Massachusetts Development Finance Agency

(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements issued in accordance with *Government Auditing Standards*

Fiscal Year ended June 30, 2023

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(A Component Unit of the Commonwealth of Massachusetts)

June 30, 2023

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Independent Auditor's Report

Board Members
Massachusetts Development Finance Agency

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions
We have audited the financial statements of the business-type activities and fiduciary activities of the Massachusetts Development Finance Agency (the Agency), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Qualified Opinion on the Business-Type Activities
In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Fiduciary Activities
In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary activities of the Agency, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Massachusetts Development Finance Agency Short-Term Asset Reserve Fund (formerly known as HEFA Short-Term Asset Reserve Fund) (the STAR Fund), which represent 86%, 86%, and 84%, respectively, of the assets, net position, and revenues of the fiduciary activities as of June 30, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the STAR Fund, are based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions. The financial statements of the STAR Fund were not audited in accordance with *Government Auditing Standards*.

Matter Giving Rise to Qualified Opinion on Business-Type Activities
The Agency was required to adopt a new accounting standard, Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations* (GASB 91), in fiscal year 2023. GASB 91 requires the Agency to disclose the aggregate outstanding principal amount of all conduit debt obligations that share the same type of commitment(s) at the end of the reporting period, the Agency did not include this required information in its conduit debt disclosure in its basic financial statements as required by accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 11 of the accompanying financial statements, the Agency adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 96, *Subscriptions Based Information Technology Arrangements* (SBITA), in fiscal year 2023 which resulted in a restatement of July 1, 2022 balances of assets (SBITA assets) and liabilities (SBITA obligations).

Also, as discussed in Note 22, the July 1, 2022 net position of the business-type activities and fiduciary net position of the fiduciary activities have been restated to correct errors related to the presentation and accounting of fiduciary activities.

Our opinion is not modified with respect to these matters.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted cost-sharing pension plan information for the Massachusetts State Employees' Retirement System that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information
Management is responsible for the other information included in the annual report. The other information comprises the Schedules of Departmental Net Position and Schedules of Departmental Revenues, Expenses and Changes in Net Position, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
March 18, 2024

As management of the Massachusetts Development Finance Agency (the Agency), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2023. This discussion and analysis should be read in conjunction with the accompanying financial statements.

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

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

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

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

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

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

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

In 2023, the Agency adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB No. 96) and restated its 2022 financial statements to reflect the requirements of GASB No. 96 as of July 1, 2022. See Notes 2 and 11 for additional information. The adoption of GASB No. 96 increased right to use subscription assets, net, interest payable, subscription liability and net position by $275,624, $1,791, $252,479 and $21,354, respectively, as of June 30, 2022.

In 2023, the Agency also restated its 2022 financial statements to include the MassDevelopment/HEFA Trust as a Fiduciary activity in accordance with GASB Statement No. 84, *Fiduciary Activities* (GASB No. 84). The net position at June 30, 2022 was decreased by $8,869,695. The Agency also restated the beginning net position of the Investment Trust Fund as of December 31, 2021 in the Statement of Fiduciary Net Position with a decrease of $78,777,365 to remove the Agency holdings in the Investment Trust Fund as of December 31, 2021.

Statements of Net Position

	June 30, 2023	As Restated * June 30, 2022
Assets		
Current assets	$ 315,606,900	$ 265,294,696
Noncurrent assets	143,103,406	175,852,009
Right to use leased assets (net of accumulated amortization)	2,638,340	2,993,889
Right to use subscription assets (net of accumulated amortization)	544,268	275,624
Assets held for sale	5,229,591	15,766,037
Capital assets (net of accumulated depreciation)	90,210,112	78,802,889
Total assets	557,332,617	538,985,144
Liabilities		
Current liabilities	69,347,359	51,460,055
Noncurrent liabilities	55,464,678	55,560,170
Total liabilities	124,812,037	107,020,225
Deferred Inflows of Resources	4,388,369	10,244,060
Total liabilities and deferred inflows of resources	129,200,406	117,264,285
Net Position		
Net investment in capital assets	65,851,071	78,709,236
Restricted	211,101,968	183,615,589
Unrestricted	151,179,172	159,396,034
Total net position	428,132,211	421,720,859
Total liabilities, deferred inflows of resources and net position	$ 557,332,617	$ 538,985,144

* Balances and net position for 2022 were restated for the adoption of GASB No. 96 and GASB No. 84.

Assets

The Agency's current assets mainly consist of cash and cash equivalents, short-term investments, current portion of loans receivable, current portion of lease receivable, accounts receivable and other assets, due from the Commonwealth of Massachusetts and assets held for sale. The Agency's noncurrent assets mainly consist of long-term cash and cash equivalents and investments, other investments, net loans receivable, lease receivable, assets held for sale, leased assets, net, subscription assets, net and capital assets, net.

Current assets increased by $50.3 million from 2022 to 2023 mainly due to a combination of increases in cash and cash equivalents – restricted for use due to increased funding for restricted programs and short-term investments which shifted from longer term investments.

Noncurrent assets decreased by $32.7 million from 2022 to 2023 mainly due to decreases in cash and cash equivalents - restricted for capital use as funds are being used for capital infrastructure, investments and lease receivable, offset by increases in net loans receivable.

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

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

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

As of June 30, 2023 and 2022, there were $118.5 million and $102.5 million, respectively, of net loans receivable.

Net loans receivable increased $16.0 million from 2022 to 2023 due to more loan disbursements as compared to loan repayments during the fiscal year. The total loan disbursements were approximately $31.8 million as compared to $12.0 million of loan repayments, mainly within the General Operations Program and the Emerging Technology Program.

Lease receivable consists of long-term leases in which the Agency is the lessor of buildings or land in Devens, Springfield and Greenfield, MA. In accordance with Leases (GASB No. 87), the lease receivable is measured at the present value of lease payments expected to be received during the lease terms. As of June 30, 2023 and 2022, there were $4.6 million and $10.6 million, respectively, of lease receivable. The decrease from 2022 to 2023 was mainly due to the termination of leases related to the Springfield, MA building as that building was sold during the fiscal year. See Note 10 to the financial statements for more information on lease receivable.

Other investments include the Agency's equity investments in the Commonwealth Fund III LLC, Commonwealth Fund IV and eight New Markets Tax Credit (NMTC) entities as of June 30, 2023. The increase of approximately $1.1 million from 2022 to 2023 was mainly due to the new investment in the Commonwealth Fund IV during the fiscal year.

Accounts receivable and other assets mainly include outstanding amounts at year-end related to utility usage at Devens, grants, NMTC management fees and reimbursement of expenses, Devens operating fees, prepaid insurance and other miscellaneous receivables. The increase from 2022 to 2023 was mainly related to outstanding payments for Devens utilities, offset by decreases in outstanding real estate taxes.

Due from the Commonwealth represents amounts owed to the Agency from the Commonwealth for grant reimbursements or capital activity at year-end. The outstanding reimbursements at year-end are mainly related to the New Bedford State Pier and the Cultural Facilities Program.

Current assets held for sale of $3.4 million and $6.4 million as of June 30, 2023 and 2022, respectively, relate to property that is actively being marketed for sale by the Agency that is expected to be sold within the following fiscal year. As of June 30, 2023 this mainly includes property in Greenfield and New Bedford, MA. The decrease from 2022 to 2023 was due to the sale of the Springfield and Worcester, MA buildings during the fiscal year.

Noncurrent assets held for sale of $1.9 million and $9.4 million as of June 30, 2023 and 2022, respectively, relate mainly to the Taunton Development Corporation (TDC) capital assets and property that is actively being marketed for sale by the Agency that is expected to be sold greater than one year from the fiscal year-end. In January 2012, the Agency, in partnership with TDC, purchased from the Commonwealth the former Dever State School core campus in Taunton, Massachusetts. The property consisted of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new nonprofit corporation, TDC, was formed to take title and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. The decrease from 2022 to 2023 was due to the sale of 21.2 acres at the property during the fiscal year.

Right to use leased assets, net of amortization in the amounts of $2.6 million and $3.0 million as of June 30, 2023 and 2022, respectively, relate to office space and equipment in which the Agency has entered into long term leases. In accordance with GASB No. 87, the leased asset value is comprised of the lease liability, less any lease incentives received from the lessor, plus initial direct costs related to the leased asset. The decrease of $0.4 million from 2022 to 2023 is mainly due to the combination of new leases entered into during the fiscal year for new office space, offset by a lease ending for water filtration system equipment and amortization expense during the fiscal year. See Note 10 to the financial statements for more information on leased assets.

Right to use subscription assets, net of amortization in the amounts of $0.5 million and $0.3 million as of June 30, 2023 and 2022, respectively, relate to subscription-based information technology arrangements in which the Agency is using a third party software in areas such as payroll processing and financial reporting. In accordance with GASB No. 96, the subscription asset value is comprised of the initial subscription liability amount, payments made before commencement of subscription term and capitalizable implementation costs, less any incentives received from the vendor. The increase of $0.2 million from 2022 to 2023 is mainly related to new subscription assets entered into during the fiscal year offset by amortization expense during the fiscal year. See Note 11 to the financial statements for more information on subscription assets.

Capital assets mainly relate to land, infrastructure and improvements and equipment assets for Agency operations in Devens and Boston, MA. The increase of $11.4 million from 2022 to 2023 was mainly due to the combination of increased additions to the Devens Water Utility Division offset by $6.7 million of depreciation expense during the fiscal year. See Note 9 to the financial statements for more information on capital assets.

Liabilities

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

Current liabilities increased $17.9 million from 2022 to 2023 mainly due to increased shorter term deferred advances received from the Commonwealth for future grant awards or capital projects which was a shift from noncurrent liabilities and increased accruals at June 30, 2023.

Noncurrent liabilities remained consistent from 2022 to 2023 mainly due to the combination of new loan advances related to new water treatment plants at Devens and decreased longer term deferred advances received from the Commonwealth for future grant awards or capital projects which was a shift to current liabilities.

Devens Electric System Utility Bond

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

	2023	2022
Devens Electric System Utility Bonds	$ 4,135,000	$ 4,620,000

Bonds payable decreased $0.5 million from 2022 to 2023 due to a principal payment for the Devens Electric System Utility bonds during the fiscal year.

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

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

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

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

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

	2023	2022
Massachusetts Department of Environmental Protection-wastewater	$ 5,580,528	$ 6,198,069
Premium	1,388	2,578
Massachusetts Department of Environmental Protection-water	19,829,763	4,855,759
	$ 25,411,679	$ 11,056,406

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

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2023 and 2022, the necessary debt service coverage was met.

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

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

Lease Liability
Lease liability consists of leases in which the Agency is the lessee of office space or equipment. In accordance with GASB No. 87, the lease liability is measured at the present value of lease payments expected to be paid during the lease terms. As of June 30, 2023 and 2022, there was $3.2 million and $3.7 million, respectively, of lease liability. The decrease from 2022 to 2023 is mainly due to payments on leases, offset by additions for new leases during the fiscal year. See Note 10 to the financial statements for more information on lease liability.

SBITA Liability
SBITA liability consists of subscription-based information technology arrangements in which the Agency is using a third party software in areas such as payroll processing and financial reporting. In accordance with GASB No. 96, the lease liability is measured at the present value of subscription payments expected to be paid during the subscription term. As of June 30, 2023 and 2022, there was $0.4 million and $0.3 million, respectively, of subscription liability. The increase from 2022 to 2023 is mainly due to payments on subscriptions, offset by additions for new subscriptions during the fiscal year. See Note 11 to the financial statements for more information on SBITA liability.

