>	<u>(5,072,333)</u>	<u>-</u>	<u>(55,094,310)</u>
Capital assets – net of depreciation and amortization	<u>\$ 42,017,250</u>	<u>\$ (4,376,526)</u>	<u>\$ -</u>	<u>\$ 37,640,724</u>

\* Balance on July 1, 2022 was restated to include subscription-based information technology agreement right-to-use lease assets previously reported as prepaid expenses prior to the adoption of GASB 96 (see Note 1). Capital assets – net of depreciation and amortization increase \$29,826 from \$41,987,424 to \$42,017,250.



# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

### 3. CAPITAL ASSETS...continued

Business-Type Activities	Balance 7/1/2022	Additions	Transfers/ Disposals/ Adjustments	Balance 6/30/2023
Buildings	\$ 20,383,318	\$ -	\$ -	\$ 20,383,318
Improvements	1,392,879	380,067	17,133	1,790,079
Equipment	106,016	20,482	-	126,498
Furniture and fixtures	174,670	-	-	174,670
Work-in-process	17,133	-	(17,133)	-
	<u>22,074,016</u>	<u>400,549</u>	<u>-</u>	<u>22,474,565</u>
Less - accumulated depreciation:				
Building	(17,209,892)	(507,393)	-	(17,717,285)
Improvement	(1,285,885)	(60,007)	-	(1,345,892)
Equipment	(91,659)	(12,229)	-	(103,888)
Furniture and fixtures	(171,381)	(2,372)	-	(173,753)
	<u>(18,758,817)</u>	<u>(582,001)</u>	<u>-</u>	<u>(19,340,818)</u>
Capital assets – net of depreciation	\$ 3,315,199	\$ (181,452)	\$ -	\$ 3,133,747

Total depreciation and amortization expense for the year ended June 30, 2023, was \$5,654,334. Of that amount, \$5,072,333 (comprising approximately \$160,950, \$62,666, \$95,851, \$112,656, \$4,640,189 and \$21 in the Innovation Institute, MassCyberCenter, Center for Advanced Manufacturing, MeHI, MBI and Economic Development Fund, respectively) is reported in the governmental activities and \$582,001 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, 2023, pension expense was \$897,005.

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, 2023, MassTech's total contributions were \$152,973, of which \$123,239 was vested. These contributions were based on employee contributions of \$531,434.

### 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, 2023.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 5. LEASES...continued

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, 2023.

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, 2023, are as follows:

Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total Payments
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	70,985	12,115	83,100
2029-2033	319,463	24,937	344,400
2034-2035	<u>14,680</u>	<u>320</u>	<u>15,000</u>
Total	<u>\$ 1,426,253</u>	<u>\$ 125,437</u>	<u>\$ 1,551,690</u>

The principal portion of the payments in the above table plus the lease interest payable amount of \$3,683 associated with these leases as of June 30, 2023, 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.

### 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, 2023. The provisions of the lease allow for a five-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.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 5. LEASES...continued

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
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>\$ 2,679,576</u>	<u>\$ 217,946</u>	<u>\$ 2,897,522</u>

Future payments to be made to MassTech under this lease plus interest receivable of \$6,919 as of June 30, 2023, 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, 2023, these reimbursements are included in lease revenue and amounted to \$57,877.

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. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

During the fiscal year, MassTech recorded a non-cancellable Subscription-Based Information Technology Arrangement ("SBITA") as part of its implementation of GASB 96. This arrangement requires an annual payment and the total estimated net present value to be paid by MassTech for the remaining term of the subscription as of June 30, 2023, is as follows:

Fiscal Year ending June 30	Principal Payment	Interest Payment	Total Payment
2024	\$ 58,840	\$ 2,795	\$ 61,635

The principal portion of the payments in the above table plus the subscription interest payable amount of \$536 associated with this arrangement as of June 30, 2023, are recorded in the financial statements as a subscription liability.

In addition to the subscription above, MassTech has two additional SBITA's recorded on its books which required up-front payments. The value and amortization of these arrangements are included as capital assets in the financial statement of MassTech. There are no annual subscription payments due for these arrangements, therefore there is no associated subscription liability.

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 7. 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.

There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

## 8. 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 for cash held in the General Fund's investments on behalf of the Campus Fund at June 30, 2023, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Campus Operations	General Fund	<u>\$1,910,467</u>

Interfund transfers activity totaled \$1,271,264 through June 30, 2023, primarily related to General Fund revenues designated for Campus Fund Operations.

Interfund transfers activity for allocated office related costs totaled \$143,824 for the period.