Deferred Inflows of Resources

In accordance with GASB No. 87, the Agency reported $4.4 million and $10.2 million deferred inflows of resources as of June 30, 2023 and 2022, respectively. This represents the deferral of expected future receipts related to lease receivables. The decrease from 2022 to 2023 is mainly related to the termination of the leases for the Springfield, MA building as it was sold during the fiscal year.

Net Position

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

	2023	As Restated 2022
Net investment in capital assets	$ 65,851,071	$ 78,709,236
Restricted	211,101,968	183,615,589
Unrestricted	151,179,172	159,396,034
	$ 428,132,211	$ 421,720,859

Net position increased by $6.4 million from 2022 to 2023 mainly due to a combination of a $15.9 million operating loss and $39.8 million of grant award disbursements, offset by a $49.5 million contribution from the Commonwealth, $2.2 million in capital grant revenue and $10.6 million of investment income.

Revenues and Expenses

	2023	As Restated 2022
Operating revenues	$ 74,836,018	$ 66,818,326
Operating expenses	(90,779,873)	(78,069,566)
Operating loss	(15,943,855)	(11,251,240)
Nonoperating revenues (expenses), net	10,423,325	(2,666,735)
Capital contributions, net	11,931,882	10,497,644
Increase (decrease) in net position	$ 6,411,352	$ (3,420,331)

Operating Revenues

	2023	2022
Devens operating revenue	$ 54,232,541	$ 44,721,232
Interest and other loan income	5,740,625	5,904,593
Interest income - leased assets	252,990	431,038
Bond issuance and New Markets Tax Credit fees	9,848,996	7,048,993
Lease income	1,629,242	3,384,295
Other	2,063,559	1,713,053
Gain on share of joint ventures	-	379,947
Gain on sale of real estate, net	1,068,065	3,235,175
	$ 74,836,018	$ 66,818,326

Operating revenues increased by $8.0 million from 2022 to 2023 mainly due to increases of $9.5 million in Devens operating revenue and $2.8 million in bond issuance and New Markets Tax Credit fees, offset by decreases of $1.8 million in lease income and $2.2 million in gain on sale of real estate, net.

Devens operating revenue, which includes utility income and real estate taxes, is an important component of the Agency's operating revenue. The Agency owns the utility systems at Devens and provides electricity, natural gas, water and sewer services to the Devens community. The utility staff works in conjunction with operations and maintenance contractors to maintain, upgrade and expand the utility systems. The current systems consist of five transmission substations, approximately 73 miles of distribution power lines, three miles of transmission power lines, three active drinking water wells and pumping stations, approximately 50 miles of water line, 32 miles of natural gas pipeline, a wastewater treatment facility, six sewer lift stations and 50 miles of sewer. Devens operating revenue increased by $9.5 million from 2022 to 2023 mainly due to increased real estate tax revenue due to new growth and increased assessed values and increased electric income due to increased rates.

Interest and other loan income represents income related to outstanding loans issued by the Agency. The amount decreased slightly from 2022 to 2023.

Interest income-leased assets represents interest earned on outstanding lease receivable. In accordance with GASB No. 87, a portion of lease payment received is recognized as interest income as future lease payments to be received are discounted using an implicit borrowing rate. The decrease of $0.2 million from 2022 to 2023 is due to the termination of leases at the Springfield, MA property due to the sale of the building during the fiscal year.

Bond issuance fees and NMTC fees represent revenue generated by the Agency as a conduit issuer of taxable and tax-exempt bonds or fees related to the allocation of federal NMTCs. The increase of $2.8 million from 2022 to 2023 mainly consists of increased bond issuance fees due to increased bond financing amounts for housing entities in fiscal year 2023.

Lease income represents revenue generated by tenant leases in Devens, Greenfield and Springfield, MA. The decrease from 2022 to 2023 was mainly due to the end of lease revenue at the Springfield, MA property due to the sale of the building during the fiscal year.

Other operating income mainly consists of real estate advisory service fees and other miscellaneous operating revenues. The amounts were consistent from 2022 to 2023.

The gain on share of other investments represents the Agency's share of operating gains on the Agency's other investments. The gain on share of other investments in 2022 was mainly related to a gain on the Commonwealth Fund III LLC investment for the fiscal year. There was a loss on share of other investments in fiscal year 2023.

The gain on sale of real estate, net of $1.1 million in fiscal year 2023, was mainly due to a combination of a $2.2 million gain on sale for the Springfield, MA building sold during the fiscal year and the recognition of a $0.8 million gain on sale of a Devens property sold in a previous fiscal year for which the recognition of the sale had been deferred due to repurchase and future commitment agreements. There was also a loss on sale of $1.6 million related to the sale of the Worcester, MA building during the fiscal year.

The gain on sale of real estate, net of $3.2 million in fiscal year 2022, was due to the recognition of gains on sale of properties sold in previous fiscal years for which the recognition of the sales had been deferred due to repurchase and future commitment agreements.

Operating Expenses

	2023	As Restated 2022
Salaries and related employee expenses	$ 24,888,946	$ 22,447,747
Property, maintenance and utilities	37,543,050	35,019,498
General and administrative	4,092,293	2,785,843
Project and professional expenses	11,558,849	7,015,314
Provision for loan loss	3,839,165	1,838,959
Provision for Predevelopment and Brownfield receivables	(18,880)	295,714
Loss on share of joint ventures	436,347	-
Loss on lease termination	259,952	-
Depreciation - capital assets	6,662,267	7,230,345
Amortization -right to use leased assets	1,288,234	1,302,052
Amortization - right to use subscription assets	229,650	134,094
	$ 90,779,873	$ 78,069,566

Operating expenses increased by $12.7 million from 2022 to 2023 mainly due to the combination of increased salary and related employee expenses, property, maintenance and utilities expenses, project and professional expenses and provision for loan loss.

Salaries and related employee expenses increased $2.4 million from 2022 to 2023 due to increased headcount due to the expansion of the Transformative Development Initiative Program, cost of living adjustments and increased health insurance costs.

Property, maintenance and utilities expenses increased by $2.5 million from 2022 to 2023. The increase was mainly due to increased electric utility purchases due to increased power supply cost during the fiscal year.

General and administrative expenses increased $1.3 million from 2022 to 2023 mainly due to increased tax abate reserves, bad debt expense, training, sponsorships and rent expense.

Project and professional project expenses increased by $4.5 million from 2022 to 2023 mainly due to increased project expenses for site readiness, New Bedford State Pier and Belchertown during the fiscal year.

Provision for loan loss represents the expense necessary to maintain an adequate allowance for loan losses. The provision increased in fiscal year 2023 due to increased loan disbursements for the General Operations Program and the Emerging Technology Program.

Provision for Predevelopment and Brownfield receivables represents the allowance necessary to absorb probable losses of existing awards that are expected to become uncollectible. The provision decreased by $0.3 million from 2022 to 2023 due to fewer disbursements and more repayments during the fiscal year.

The loss on share of other investments represents the Agency's share of operating losses on the Agency's other investments. The loss on share of other investments in 2023 was mainly related to losses on the Commonwealth Fund III LLC and Commonwealth Fund IV LLC investments for the fiscal year. There was a gain on share of other investments in fiscal year 2022.

Depreciation-capital assets decreased $0.6 million from 2022 to 2023 mainly related to less depreciation for the Springfield, MA building due to the sale of the building during the fiscal year.

Amortization-right to use leased assets and amortization-right to use subscription assets were consistent from 2022 to 2023.

Non-operating Revenues (Expenses)

	2023	As Restated 2022
Investment income	$ 10,624,390	$ (2,264,782)
Contract assistance	351,419	362,626
Interest expense	(364,085)	(471,058)
Interest expense - right to use leased assets	(142,334)	(152,038)
Interest expense - right to use subscription assets	(17,592)	(11,910)
Financing costs and amortization of bond discount, net	(28,473)	(129,573)
	$ 10,423,325	$ (2,666,735)

Non-operating revenues (expenses) consist mainly of investment income, contract assistance, interest expense, financing costs and other. The increase of $13.1 million from 2022 to 2023 is mainly related to increased investment income.

Investment income increased $12.9 million from 2022 to 2023 mainly due to increased average investment balances and increased interest rates for the fiscal year. There were also unrealized gains on investments during fiscal year 2023, whereas, there were unrealized losses on investment during fiscal year 2022.

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

Interest expense of $0.4 million and $0.5 million was recognized in 2023 and 2022, respectively. Interest expense includes interest for the Electric System Utility bonds issued for the acquisition of the electric transmission and distribution facility at Devens and the MCWT loan for the construction of the wastewater treatment facility at Devens.

Interest expense-leased assets of $0.1 million and $0.2 million was recognized in 2023 and 2022, respectively. Interest expense-leased assets includes interest paid for leases in which the Agency is the lessee for office space or equipment.

Interest expenses-subscription assets includes interest paid for subscription based information technology agreements for which the Agency is using a third party software.

Financing costs and amortization of bond discount, net represents the costs associated with the refinancing of the Electric System Utility bonds during the fiscal year and amortization of the discount for the Electric System Utility bonds over the term of the related bonds. The Electric System Utility bond was refinanced during fiscal year 2022 and the remaining bond discount was fully amortized. See Note 13 to the financial statements for more information on bonds payable and the refinancing.

Capital Contributions (Distributions)

	2023	As Restated 2022
Contributions from the Commonwealth of Massachusetts	$ 49,489,911	$ 34,541,421
Capital grant revenue	2,209,338	2,443,599
Predevelopment and Brownfield awards	(3,267,265)	(2,210,728)
Cultural Facilities grant awards	(9,603,471)	(8,156,509)
Military Bond Bill grant awards	(301,000)	(3,822,662)
Underutilized Properties grant awards	(9,022,475)	(1,229,236)
Transformative Development Initiative grant awards	(5,223,657)	(1,675,942)
Transportation Infrastructure Enhancement Trust grant awards	(5,608,766)	(57,397)
Innovation Voucher grant awards	(2,025,150)	(1,623,063)
Community Innovation Infrastructure grant awards	(725,178)	(994,300)
Other grant awards	(3,990,405)	(6,717,539)
	$ 11,931,882	$ 10,497,644

Capital contributions increased $1.4 million from 2022 to 2023 mainly due to the combination of increased recognition of contributions from the Commonwealth, offset by increased grant awards during the fiscal year.

Contributions from the Commonwealth of $49.5 million and $34.5 million, were recognized in fiscal years 2023 and 2022, respectively. The fiscal year 2023 amounts mainly include $10.3 million for the Cultural Facilities Program, $9.4 million for the Underutilized Properties Program, $8.9 million for the State Small Business Credit Initiative Program, and $5.4 million for the Transportation Infrastructure

Enhancement Trust Program. The fiscal year 2022 amounts mainly include $9.0 million for the Cultural Facilities Program, $12.6 million for the General Fund Program, $3.8 million for the Military Bond Bill Program, $1.9 million for the Site Readiness Program and $1.7 million for the Underutilized Properties Program.

Capital grant revenue of approximately $2.2 million and $2.4 million was recognized in fiscal years 2023 and 2022, respectively. The fiscal year 2023 amount was mainly related to $2.0 million for the Transformative Development Initiative program to assist with redevelopment of Gateway cities. The fiscal year 2022 amount was mainly related to $0.7 million for the CARES Act Revolving Loan Fund program to help alleviate severe economic dislocation caused by the coronavirus pandemic, $0.7 million for the Transformative Development Initiative program to assist with redevelopment of Gateway cities and $0.7 million to assist with funding an outdoor event space in historic downtown Lowell, MA historic district.

The Agency disbursed $9.6 million and $8.2 million in fiscal years 2023 and 2022, respectively, to various recipients in support of acquisition, design, construction, repair, renovation, rehabilitation or capital improvements or deferred maintenance of a cultural facility.

The Agency disbursed $0.3 million and $3.8 million in fiscal years 2023 and 2022, respectively, to various recipients in support of military installation development projects across the Commonwealth.

The Agency disbursed $9.0 million and $1.2 million in fiscal years 2023 and 2022, respectively, to various recipients in support of projects that will improve, rehabilitate or redevelop blighted, abandoned, vacant or underutilized properties to achieve the public purposes of eliminating blight, increasing housing production, supporting economic development projects and increasing the number of commercial buildings accessible to persons with disabilities.

The Agency disbursed $5.2 million and $1.7 million in fiscal years 2023 and 2022, respectively, to various recipients in support of the redevelopment of Gateway cities in the Commonwealth.

The Agency disbursed $5.6 million in fiscal year 2023 to various recipients in support of providing financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development.

The Agency disbursed $2.0 million and $1.6 million in fiscal years 2023 and 2022, respectively, to various recipients in support of providing a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts.

The Agency disbursed $0.7 million and $1.0 million in fiscal years 2023 and 2022, respectively, to various recipients in support of providing grants to businesses to plan and study the feasibility of new collaborative workspaces, building improvements and equipment purchases.

The Agency disbursed $4.0 million and $6.7 million in fiscal years 2023 and 2022, respectively, to various recipients in support of various projects throughout the Commonwealth.

Requests for Information

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Net Position
June 30, 2023

Assets	
Current assets	
Cash and cash equivalents	$ 29,414,826
Cash and cash equivalents - restricted for use	163,544,203
Investments	11,300,695
Investments - restricted for use	79,535,579
Loans receivable, net	17,767,700
Lease receivable	324,189
Interest receivable	638,054
Accounts receivable and other assets (net of allowance of $681,398 at June 30, 2023)	8,796,765
Due from the Commonwealth of Massachusetts	2,364,808
Project escrow deposits	1,920,081
Assets held for sale	3,356,848
Total current assets	318,963,748
Noncurrent assets	
Cash and cash equivalents - restricted for capital use	9,630,044
Cash and cash equivalents - restricted for use	1,942,254
Investments	10,194,470
Investments - restricted for use	8,426,379
Other investments	7,536,190
Loans receivable (net of allowance of $16,533,306 at June 30, 2023)	100,736,369
Lease receivable	4,309,925
Predevelopment and Brownfield receivables (net of allowance of $9,518,301 at June 30, 2023)	327,775
Assets held for sale	1,872,743
Right to use leased assets, net of amortization	2,638,340
Right to use subscription assets, net of amortization	544,268
Capital assets, net	90,210,112
Total noncurrent assets	238,368,869
Total assets	$ 557,332,617
Liabilities, Deferred Inflows of Resources and Net Position	
Current liabilities	
Accounts payable and accrued expenses	$ 14,649,203
Current portion of bonds payable	490,000
Advances from the Commonwealth of Massachusetts	638,289
Lease liability	1,471,406
Subscription liability	170,370
Accrued interest payable	182,527
Project escrow payable	2,144,767
Deferred revenue and other liabilities	49,600,797
Total current liabilities	69,347,359
Noncurrent liabilities	
Bonds payable	3,645,000
Advances from the Commonwealth of Massachusetts	24,773,390
Lease liability	1,713,349
Subscription liability	225,799
Deferred revenue and other liabilities	25,107,140
Total noncurrent liabilities	55,464,678
Total liabilities	124,812,037
Deferred inflows of resources	
Leases deferred inflows of resources	4,388,369
Total deferred inflows of resources	4,388,369
Net position	
Net investment in capital assets	65,851,071
Restricted due to statutory, contractual or bond covenants	211,101,968
Unrestricted	151,179,172
Total net position	428,132,211
Total liabilities, deferred inflows of resources and net position	$ 557,332,617

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

Revenues	
Operating revenues	
Devens operating revenue	$ 54,232,541
Interest and other loan income	5,740,625
Interest income - leased assets	252,990
Bond issuance and New Markets Tax Credit fees	9,848,996
Lease income	1,629,242
Other	2,063,559
Gain on sale of real estate, net	1,068,065
Total operating revenues	74,836,018
Expenses	
Operating expenses	
Salaries and related employee expenses	24,888,946
Property, maintenance and utilities	37,543,050
General and administrative	4,092,293
Project and professional expenses	11,558,849
Provision for loan loss	3,839,165
Provision for Predevelopment and Brownfield receivables	(18,880)
Loss on share of other investments	436,347
Loss on lease termination	259,952
Depreciation - capital assets	6,662,267
Amortization - right ot use leased assets	1,288,234
Amortization - right to use subscription assets	229,650
Total operating expenses	90,779,873
Operating loss	(15,943,855)
Nonoperating revenues (expenses)	
Investment income	10,624,390
Contract assistance	351,419
Interest expense	(364,085)
Interest expense - right to use leased assets	(142,334)
Interest expense - right to use subscription assets	(17,592)
Financing costs and amortization of bond discount, net	(28,473)
Nonoperating revenues (expenses), net	10,423,325
Loss before capital contributions (distributions)	(5,520,530)
Capital contributions (distributions)	
Contributions from the Commonwealth of Massachusetts	49,489,911
Capital grant revenue	2,209,338
Predevelopment and Brownfield grant awards	(3,267,265)
Cultural Facilities grant awards	(9,603,471)
Military Bond Bill grant awards	(301,000)
Underutilized Properties grant awards	(9,022,475)
Transformative Development Initiative grant awards	(5,223,657)
Transportation Infrastructure Enhancement Trust grant awards	(5,608,766)
Innovation Voucher grant awards	(2,025,150)
Community Innovation Infrastructure grant awards	(725,178)
Other capital grant awards	(3,990,405)
Total capital contributions net	11,931,882
Increase in net position	6,411,352
Net position	
Net position - beginning of year-restated	421,720,859
Net position - end of year	$ 428,132,211

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities		
Receipts from Devens operating income	$	54,022,129
Receipts from bond issuance fees		9,893,943
Receipts from other operating income		2,061,476
Receipts from other lease income		836,559
Payment of salaries and related employees expenses		(25,313,769)
Payment of property, maintenance and utilities expenses		(36,826,205)
Payment of general and administration expenses		(3,602,238)
Payment of project and professional expenses		(9,380,471)
Project escrows, draws		378,883
Project escrows, deposits		(378,450)
Net cash used in operating activities		(8,308,143)
Cash flows from capital and related financing activities		
Acquisition of capital assets		(21,077,944)
Principal payments on debt obligations		(960,725)
Principal advances on debt obligations		14,974,004
Payment of financing costs		(28,473)
Proceeds from sale of capital assets		13,401,857
Receipts from capital grants		2,373,044
Payment of Predevelopment and Brownfield grant awards		(3,257,888)
Payment of Cultural Facilities grant awards		(9,853,530)
Payment of Military Bond Bill grant awards		(550,255)
Payment of Transformative Development Initiative grant awards		(5,024,784)
Payment of Transportation Infrastructure Enhancement Trust grant awards		(5,588,766)
Payment of Innovation Voucher grant awards		(2,025,150)
Payment of Community Innovation Infrastructure grant awards		(730,786)
Payment of other capital grants		(3,289,463)
Payment of Underutilized Property grant awards		(8,595,004)
Receipts of contributions from the Commonwealth of Massachusetts		50,221,172
Receipts from lease income		742,475
Receipts from interest on leases		271,134
Payments on lease liability		(1,459,029)
Payments on lease accrued interest payable		(141,402)
Payments on subscription liability		(265,537)
Payments on right to use subscription asset accrued interest payable		(12,433)
Payment of interest		(164,222)
Net cash provided by capital and related financing activities		18,958,295
Cash flows from investing activities		
Purchases of investments		(66,243,448)
Sales of investments		78,826,866
Purchases of other investments		(1,560,539)
Distributions from other investments		2,361
Disbursements of loans		(31,829,012)
Collections and recoveries of loans		12,013,756
Receipts from interest on loans		5,628,009
Payment of Predevelopment and Brownfield receivables		118,505
Advance of Predevelopment and Brownfield receivables		(21,492)
Receipts of investment income		8,013,163
Net cash used in investing activities		4,948,169
Net increase in cash and cash equivalents		15,598,321
Cash and cash equivalents at beginning of year-restated		188,933,006
Cash and cash equivalents at end of year	$	204,531,327
Supplemental disclosure of noncash activity:		
Contract assistance	$	351,419
Contributions from the Commonwealth of Massachusetts		1,416,107
Capital grant revenue		300,000
Interest expense		209,601
Grant awards		(2,133,670)
Unrealized gain on investments		2,520,548
Capital additions included in accounts payable and accrued expenses		(182,020)

(continued)

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities	
Operating loss	$ (15,943,855)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Bad debt	264,012
Lease income	(827,561)
Interest income-leases	(271,134)
Interest and other loan income	(5,628,009)
Depreciation and amortization	8,180,151
Gain on sale of real estate, net	(1,068,065)
Provision for loan loss	3,839,165
Provision for Predevelopment and Brownfield receivables	(18,880)
Loss on lease termination	259,952
Gain on share of other investments	436,347
Changes in assets and liabilities:	
Project escrows assets	378,883
Interest receivable	(49,209)
Accounts receivable and other assets	(625,495)
Accounts payable and accrued expenses	3,086,231
Project escrow payable	(378,450)
Other liabilities	57,774
Total adjustments	7,635,712
Net cash used in operating activities	$ (8,308,143)

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Fiduciary Net Position
June 30, 2023

	Investment Trust Fund *	Private Purpose Trust Funds
Assets		
Cash and cash equivalents	$ 94,216	$ 441,887
Investments	55,110,898	8,856,730
Interest receivable	392,915	-
Prepaid expenses	5,971	-
Total assets	55,604,000	9,298,617
Liabilities		
Investment advisory fees	23,432	-
Admistration fees	15,564	-
Professional fees	29,300	4,032
Other accrued expenses	11,439	-
Total liabilities	79,735	4,032
Net position restricted for participants	$ 55,524,265	$ 9,294,585

* Investment Trust Fund stated as of December 31, 2022

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Investment Trust Fund *	Private Purpose Trust Funds
Additions		
Investment income	$ 3,474,421	$ 672,345
Deductions		
Investment advisory fees	267,795	-
Administration fees	176,369	-
Salary and related employee expense	-	54,543
Professional fees	28,733	42,126
Grant expenses	-	150,786
Other expenses	6,490	-
Total	479,387	247,455
Net increase before share transactions	2,995,034	424,890
Net share transactions	(117,152,619)	-
Net increase (decrease) in net position	(114,157,585)	424,890
Net restricted position - beginning of year-restated	169,681,850	8,869,695
Net restricted position - end of year	$ 55,524,265	$ 9,294,585

* Investment Trust Fund stated as of December 31, 2022

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

1. Authorizing Legislation

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

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

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

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

Taunton Development MassDevelopment Corporation
In January 2012, the Agency, in partnership with Taunton Development Corporation, purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consists of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation called Taunton Development MassDevelopment Corporation (TDMDC) was formed to own and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. Grants have been provided by the Commonwealth through MassWorks and by the United States Department of Commerce Economic Development Administration. TDMDC is included in the financial statements of the Agency as the majority of the TDMDC board members are executives of the Agency. The Agency also provides consultant services related to the redevelopment of the property and financial services for TDMDC. The net position of TDMDC was approximately $9.5 million as of June 30, 2023. TDMDC does not issue stand-alone financial statements.