## 9. NONCURRENT LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Changes in noncurrent liabilities and deferred inflows of resources for the year ended June 30, 2023, are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accrued compensated absences	\$ 336,001	\$ -	\$ (6,529)	\$ 329,472
Lease liabilities	2,024,583	120,475	(659,965)	1,485,093
	<u>\$ 2,360,584</u>	<u>\$ 120,475</u>	<u>\$ (666,494)</u>	<u>\$ 1,814,565</u>

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Notes to Financial Statements  
Year Ended June 30, 2023

## 9. NONCURRENT LIABILITIES AND DEFERRED INFLOWS OF RESOURCES...continued

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Deposits	\$ 125,000	\$ -	\$ -	\$ 125,000
Lease related items	3,187,369	-	(546,407)	2,640,962
	<u>\$ 3,312,369</u>	<u>\$ -</u>	<u>\$ (546,407)</u>	<u>\$ 2,765,962</u>

## 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 \$36.0 million, net of \$52.1 million of accumulated depreciation and amortization. Under terms specified in the agreement, the Organization receives the lesser of either a fixed platform fee plus a revenue share, or the network service provider's network operating income. During fiscal year 2023, the amount received totaled \$1,150,267. During the fiscal year, the term of this agreement was extended to December 31, 2023. At the conclusion of the agreement the Organization retains all ownership rights to its fiber network assets.

## 11. 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 financial statements, other than those already described in these notes to the financial statements.

## 12. RESTATEMENT OF PRIOR YEAR

In prior years, the Organization recognized revenue from its MBI partnerships for recovery funding on a reimbursement basis as eligible expenditures were incurred. The underlying agreement was amended during the prior year. The agreement period ended in December 2021 at which time there were no further contractual requirements under the agreement other than purpose restrictions as the agreement indicated that funding provided in advance would be restricted for a specific purpose. The Organization retroactively changed its method to account for the MBI partnerships for recovery and recognized revenue associated with this grant when the funds are received. The portion of the revenue applicable to the year ended June 30, 2022 has been treated as a retroactive restatement of the July 1, 2022, Governmental Activities Net Position and the fund balance of the General Fund by a charge of \$5,307,971. The impact of the error on the prior year change in net position and change in fund balance is an increase of \$5,307,971 for the Governmental Activities and General Fund, respectively.

	Governmental Activities	General Fund
	Net Position	Fund Balance
Originally reported	\$ 61,825,971	\$ 20,451,321
Restatement	5,307,971	5,307,971
As restated	<u>\$ 67,133,942</u>	<u>\$ 25,759,292</u>



**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, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated February 15, 2024. Our report contained an emphasis of matter paragraph for a restatement of the of the beginning net position of the governmental activities and general fund to reflect a correction of an error in the recording of revenues.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a material weakness.

### **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*.

### **The Organization's Response to Findings**

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

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
February 15, 2024

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of Massachusetts)

Schedule Of Findings and Responses  
For the Year Ended June 30, 2023

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## Finding No. 2023-001 - Restatement

**Criteria:** The Governmental Accounting Standards Board (GASB) 33 - *Accounting and Financial Reporting for Nonexchange Transactions Reimbursements* (GASB 33), establishes the criteria as to when (in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. GASB 33 specifies that enabling legislation or providers of resources in nonexchange transactions frequently stipulate time requirements, purpose restrictions, or both. Time requirements specify the period or periods when resources are required to be used or when use may begin. (For example, a provider may stipulate that the resources it provides are to be disbursed during a specific fiscal year or over a specified number of years or cannot be disbursed until after a certain date or event has occurred, if ever.) Purpose restrictions specify the purpose or purposes for which the resources are required to be used. (For example, a provider may specify that its resources are to be expended for road and street repairs or, in the case of an endowment, that the principal is required to be held in income-producing investments.) When the provider in a voluntary nonexchange transaction does not specify time requirements, the entire award should be recognized as a revenue by the recipients in the period when all applicable eligibility requirements are met. Eligibility requirements includes required characteristics of the recipient, timing requirements, reimbursements, and contingencies.

**Condition:** Opening July 1, 2022, fund balance and net position were understated by \$5.3 million for a revenue contract that was recorded as a deferred revenue rather than recognized as revenue in fiscal year 2022 when the revenue recognition criteria was met under GASB 33.

**Cause:** The Organization's process to evaluate revenue contracts for proper GASB 33 revenue recognition did not identify within the fiscal year reporting period that an amendment to the revenue contract changed the agreement from a reimbursement-type agreement to a purpose driven revenue agreement and all eligibility requirements were met by December 31, 2021, when the contract ended.

**Effect:** Based on the amended contract language, the Organization met the eligibility criteria for recognizing revenue in December 2021 which was in fiscal year 2022. As a result, the opening fund balance in the General Fund and net position in the Governmental Activities were restated to reflect that the revenue was earned in fiscal year 2022. The revenue was correctly recognized by the Organization during fiscal year 2023 so there were no adjustments to fiscal year 2023 ending balances.

**Recommendation:** The Organization should refine its processes to include documentation that all funding agreements are reviewed for proper revenue recognition including how it addressed all eligibility criteria listed in GASB Statement No 33. *Accounting and Financial Reporting for Nonexchange Transactions*.

**Management's Response to Finding:** In fiscal year 2023, the Organization determined that funding under the referenced revenue agreement should be fully recognized and appropriately recorded the revenue. The Organization acknowledges that this determination should have been made in fiscal year 2022 based upon an amendment to the agreement and the end of the contract period. The Organization will update its processes to reevaluate revenue agreements at the time of any amendment to consider any changes to the revenue recognition requirements of GASB 33.