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

STAR Fund
The Massachusetts Development Finance Agency Short-Term Asset Reserve Fund (formerly known as HEFA Short-Term Asset Reserve Fund) (STAR Fund) was established on July 16, 1991 under the laws of the Commonwealth, Chapter 614, of the Acts of 1968, to make available comprehensive investment management of proceeds of bonds and other obligations issued by HEFA on behalf of its institutional borrowers. The STAR Fund is a short-term money market portfolio which seeks to preserve principal and maintain liquidity. Pursuant to Chapter 240 of the Acts of 2010 of the Commonwealth, HEFA was merged into the Agency effective October 1, 2010. All rights, powers, duties and properties of HEFA related to the STAR Fund transferred to the Agency as of this date and the name was changed. The Agency is the administrator of the STAR Fund. Pursuant to the provisions of GASB No. 84, *Fiduciary Activities*, the STAR Fund qualifies as a fiduciary component unit of the Agency. As a result, the assets and corresponding net position of the STAR Fund are accounted for as a fiduciary activity as of December 31, 2022 and included in the statement of fiduciary net position and statement of changes in fiduciary net position as of June 30, 2023. The STAR Fund reports on a December 31 year end. If the STAR Fund were to terminate, all remaining funds would be due back to the participants in the STAR Fund. A copy of the financial statements of the STAR Fund can be obtained from the Office of the Chief Financial Officer, Massachusetts Development Finance Agency, 99 High Street, 11th floor, Boston, MA 02110.

MassDevelopment/HEFA Trust (Trust)
The Trust was established on July 8, 1997 as an irrevocable trust. The Trust's net position is subject to restrictions regarding its use. The Trust is authorized to make payments to charitable organizations or governmental entities, such as public colleges and universities, to assist in the form of gifts, grants and loans. The General Operations Program may be eligible to receive the income and up to 10% of the principal from the Trust at the trustees' direction. All payments to the General Operations Program shall be used by the Agency only to reduce charges it would otherwise have to impose upon institutions using the Agency's services, and all payments to charitable institutions or governmental entities must be for their charitable and governmental purposes, respectively. Pursuant to the provisions of GASB No. 84, *Fiduciary Activities*, the Trust qualifies as a fiduciary component unit of the Agency. As a result, the assets and corresponding net position of the Trust are accounted for as a fiduciary activity and included in the statement of fiduciary net position and statement of changes in fiduciary net position as of June 30, 2023.

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

2. Significant Accounting Policies

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

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

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

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

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

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

  Nonexpendable – Net position subject to externally imposed stipulations such that the Agency maintains them permanently. For the year ended June 30, 2023, the Agency did not have any nonexpendable restricted net position.

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

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

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

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

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

Investments

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

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

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

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

Loans Receivable and Predevelopment and Brownfield Receivables, net

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

These loans receivable are stated at principal amount outstanding, net of a provision for loan loss. Loans are charged against the provision for loan loss when the Agency believes the collectability of the principal is unlikely. The provision for loan loss is an amount that the Agency believes will be adequate to absorb possible loan losses of existing loans that may become uncollectible. The loans receivable allowance was $16,533,306 and the predevelopment and Brownfield Receivables allowance was $9,518,301 as of June 30, 2023.

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

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

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

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

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

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

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

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

Impairment Loss on Other Investments
Management analyzes its other investments to determine whether the amounts are considered to be permanently impaired based upon its best estimates of the cash flows from the investment. If a permanent impairment in carrying value exists, a provision to write down the investment to the estimated cash flows realizable from the investment will be recorded in the Agency's financial statements. There were no impairment losses recognized in fiscal year 2023.

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

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

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

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

Due From the Commonwealth
Due from the Commonwealth represents amounts owed from the Commonwealth as of June 30, 2023, totaling $2,364,808. The balance due from the Commonwealth mainly represents reimbursements due to the Agency for grant or project expenses incurred during the fiscal year.

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

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements
The Agency has subscription-based information technology arrangements (SBITA) in which the Agency is using a third party software for such things as payroll processing and financial reporting. For SBITAs with a maximum possible term of 12 months or less at commencement, the Agency recognizes expense based on the subscription arrangement. For all other SBITAs (i.e. those that are not short-term), the Agency recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The Agency also uses a threshold for classification of a SBITA asset of $5,000.

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

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

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

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

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

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

Capital Assets, Net

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

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

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

Assets Held for Sale

Certain properties are redeveloped with the intent to ultimately sell the asset to a third-party. When such assets are substantially complete and ready for sale, the capitalized investment is reclassified to assets held for sale. Assets held for sale are recorded at the lower of cost or fair value.

Capital Asset Impairments
The Agency assesses the carrying value of property whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impaired capital assets that will no longer be used are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used are measured using the method that best reflects the diminished service utility of the capital asset. Impairment of capital assets with physical damage are measured using a restoration cost approach, an approach that uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. The Agency did not record any impairment charges as of June 30, 2023 as there were no indicators of impairment.

Accounts Payable and Accrued Expenses
The Agency accrues expenses on a monthly basis based on current contracts and invoices. The Agency accrues amounts for compensated absences as earned up to certain limitations which represent vacation amounts payable to employees upon termination of employment. The amount accrued for compensated absences as of June 30, 2023 was $635,197.

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

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

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

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

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

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

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

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

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

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

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

Provision for Loan Loss

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

Provision for Predevelopment and Brownfield Receivables, net

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

Subsequent Events

Management has evaluated subsequent events through March 18, 2024, the date of the financial statements were available for issuance, noting no additional material events to disclose other than the items noted below.

On October 3, 2023, the Agency issued the Devens Public Safety Facility Bonds totaling $15,000,000. The bond proceeds will be used to finance the construction of a public safety facility in Devens, MA. The interest rate on the bond is 5.04% and the maturity date is May 1, 2038.

New Accounting Pronouncements

Accounting Standards Effective in Current Year
During 2023, the Agency adopted GASB No. 91*, Conduit Debt Obligations.* The objective of this standard is to provide a single method of reporting conduit debt obligations by issuers. This standard became effective for reporting periods beginning after December 15, 2021. The Agency did not include the required information related to disclosing the aggregate outstanding principal amount of all conduit debt issuances that share the same type of commitments as of June 30, 2024 in the footnotes to the financial statements as required by the adoption. The Agency has not historically tracked this information, as the Agency does not itself, have any commitments related to conduit debt.

During 2023, the Agency adopted GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The objective of this standard is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This standard became effective for fiscal years beginning after June 15, 2022. The adoption of this standard did not have a significant effect on the Agency's financial statements.

During 2023, the Agency adopted GASB No. 96, *Subscription-Based Information Technology Arrangements.* The objective of this standard is to improve guidance on accounting and financial reporting for subscription-based information technology arrangements. This standard became effective for fiscal years beginning after June 15, 2022. The Agency restated its 2023 beginning balances to reflect the requirements of GASB No. 96 as of July 1, 2022. The adoption of GASB No. 96 increased right to use subscription assets, net, interest payable, subscription liability and net position by $275,624, $1,791, $252,479 and $21,354, respectively, as of June 30, 2022. Please also refer to Note 11.

New Accounting Standards Not Yet Effective
In April 2022, the GASB issued GASB No. 99, *Omnibus 2022.* The objective of this standard is to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature. There are varying effective dates based on the applicable requirements in the related GASB with the remaining provisions effective for fiscal years beginning after June 15, 2023. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

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

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

3. Programs of the Agency

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

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

The Agency invests funds in real estate developments in support of the development/redevelopment of blighted and/or surplus public properties within the Commonwealth. The Agency is actively involved in the development and/or ongoing operations of such properties in Devens, Northampton, Belchertown and Taunton, Massachusetts, and certain Massachusetts state piers. The Agency provides technical assistance to communities through various programs, including loans and consulting services. The Agency also devotes staff time toward defense sector work. Current defense sector projects include economic analysis of the importance of the Commonwealth's military installations and work on the Commonwealth's Military Asset and Security Strategy Task Force. Total Agency assets at risk due to outstanding General Operations guarantees, including unfunded commitments, aggregated approximately $5.2 million at June 30, 2023.

The net position of the General Operations Program was approximately $155.2 million as of June 30, 2023.

Devens Operations Program
The Devens Operations Program was established under Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of Devens, a former federal military base). With financial support from the Commonwealth, the Agency purchased the property and has been redeveloping Devens, a 4,400-acre mixed-use community located in Devens, MA, by creating a sustainable and diverse residential and business community. The Agency currently provides municipal services, education, environmental protection, redevelopment and property leasing services at Devens. The net position of the Devens Operations Program was approximately $59.8 million as of June 30, 2023.

Brownfield Redevelopment Program
Brownfield was established in 1998 as part of the Commonwealth's Brownfield Act to encourage reuse of environmentally contaminated property in economically distressed areas of the Commonwealth. This program is administered by the Agency and all cash balances related to this program must be invested according to an established Agency investment policy related to restricted funds. All related interest income must be utilized for the administration of the program. The Agency had approximately $1.4 million of gross Brownfield loans receivable with loan loss reserves of approximately $0.3 million for net Brownfield loans receivable of

approximately $1.1 million outstanding as of June 30, 2023. The Agency also issued approximately $3.3 million of grant awards during fiscal year 2023. As of June 30, 2023, approximately $10.1 million was available for disbursement. The restricted net position of this program was approximately $8.9 million as of June 30, 2023.

Emerging Technology Program
The ETP was established under Sections 27 and 28 of MGL Chapter 23G. ETP leverages private financing to provide capital for businesses, which develop or commercialize emerging technologies. The Agency had approximately $8.9 million of gross ETP loans receivable with loan loss reserves of approximately $3.4 million for net ETP loans receivable of approximately $5.5 million outstanding as of June 30, 2023.

As of June 30, 2023, the Agency had approximately $32.7 million available for disbursement. The restricted net position of this program was approximately $49.3 million as of June 30, 2023.

Total Agency assets at risk due to outstanding ETP guarantees, including unfunded commitments, aggregated approximately $1.8 million at June 30, 2023.

The Agency has also committed an additional $10.0 million to equity investments in the Commonwealth Fund III LLC (Fund III) and Commonwealth Fund IV LLC (Fund IV) from the ETP. As of June 30, 2023, a total of $4.3 million had been contributed to Fund III and $1.6 million to Fund IV.

Cultural Facilities Program
The Cultural Facilities Program was established under Section 42 of the MGL Chapter 23G, effective July 13, 2006. The purpose of the Cultural Facilities Program is to make grants or loans for the acquisition, design, construction, repair, renovation, rehabilitation or other capital improvement or deferred maintenance of a cultural facility. All related interest income must be utilized for the administration of the program. New funds are given to the Agency on a reimbursement basis as grants are awarded. The Agency awarded approximately $9.6 million of grant awards during fiscal year 2023. As of June 30, 2023, approximately $6.3 million is on hand and available for disbursement. The Agency has $1.0 million due from the Commonwealth at June 30, 2023 for grant and administrative expense reimbursement for the fiscal year. The restricted net position of this program was approximately $3.2 million as of June 30, 2023.

Massachusetts Export Development Program
This program serves as a guarantee to lending institutions for their working capital loans to Massachusetts exporters. These funds are administered by the Agency and must be invested in securities issued by the Treasury of the United States Government or the Commonwealth. All related investment income must be utilized for the administration of this program. The Agency had designated approximately $3.4 million at June 30, 2023 for this program. Total Agency assets at risk due to Massachusetts Export Development Program guarantees outstanding, including commitments, aggregated approximately $3.1 million at June 30, 2023. The restricted net position of this program was approximately $2.9 million as of June 30, 2023. This program is included in the Other column in the other information on page 68.

Mortgage Insurance Program
The purpose of the MIP is to encourage private sector investment by guaranteeing a portion of bank loans or bond issues. Premium income received and other monies made available to the program are credited thereto. This premium income is amortized over the loan guarantee period. The approved leverage policy for this program is 1) for loans secured by first liens on real estate or equipment three times the cash balance in the program backing such guarantees and 2) for loans secured by second liens on capital assets or first liens on other business assets, no more than one and a half times the cash balance in the program backing such guarantees. The Agency had designated approximately $13.8 million at June 30, 2023 for the MIP which are considered restricted funds.

Total Agency assets at risk due to mortgage insurance in force, including commitments, under the Guaranteed Loan Program, aggregated approximately $9.9 million at June 30, 2023. The restricted net position of this program was approximately $13.4 million as of June 30, 2023. This program is included in the Other column in the other information on page 68.

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

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

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

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

As of June 30, 2023, approximately $36.2 million are available for loan guarantees. Total Agency assets at risk due to outstanding guarantees, including commitments, aggregated approximately $29.7 million at June 30, 2023. The restricted net position of this program was approximately $35.5 million as of June 30, 2023.

Devens Electric Utility Division
In February 2001, the Agency issued Electrical System Revenue Bonds, Series 2001 (Series 2001 Bonds) for the purpose of financing the design, construction, installation and associated costs of the electrical system at Devens, as part of its Devens operations. As required by Section 609 of the Master Trust Indenture by and between the Agency and the Trustee, the Agency accounts for all related revenues and expenditures associated with the electric utilities at Devens as a separate division within the Agency. Net position of the Devens Electric Utility Division was approximately $15.7 million as of June 30, 2023. See Note 18 Segment Reporting.

Devens Gas, Water and Wastewater Utility Divisions
Devens also provides natural gas, water and sewer services to the residents and businesses of Devens, MA, as part of its Devens operations. The utility divisions pursue programs aimed at increasing energy supply, reliability and efficiency while limiting costs. The Agency tracks each utility division as a separate and distinct program. The net position of these utility divisions was approximately $31.4 million as of June 30, 2023.

Military Bond Bill Capital Projects Program
MBB was established pursuant to MGL Chapter 6, Section 216. The purpose of this program is to establish a military asset and security task force and provides that the Agency oversee and implement military installations mission improvement and expansion projects or base realignment preparation and mitigation projects, including the acquisition, management and disposition of all or any portion of military installations, buildings and utility systems, equipment and personal property, as well as, acquire title to land, buildings and improvements that comprise all or any portion of military installations upon the transfer or disposition of any portion of the military installations by the federal government. During fiscal year 2023, MBB awarded grants totaling $301,000. The restricted net position of this program was $0 as of June 30, 2023. The MBB is included in the Other column in the other information on page 68.

Transformative Development Initiative Program
TDI was established pursuant to MGL Chapter 287, acts of 2014. The purpose of this program is to redevelop Gateway cities to enhance local public-private engagement and community identity; stimulate an improved quality of life for residents and spur increased investment and economic activity. As of June 30, 2023, approximately $26.4 million was available for disbursement. During fiscal year 2023, TDI awarded grants totaling $5.2 million and had $1.2 million worth of direct project expenses. The net position of this program was approximately $20.3 million as of June 30, 2023.

Transportation Infrastructure Enhancement Trust Program (TNC)
TNC was established pursuant to MGL Chapter 187, acts of 2016. The purpose of this program is to provide financial assistance to small businesses operating in the taxicab, livery or hackney industries to promote the adoption of new technologies and support workforce development. As of June 30, 2023, approximately $2.2 million was available for disbursement. During fiscal year 2023, TNC awarded grants totaling $5.6 million and had $0.0 million worth of direct project expenses. The net position of this program was approximately $0.4 million as of June 30, 2023. TNC is included in the Other column in the other information on page 68.

Innovation Voucher Program
The Innovation Voucher Program was established pursuant to MGL Chapter 75, acts of 2017. The purpose of this program is to provide a voucher program to small corporations and start-up companies for sharing the use of core facilities at the University of Massachusetts. As of June 30, 2023, approximately $1.9 million was available for disbursement. During fiscal year 2023, Innovation Voucher awarded grants totaling $2.0 million. The net position of this program was approximately $0.2 million as of June 30, 2023. Innovation Voucher is included in the other column in the other information on page 68.

Community Innovation Infrastructure Program (CIIP)
The CIIP was implemented through a collaboration between the Agency and the Executive Office of Housing and Economic Development to support the fit-out and feasibility work needed to grow collaborative workspaces. As of June 30, 2023, approximately $0.3 million was available for disbursement. During fiscal year 2023, CIIP awarded grants totaling $0.7 million. The net deficit of this program was approximately $0.2 million as of June 30, 2023. CIIP is included in the Other column in the other information on page 68.

Site Readiness Program
The Site Readiness Program aims to increase the Commonwealth's inventory of large, well-located, project ready sites; to accelerate private-sector investment in industrial and commercial projects; and to support the conversion of abandoned sites and obsolete facilities into clean, actively used, tax-generating properties. As of June 30, 2023, approximately $7.7 million was available for disbursement. During fiscal year 2023, the Site Readiness Program awarded grants totaling $0.7 million and had $3.7 million worth of direct project expenses. The net position of this program was approximately $5.0 million as of June 30, 2023.

Underutilized Properties Program (UPP)
The 2021 Economic Development Bill authorized $40.0 million for the UPP to be administered by the Agency for the purpose of funding projects that will improve, rehabilitate or redevelop blighted, abandoned, vacant or underutilized properties to achieve the public purposes of eliminating blight, increasing housing production, supporting economic development projects, increasing the number of commercial buildings accessible to persons with disabilities. The program focuses on funding capital improvements and code compliance projects, along with the design of these improvements. As of June 30, 2023, approximately $13.9 million was available for disbursement. During fiscal year 2023, the UPP awarded grants totaling $9.0 million. The net position of this program was approximately $0.6 million as of June 30, 2023. UPP is included in the Other column in the other information on page 68.

CARES Act Revolving Loan Program
In 2021, the Agency was awarded $3,043,469 from the U.S. Department of Commerce's Economic Development Administration to help alleviate severe economic dislocation caused by the coronavirus pandemic. The program was capitalized with $2,850,000 and $193,469 to defray the cost of administering the program. As of June 30, 2023, approximately $0.7 million was available for disbursement. The Agency had approximately $2.3 million of gross loans receivable with loan loss reserves of approximately $0.4 million for net loans receivable of approximately $1.9 million outstanding as of June 30, 2023. The net position of this program was approximately $2.6 million as of June 30, 2023.

State Small Business Credit Initiative Program (SSBCIP)
The SSBCIP was implemented through a collaboration between the Agency and the Executive Office of Housing and Economic Development to support business investment with a particular focus on socially or economically disadvantaged individuals. SSBCIP loans and guarantees can offer extremely flexible terms where necessary to make projects happen. All SSBCIP projects must also have a loan from a private lender with exposure equal to or greater than the amount provided by SSBCIP. During fiscal year 2023, the program was capitalized with $14,250,000 and $750,000 to defray the cost of administering the program. As of June 30, 2023, approximately $15.1 million was available for disbursement. The Agency had approximately $159,175 of gross loans receivable with loan loss reserves of $9,551 for net loans receivable of $149,625 outstanding as of June 30, 2023. Total Agency assets at risk due to SSBCIP guarantees outstanding, including commitments, aggregated approximately $1.9 million at June 30, 2023. The net position of this program was approximately $9.1 million as of June 30, 2023.

Bond Issuance Program
The Bond Issuance Program allows the Agency to offer debt financing by acting as a conduit bond issuer, usually on a tax-exempt basis, for diverse types of borrowers including but not limited to colleges, hospitals and other non-profits, affordable rental housing developments, manufacturing companies, solid waste disposal facilities and public infrastructure. The Agency's conduit bonds are purchased by banks or other types of investors. Principal and interest on the conduit bonds are payable from funds received from the underlying borrowers. Bonds may or may not carry private credit enhancement and are not obligations of the Agency, although in some cases a separate loan guarantee may have been provided by the Agency to a bank purchaser from one of the Agency's Loan Guarantee programs. The Agency has no commitments related to the bond issuance program once the bonds close.

4. Cash, Cash Equivalents and Investments

The following summarizes the cash and cash equivalents of the Agency and identifies certain types of investment risk as defined by GASB No. 40, *Deposit and Investment Risk Disclosures,* at June 30, 2023 (excluding fiduciary funds):

	Carrying Amount
Cash deposits	$ 204,531,327

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

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

Depository Accounts

Insured	$ 46,659,330
Uninsured	14,450,597
	$ 61,109,927

At June 30, 2023, investments of approximately $75.7 million were designated for purposes such as specific loan, guarantee or grant programs and are included in investments in the statement of net position.

At June 30, 2023, current investments included approximately $79.5 million of restricted investments. Noncurrent restricted investments were approximately $8.4 million as of June 30, 2023.

The Agency invests some of its funds in the STAR Fund. The STAR Fund is designed to comply with all Massachusetts statutes and regulations for the allowable investment of funds by the Agency. The Agency's STAR Fund holdings as of June 30, 2023 were approximately $143.4 million.

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation input 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 which include quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or using other inputs such as interest rate and yield curves at commonly quoted intervals, implied volatilities and credit spreads or market-corroborated inputs,
- Level 3 inputs are significant unobservable inputs.

As of June 30, 2023, the Agency's investments by maturity are summarized as follows:

	Level and Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1 to 5 *	More Than 5	Level Inputs (1, 2, 3)
U.S. Treasury bonds	$ 16,395,391	$ 8,112,321	$ 8,283,070	$ -	1
Federal agency bonds/notes	15,066,408	15,066,408	-	-	2
Commercial paper	10,387,178	10,244,805	142,373	-	2
Certificates of deposit	5,780,181	5,780,181	-	-	2
Asset backed securities	6,508,967	62,189	6,446,778	-	2
U.S. Bank First American money market fund	51,570,371	51,570,371	-	-	2
Guaranteed investment contracts	291,485	-	-	291,485	N/A
Stock warrants	776,000	-	-	776,000	3
Common stock	2,681,142	-	-	2,681,142	3
	$ 109,457,123	$ 90,836,275	$ 14,872,221	$ 3,748,627	

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

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

As of June 30, 2023, the Agency's investments by quality rating (S&P or Moody's) are summarized as follows:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated *
U.S. Treasury bonds	$ 16,395,391	$ -	$ 16,395,391	$ -	$ -
Federal agency bonds/notes	15,066,408	-	10,045,246	5,021,162	-
Commercial paper	10,387,178	-	-	10,244,805	142,373
Certificates of deposit	5,780,181	-	-	5,780,181	-
Asset backed securities	6,508,967	6,508,967	-	-	-
U.S. Bank First American money market fund	51,570,371	51,570,371	-	-	-
Guaranteed investment contracts	291,485	-	-	291,485	-
Stock warrants	776,000	-	-	-	776,000
Common stock	2,681,142	-	-	-	2,681,142
	$ 109,457,123	$ 58,079,338	$ 26,440,637	$ 21,337,633	$ 3,599,515

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

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

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

As of June 30, 2023, the Agency had the following derivative instruments outstanding which are included in noncurrent investments:

Type	Effective Date	Maturity Date	Terms	Valuation Technique	Fair Value
Series B Warrants	6/30/2017	6/30/2027	35,616 shares with exercise price of $3.65	Market Comparable Method	$ 140,000
Series Seed Warrants	6/30/2020	6/30/2030	391,461 shares with exercise price of $0.374	Contingent Claims Analysis	-
Class D Warrants	4/8/2021	4/8/2031	10,227 shares with exercise price of $11.00	Comparable Company Analysis	-
Series Seed Warrants	12/5/2019	12/5/2029	56,471 shares with exercise price of $0.85	Comparable Company Analysis	1,500
Series Seed Warrants	3/2/2023	3/2/2033	1,283,333 shares with exercise price of $0.068	Contingent Claims Analysis	15,000
Series B-1 Warrants	2/1/2019	2/1/2029	19,930 shares with exercise price of $0.81	Contingent Claims Analysis	494,000
Series A-2 Warrants	5/31/2019	5/31/2029	681,368 shares with exercise price of $0.30	Comparable Company Analysis & Last Round of Financing Analysis	23,000
Series AD-1 Warrants	3/18/2021	4/9/2031	85,607 shares with exercise price of $0.8761	Market Comparable Method	4,500
Series A-1 Warrants	2/22/2017	2/22/2027	128,458 shares with exercise price of $1.265	Comparable Company Analysis	6,000
Class A Warrants	8/30/2019	8/30/2029	106,250 shares with exercise price of $0.80	Black-Scholes	40,000
Series A3 Warrants	5/11/2018	5/11/2028	32,420 shares with exercise price of $3.47	Comparable Company Analysis & Last Round of Financing Analysis	31,000
Class A Warrants	3/20/2020	3/20/2030	57,692 shares with exercise price of $1.30	Black-Scholes	2,000
Series Seed Warrants	8/18/2014	8/18/2024	93,333 shares with exercise price of $0.45	Market Comparable Method	-
Series B Warrants	7/1/2021	6/15/2026	240,000 shares with exercise price of $0.70	Market Comparable Method	19,000
				Total	$ 776,000

Custodial Credit Risk-Deposits

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

Interest Rate Risk

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

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

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is assumed to arise when the amount of cash and investments that the Agency has with any one issuer exceeds 5% of the total value of the Agency's investments. As of June 30, 2023, there no cash, cash equivalents and investments held in any one issuer over 5% of the total value of the Agency's investments.

Foreign Currency Risk

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

Trust Investment Risks

As outlined in the Trust's investment policy, the main objective of the Trust is to achieve long-term growth of assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the Trust's current and long-term spending policies.

As of June 30, 2023, the Trust's investments by maturity are summarized as follows:

Level and Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1	1 to 5	More Than 5	Level Inputs (1, 2, 3)
Exchange traded fund-bond	$ 697,953	$ -	$ -	$ 697,953	2
Exchange traded fund-equity	4,506,828	-	-	4,506,828	N/A
Mutual fund-bond	2,731,745	-	-	2,731,745	2
U.S. Bank First American money market fund	64,577	-	-	64,577	2
	$ 8,001,103	$ -	$ -	$ 8,001,103	

In addition, the Agency's mutual fund equity investments totaling $855,627 are level 2.

As of June 30, 2023, the Agency's investments by quality rating are summarized as follows:

		Quality Ratings	
Investment Type	Fair Value	AAA	Unrated
Exchange traded fund-bond	$ 697,953	$ -	$ 697,953
Exchange traded fund-equity	4,506,828	-	4,506,828
Mutual fund-bond	2,731,745	-	2,731,745
Mutual fund-equity	855,627	-	855,627
U.S. Bank First American money market fund	64,577	64,577	-
	$ 8,856,730	$ 64,577	$ 8,792,153

Custodial Credit Risk-Deposits
The Trust's policy is to only invest with reputable financial institutions.

Interest Rate and Credit Risk
The Trust manages its exposure to interest rate and credit risk by diversifying investments in order to minimize the impact of large losses from individual investments. The portfolio is constructed and maintained to provide diversification with regard to the concentration of holding in individual issues, issuers, countries, governments or industries.

Concentration of Credit Risk
Concentration of credit risk is assumed to arise when the amount of cash and investments that the Trust has with any one issuer exceeds 5% of the total value of the Trust's investments. As of June 30, 2023, the cash, cash equivalents and investments held in any one issuer over 5% of the total value of the Trust's investments included $3.9 million (44%) and $0.5 million (6%) invested in an exchange traded fund-equities and exchange traded fund-bonds.

STAR Fund Investment Risks

The following are risk disclosures of the STAR Fund as of December 31, 2022:

Credit Risk

The STAR Fund's investment policies, as outlined in its Information Statement, limit the STAR Fund's investments to those which investors in the STAR Fund can invest under the laws of the Commonwealth. As of December 31, 2022, the STAR Fund was comprised of investments which were, in aggregate, rated by Standard & Poor's (S&P) as follows:

S&P Rating	%
AAAm	5.15%
AA+	12.09%
A-1+	24.23%
A-1	40.66%
A	2.06%
Exempt [1]	15.81%

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

The ratings in the preceding chart include the ratings of collateral underlying repurchase agreements in effect as of December 31, 2022. Securities with a long-term rating of A or higher are equivalent to the highest short-term rating category based on S&P rating methodology.

Concentration of Credit Risk

As outlined in the STAR Fund's Information Statement, the STAR Fund's investment policy establishes certain restrictions on investments and limitations on portfolio composition. At December 31, 2022, the STAR Fund's portfolio included the following issuers, aggregated by affiliated issuers where applicable, which individually represented greater than 5% of the STAR Fund's total investment portfolio:

Issuer	%
BNP Paribas [1]	13.89%
BofA Securities Inc. [1]	10.55%
Federal Home Bank Notes	5.25%

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

Interest Rate Risk

The STAR Fund's investment policy limits its exposure to market value fluctuations due to changes in interest rates by requiring that: (1) it maintain a dollar-weighted average maturity of not greater than 60 days; (2) requiring that any investment securities purchased by the STAR Fund have remaining maturities of 397 days or less at the time of purchase (except for variable rate notes issued by the United States government or its agencies or instrumentalities, which must have remaining maturities of 762 days or less) and (3) limiting the remaining maturity of any commercial paper purchased by the STAR Fund to 270 days or less. At December 31, 2022, the weighted average maturity of the STAR Fund, including cash and cash equivalents and certificates of deposit, was 30 days.

The range of yields to maturity, actual maturity dates, principal values, fair values and weighted average maturities of these types of investments the STAR Fund held at December 31, 2022 are as follows:

Type of Deposits and Investments	Yield-to Maturity Range	Maturity Range		Fair Value	Weighted Average Maturity
Asset-Backed Commercial Paper	3.91%-5.18%	1/9/23-6/29/23	$	5,136,036	57 days
Certificates of Deposit-Negotiable	2.67%-5.33%	1/3/23-10/2/23		13,178,765	32 days
Commercial Paper	4.44%-5.43%	1/3/23-9/5/23		14,552,463	46 days
Corporate Notes	4.75%	3/1/23-9/28/23		1,137,734	39 days
Government Agency and Instrumentality Obligations:					
Agency Notes	4.33%	2/15/23		2,895,781	46 days
U.S. Treasury Notes	4.62%	1/15/23		2,191,444	15 days
Money Market Fund	4.14%-4.22%	N/A		2,835,164	7 days
Repurchase Agreements	4.00%-4.30%	1/3/23-2/2/23		13,183,511	5 days
			$	55,110,898	

The yields shown in the preceding table represent the yield-to-maturity at original cost except for adjustable rate instruments, for which the rate shown is the coupon rate in effect at December 31, 2022. The weighted average maturities shown in the preceding table are calculated based on the stated maturity dates with the following exceptions: (1) floating or variable rate securities are assumed to have an effective maturity of the date upon which the securities interest rate next resets; (2) the effective maturity of callable securities is assumed to be its stated maturity unless the security had been called as of the reporting date, in which case the effective maturity would be assumed to be its called date; (3) for instruments subject to demand features, the effective maturity is assumed to be the period remaining until the principal amount of the security may be recovered through the demand feature and (4) the effective maturity of money market instruments is assumed to be the date upon which the collection of redemption proceeds is due, typically seven days; and (5) the effective maturity of cash and cash equivalents is assumed to be one day.

The STAR Fund amounts above do not include the Agencies investments as those amounts are included in cash and cash equivalents in the statement of net position.

5. Other Investments

The Agency has a participating interest in 10 other investments, which are accounted for on the equity method of accounting. With this method, the Agency reports its proportional share of revenue or expense on the statements of revenues, expenses and changes in net position. Upon dissolution of the respective other investment, proceeds will be distributed according to the terms of the related agreements of each respective member.

The following is a summary of the Agency's other investments balance:

	June 30, 2022	Capital Contributions	Distributions	Share of Operating Income	June 30, 2023
Investment in Commonwealth Fund III	$ 6,402,103	$ -	$ -	$ (296,890)	$ 6,105,213
Investment in Commonwealth Fund IV	-	1,560,539	-	(139,640)	1,420,899
Investments in NMTC entities	12,256	-	(2,361)	183	10,078
	$ 6,414,359	$ 1,560,539	$ (2,361)	$ (436,347)	$ 7,536,190

The Agency is a 98% member in the Fund III and Fund IV. The managing member is Massachusetts Technology Development Corporation. The primary purpose of the funds are to invest in entities broadly related to the technology industry, such as robotics, instrumentation, telecom, computers, software, healthcare information technology and mobile applications. The Agency has committed $5.0 million to each fund investment from the ETP. As of June 30, 2023, $4,279,491 and $1,560,539 had been contributed to Fund III and Fund IV, respectively.

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

NMTC's have been made available to banks, corporations, partnerships and funds that invest in MDNM. The proceeds of their investments will be reinvested in business and commercial development in low-income census tracts. As of June 30, 2023 the Agency had investments in 8 such entities. See Note 19.

6. Loans Receivable

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

	June 30, 2022	Disbursements (Provisions, net)	(Collections)/ Write-offs	June 30, 2023
Loans receivable	$ 115,222,119	$ 31,829,012	$ (12,013,756)	$ 135,037,375
Less: allowance for loan loss	(12,694,141)	(3,839,165)	-	(16,533,306)
	$ 102,527,978	$ 27,989,847	$ (12,013,756)	$ 118,504,069

Most loans are collateralized by a first or shared first position in the underlying collateral. As of June 30, 2023, 1 loan totaling $4.0 million was collateralized by a second position in the underlying property. Also, as of June 30, 2023, 4 loans totaling $0.9 million are collateralized by third and fourth positions. As of June 30, 2023, two loans totaling $1.0 million were unsecured.

There were approximately $1.6 million net loans receivable that were considered nonaccrual loans as of June 30, 2023. All payments received from borrowers for nonaccrual loans are applied to the principal balance of the loan.

7. Interest Receivable

The following is a summary of the Agency's interest receivable balance at June 30, 2023:

Investment interest	$ 189,277
Loan interest	438,602
Lease interest	10,175
	$ 638,054

Interest receivable includes amounts earned but not received on both investments, loans and leases, net of an allowance for doubtful accounts. When the Agency believes the collectability of the interest is unlikely, a reserve against interest is charged as a component of the allowance for doubtful accounts. As of June 30, 2023 no allowance was deemed necessary.

8. Predevelopment and Brownfield Receivables

The following is a summary of the Agency's Predevelopment and Brownfield receivables as of June 30, 2023:

	June 30, 2022	Disbursements (Provision, net)	(Collections)/ Write-offs	June 30, 2023
Predevelopment and Brownfield receivables	$ 9,943,089	$ 21,492	$ (118,505)	$ 9,846,076
Less: accumulated provision	(9,537,181)	18,880	-	(9,518,301)
	$ 405,908	$ 40,372	$ (118,505)	$ 327,775

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

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

In addition to the advances noted above, the Agency awarded approximately $3.3 million of Predevelopment and Brownfield grant awards during fiscal year 2023 which are included in the statement of revenues, expenses and changes in net position.

9. Capital Assets

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

	June 30, 2022	Additions/ Transfers	Disposals/ Transfers	June 30, 2023
Capital:				
Land	$ 6,411,434	$ -	$ (1,228)	$ 6,410,206
Building	31,018,871	705,378	(153,441)	31,570,808
Buildings/land/tenant improvements	4,863,657	109,812	(5,200)	4,968,269
Infrastructure	145,337,629	714,378	(4,400)	146,047,607
Equipment	7,776,970	165,948	(33,217)	7,909,701
Office equipment	4,907,351	291,583	-	5,198,934
Construction in progress	15,178,965	16,192,402	(85,064)	31,286,303
Assets held for sale	15,766,037	2,801,491	(13,337,937)	5,229,591
Subtotal	231,260,914	20,980,992	(13,620,487)	238,621,419
Less: accumulated depreciation				
Building	(26,147,670)	(502,923)	150,430	(26,500,163)
Buildings/land/tenant improvements	(3,903,616)	(382,555)	(11,108)	(4,297,279)
Infrastructure	(95,770,038)	(5,177,646)	-	(100,947,684)
Equipment	(6,123,611)	(477,508)	33,217	(6,567,902)
Office equipment	(4,747,053)	(121,635)	-	(4,868,688)
	(136,691,988)	(6,662,267)	172,539	(143,181,716)
Total	$ 94,568,926	$ 14,318,725	$ (13,447,948)	$ 95,439,703

Devens
As of June 30, 2023, the Agency had cumulative net costs associated with the development of Devens, including utilities, of approximately $89.6 million, which are included in capital assets. The related depreciation expense for the year ended June 30, 2023 was approximately $6.5 million.

The Agency had one lot sale at Devens during fiscal year 2023. The lot sale was deferred and the gain on sale was reported as other liabilities at June 30, 2023 as the conditions in the repurchase clause had not been satisfied by year end. The sale resulted in gross sales proceeds of $809,710 and net gains of $723,709.

Springfield
The Agency had purchased a building at 1550 Main Street in Springfield, Massachusetts in September 2009 for a purchase price of $2.5 million. On November 1, 2022, the Agency sold this building. The sale resulted in gross sales proceeds of $6,000,000 and a net gain of $2,206,081.

Taunton
In January 2012, the Agency, in partnership with TDMDC, purchased from the Commonwealth the former Dever State School core campus in Taunton. The Agency has cumulative net redevelopment capital on the property of approximately $1.9 million as of June 30, 2023 which is included in assets held for sale.

The Agency had one lot sale at Taunton during fiscal year 2023. The sale resulted in gross sales proceeds of $7,125,000 and a net loss of $630,839.

Other
The Agency also had purchased property in Worcester, MA and Westfield, MA in prior years. The Agency sold the Worcester, MA property sale during fiscal year 2023 resulting in gross sales proceeds of $10 and a net loss of $1,575,357. The Westfield property, which had a carrying value of $677,893, was granted to the City of Westfield during the fiscal year.

10. Leases

The Agency as a Lessor:

In accordance with GASB No. 87, the Agency recognized a lease receivable and a deferred inflows of resources for leases the Agency deems applicable to GASB No. 87. As a lessor, the Agency leases office, commercial and retail space in Springfield and Devens, Massachusetts under long-term agreements at market rates with terms ranging from 1 to 40 years. Some leases are short-term leases or some leases include provisions for rent changes based on the consumer price index, resulting in additional variable lease revenues that are not included in the measurement of the lease receivables. The lease receivable is measured at incremental borrowing rates ranging from 3.5% to 7.25%. The Springfield building was sold during the fiscal year.

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

	June 30, 2022	Additions	Termination/ Modification Reductions	Lease Revenue Reductions	June 30, 2023
Devens building	$ 658,700	$ 696	$ (10,554)	$ (285,248)	$ 363,594
Springfield building	5,689,694	206,323	(5,559,348)	(336,669)	-
Greenfield building	-	94,643	-	(30,885)	63,758
Devens land	4,298,352	128	(2,045)	(89,673)	4,206,762
	$ 10,646,746	$ 301,790	$ (5,571,947)	$ (742,475)	$ 4,634,114

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

	June 30, 2022	Additions	Termination/ Modification Reductions	Lease Revenue Reductions	June 30, 2023
Devens building	$ 641,885	$ 695	$ (10,554)	$ (271,784)	$ 360,242
Springfield building	5,467,749	206,323	(5,317,320)	(356,752)	-
Greenfield building	-	94,643	-	(32,442)	62,201
Devens land	4,134,426	128	(2,045)	(166,583)	3,965,926
	$ 10,244,060	$ 301,789	$ (5,329,919)	$ (827,561)	$ 4,388,369

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

	Principal	Interest
Years ending June 30:		
2024	$ 324,189	$ 179,042
2025	196,077	167,325
2026	180,413	160,551
2027	147,965	154,049
2028	127,157	149,180
2029-2033	757,141	659,182
2034-2038	810,776	487,771
2039-2043	278,085	390,851
2044-2048	339,402	329,339
2049-2053	414,677	253,824
2054-2058	506,369	161,840
2059-2062	551,863	50,288
	$ 4,634,114	$ 3,143,242

The Agency as a Lessee:

Also in accordance with GASB No. 87, the Agency recognized a lease liability and a right to use leased asset, net of amortization, for leases in which the Agency is a lessee and leases equipment or office space under long-term agreements at market rates with terms ranging from 1 to 3 years. Some leases are short-term leases or some leases include provisions for rent changes based on the consumer price index, resulting in additional variable lease revenues that are not included in the measurement of the lease liability. The lease liability is measured at incremental borrowing rates ranging from 3.5% to 8.5%.

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

	June 30, 2022	Modifications/ Renewals Additions	Payments/ Modifications/ Terminations Reductions	June 30, 2023
Building	$ 3,668,625	$ 801,502	$ (1,370,092)	$ 3,100,035
Equipment	41,093	168,208	(124,581)	84,720
	$ 3,709,718	$ 969,710	$ (1,494,673)	$ 3,184,755

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

	Principal	Interest
Years ending June 30:		
2024	$ 1,471,406	$ 95,675
2025	1,362,987	40,348
2026	136,228	14,392
2027	133,975	7,196
2028	48,870	2,014
2029	31,289	620
	$ 3,184,755	$ 160,245

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

	June 30, 2022	Additions/ (Transfers)	Terminations/ Disposals/ Transfers	June 30, 2023
Leased assets being amortized:				
Building	$ 5,334,383	$ 801,496	$ (1,408)	$ 6,134,471
Equipment	269,049	169,708	(271,392)	167,365
	5,603,432	971,204	(272,800)	6,301,836
Less accumulated amortization				
Building	(2,385,965)	(1,197,575)	-	(3,583,540)
Equipment	(223,578)	(90,659)	234,281	(79,956)
	(2,609,543)	(1,288,234)	234,281	(3,663,496)
Net leased assets	$ 2,993,889	$ (317,030)	$ (38,519)	$ 2,638,340

11. Subscription-Based Information Technology Arrangements

In accordance with GASB No. 96, the Agency recognized a subscription liability and a subscription asset, net, for SBITAs in which the Agency is using a third party software for such things as payroll processing and financial reporting under long-term agreements at market rates with terms ranging from 1 to 6 years. Some agreements are short-term agreements that are not included in the measurement of the lease liability. The subscription liability is measured at incremental borrowing rates ranging from 5.0% to 8.5%.

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

	As Restated June 30, 2022	Modifications/ Renewals Additions	Payments/ Modifications/ Terminations Reductions	June 30, 2023
SBITAs	$ 252,479	$ 409,227	$ (265,537)	$ 396,169

Minimum future subscription payments from long-term agreements are as follows:

	Principal	Interest
Years ending June 30:		
2024	$ 170,370	$ 21,399
2025	115,428	11,727
2026	110,371	2,664
	$ 396,169	$ 35,790

A summary of changes in subscription assets for the year ended June 30 are as follows:

	As Restated June 30, 2022	Additions/ (Transfers)	Terminations/ Disposals/ Transfers	June 30, 2023
SBITA	$ 395,938	$ 493,599	$ -	$ 889,537
	395,938	493,599	-	889,537
Less accumulated amortization				
SBITA	(134,094)	(211,175)	-	(345,269)
	(134,094)	(211,175)	-	(345,269)
Net SBITA	$ 261,844	$ 282,424	$ -	$ 544,268

12. Outstanding Loan, Bond Issuance and Other Commitments

Loans

The Agency issued loans aggregating $31.9 million during fiscal year 2023. The Agency has committed to issuing an additional $6.3 million of loans as of June 30, 2023.

Bond Issuance Program

The Agency's Bond Issuance Program assisted in the issuance of taxable and tax-exempt bonds and lease transactions on behalf of client institutions through its bond financing program on 51 projects aggregating approximately $1.9 billion during fiscal year 2023. These debt obligations are conduit transactions and do not constitute a debt or liability of the Agency, therefore, these financing transactions are not included in the accompanying financial statements. The Agency earned bond issuance fee revenues related to these financings of approximately $8.7 million in fiscal year 2023 and are included as a component of bond issuance and New Markets Tax Credit fees in the statement of revenues, expenses and changes in net position.

Commitments

The Devens Electric Utility Division uses Master Power Supply Agreements and Purchase Power Agreements (PPAs) to procure necessary power supply requirements from time to time as market and load growth conditions dictate. The Devens Electric Utility Division secured 60% of its 2023 power supply requirements using confirmations in place with NextEra, Shell Energy, Macquarie, and BP Energy. 21% was provided by wind, solar and hydro renewables with the balance of 19% being secured through the ISO-NE Day Ahead and Real Time energy market.

Additional confirmation transactions and long term PPAs are in place with a blend of different providers in varying quantities to secure between 48% - 80% of the load requirements from 2024 through 2027. Planning for the future in meeting the Commonwealths goal of carbon free power by 2050, by 2030 approximately 63% of its future power supply needs qualify as carbon free through long-term contracts in place or being negotiated including solar power, a wind powered turbine facility, several hydroelectric providers and one nuclear power provider. The energy supply portfolio is reviewed every quarter with our power supply consultant, Energy New England, to review positions and make additional procurement transactions as needed.

The current renewable power supply portfolio mentioned above consists of a blend of 10 MW's of third party owned photovolaic projects at Devens, and several offset sources of wind turbine generated power, hydroelectric power and solar power. This represents approximately 21% of the total current power supply needs of the Devens electric utility supplied from renewable resources.

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

The Devens Electric Utility Division has also entered into an Operation and Maintenance Agreement with the Town of Wellesley, MA for the management and operation of the Electric System. The current agreement expires June 30, 2024. At that time, the contract may be extended for a 5 year term expiring in 2029 and one final 4 year term expiring in 2033.

13. Bonds Payable

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

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

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

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

	Interest Rate at June 30, 2023	June 30, 2022	Additions	Principal Payments/ Amortization	June 30, 2023	Current Portion
Devens Electric System Utility Bond	1.6401%	$ 4,620,000	$ -	$ (485,000)	$ 4,135,000	$ 490,000

The Series 2021 Bonds are collateralized by a pledge of the Electric System's revenues and certain funds and accounts established under the bond. Total principal and interest remaining on the bonds is $4,405,747, payable through June 30, 2031. Total revenues of the Devens Electric Utility System were $26,820,672 for the current fiscal year.

The bond documents require the maintenance of certain funds. Below are certain funds balances as of June 30, 2023 which are included in restricted cash and cash equivalents on the statements of net position.

- The Revenue Fund had a balance of $6,227,451 which was included in the current cash and cash equivalents-restricted for use on the statement of net position. All revenues generated by the Electric System, exclusive of interest income, are deposited into the Revenue Fund. Funds are transferred from the Revenue Fund to other funds of the Electric System according to the bond resolution agreement. No funds were transferred during fiscal year 2023.

- The Capital Upgrade Reserve Fund had a balance of $2,528,481. The Capital Upgrade Reserve Fund may be used to fund capital improvements to the Electric System. If excess funds exist in the Capital Upgrade Reserve Fund, then these excess funds may be used to cover any operating shortfalls. No funds were transferred during fiscal year 2023.

- The Operating/Rate Stabilization Reserve Fund had a balance of $1,035,600 which was included in the noncurrent cash and cash equivalents-restricted for use on the statement of net position. The Operating/Rate Stabilization Reserve Fund may be used to fund operating expenses of the Electric System when there are not sufficient funds available from operations. No funds were transferred in fiscal year 2023.

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

Principal payments are due annually through 2031. Total interest expense related to the bonds was $71,133 for the year ended June 30, 2023.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2023, the debt service coverage was met.

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

Fiscal Year	Principal	Interest	Total Debt Service
2024	$ 490,000	$ 63,130	$ 553,130
2025	500,000	54,998	554,998
2026	505,000	46,750	551,750
2027	515,000	38,372	553,372
2028	520,000	29,877	549,877
2029-2031	1,605,000	37,620	1,642,620
	$ 4,135,000	$ 270,747	$ 4,405,747

14. Advances from the Commonwealth

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

	2022	Additions	Payments/ Amortization	2023	Current Portion
DEP-wastewater	$ 6,198,069	$ -	$ (617,541)	$ 5,580,528	$ 638,289
Premium	2,578	-	(1,190)	1,388	
DEP-water	4,855,759	14,974,004	-	19,829,763	
	$ 11,056,406	$ 14,974,004	$ (618,731)	$25,411,679	

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

The loans mature in August 2024 and February 2031. Principal and interest expense related to these loans was $617,541 and $289,266 for the year ended June 30, 2023, respectively. During fiscal year 2022, the Commonwealth paid $141,816 in principal payments and $209,601 in interest expense, respectively, which is included in total interest expense.

The MCWT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2023, the necessary debt service coverage was met.

The scheduled principal and interest payments on the MCWT loan at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2024	$ 638,289	$ 140,950	$ 779,239
2025	659,037	112,164	771,201
2026	663,935	198,187	862,122
2027	684,683	172,951	857,634
2028	709,580	137,330	846,910
2029-2031	2,225,004	185,766	2,410,770
	$ 5,580,528	$ 947,348	$ 6,527,876

In 2022, the DEP approved a zero interest loan to the Agency with a maximum obligation amount of $27,300,000 to construct two water treatment plants at Devens for iron and manganese removal and PFAS treatment for existing Devens wells. The MCWT issued another loan to the Agency. The loan will be paid back to the trust through revenues generated from the sale of water in Devens and to surrounding communities. Principal repayment of this loan begins in July 2024. The loan matures in July 2043.

The scheduled principal payments on this loan are not due to start until fiscal year 2025 and will be determined at the end of the drawdown period based on the total amount drawn down on the loan. The amount loaned as of June 30, 2023 was $19,829,763.

15. Tax Incremental Financing Agreements/Special Tax Assessments

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

The Agency had two TIF agreements outstanding as of June 30, 2023:

Purpose	Percentage of Tax Reduction		Value
Tax Incremental Financing:			
Biopharmaceutical company to construct and operate large scale cell culture facility	30%		$ 798,059
Manufacturing, research and development facility	80%	*	41,020
			$ 839,079

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

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

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

16. Other Related Party Transactions

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

The Agency oversees the management and development of the Jodrey State Fish Pier (Pier) facilities, which are leased to the Agency by the Department of Conservation and Recreation (representing the Commonwealth). The Pier reimburses the Agency for the Pier's direct salary costs paid by the Agency, which amounted to $88,290 for the year ended June 30, 2023. The Pier also reimburses the Agency for Agency staff time and operating expenses paid by the Agency, which amounted to $208,166 for the year ended June 30, 2023.

The Agency also oversees management services for Cape Ann Fisheries Development Corporation (Cape Ann), a non-profit corporation formed for construction and management of a multi-tenant seafood processing facility at the State Fish Pier in Gloucester. In fiscal year 2001, the Agency provided two loans to Cape Ann in the amounts of $2.3 million and $500,000 for construction expenses and remediation of environmental conditions at the seafood processing facility. In fiscal year 2013, these loans were refinanced into four separate notes (Notes A and B for each loan). The balance on the Notes A loans receivable, net of allowance for loan loss, as of June 30, 2022, was $396,586 and $110,085. The Agency wrote off both Notes B during fiscal year 2013 as they were deemed uncollectible. These loans are included in loans receivable on the statement of net position.

In September 2009, the Agency refinanced another Cape Ann loan in the amount of $2.7 million. In fiscal year 2013, this loan was refinanced into two separate notes (Notes A and B). The balance on the Note A loan receivable, net of allowance for loan loss, was $632,917 as of June 30, 2023. The Agency wrote off Note B during fiscal year 2013 as it was deemed uncollectible.

The Agency donated $118,073 of Agency staff time and $15,581 of Cape Ann direct salary costs to Cape Ann during fiscal year 2023. These donated costs covered management services provided to Cape Ann during the fiscal year.

The Agency is eligible to receive an administrative fee of up to 0.09% of the average daily assets of the STAR Fund. In May 2022, the Agency started to receive an additional 0.01% administrative fee to recoup fees lost when the STAR Fund interest rate was zero. The Agency's STAR Fund holdings held on its own account as of June 30, 2023, were $143,432,385 and are included in cash and cash equivalents in the statement of net position. During the year ended June 30, 2023, the Agency received administrative fees of $208,537 from the STAR Fund. The administrative fees are reported in bond issuance and new markets tax credit fees in the statement of revenues, expenses and changes in net position.

17. Benefit Plans

The Agency contributed approximately $2.1 million to employee benefit plans described below during the year ended June 30, 2023.

Deferred Compensation Plan

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

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

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

401(a) Defined Contribution Plan

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

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

The unvested portion of the 401(a) plan is recorded as an asset on the statement of net position. The total unvested portion of the 401(a) plan as of June 30, 2023 was approximately $593,000.

Pension Plan

Certain employees of the Agency are eligible to participate in the Commonwealth State Retirement Systems Pension Plan (the State Plan) under a special funding situation where the Commonwealth is the non-employer sole contributor under GASB No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). An Actuarial valuation has been performed for the State Plan. These employees were included in the actuarial analysis with a net pension liability of $3,774,359 as of June 30, 2023 which is owed by the Commonwealth and noted as part of the total State Plan's net pension liability totaling $13,909,874,000. The State Plan's net pension liability and the State Plan's net position are disclosed in the footnotes and other required supplementary information of the Annual Comprehensive Financial Report of the Commonwealth as there are no liabilities to be recorded in the Agency's financial statements. Employees participating in the State Plan are not eligible for the contribution to the 401(a) plan.

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

18. Segment Reporting

Devens Electric Utility Division

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

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

Statement of Net Position as of June 30, 2023:

Assets	
Current assets	$ 10,668,815
Due from Massachusetts Development Finance Agency	531,866
Noncurrent assets	3,862,176
Capital assets, net	7,233,585
Total assets	$22,296,442
Liabilities and Net Position	
Current liabilities	$ 2,979,871
Noncurrent liabilities	3,645,000
Total liabilities	6,624,871
Net position	
Net investment in capital assets	3,092,934
Restricted	12,578,637
Total net position	15,671,571
Total liabilities and net position	$ 22,296,442

Condensed Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2023:

Operating revenues	$ 26,820,672
Operating expenses	(22,511,371)
Depreciation	(1,086,312)
Operating income	3,222,989
Nonoperating revenues, net	217,718
Increase in net position	3,440,707
Net position at beginning of year	12,230,864
Net position at end of year	$ 15,671,571

Condensed Statement of Cash Flows for the year ended June 30, 2023:

Net cash provided by operating activities	$ 2,634,577
Net cash used in capital and related financing activities	(793,349)
Net cash provided by investing activities	285,539
Net increase in cash and cash equivalents	2,126,767
Cash and cash equivalents at beginning of year	7,928,161
Cash and cash equivalents at end of year	$ 10,054,928

19. New Markets Tax Credit Program (NMTC)

The Agency has accounted for its 0.01% to 0.10% ownership interests in the NMTC entities using the equity method of accounting. The total amount invested in these NMTC entities was $10,078 as of June 30, 2023.

The Agency receives an annual management fee for services related to managing the operations of the NMTC entities, including accounting, legal, management, technical and other services, as needed by the NMTC entities. Total management fees earned for fiscal year 2023 were $580,000. As of June 30, 2023, management fees of $262,500 remain unpaid to the Agency, and are included in accounts receivable and other assets on the statement of net position.

The Agency may, from time to time, loan operating cash to the NMTC entities for professional services and be reimbursed at a later date. As of June 30, 2023, $61,047 remains unpaid to the Agency.

20. Legal Matters

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

21. Risk Management

The Agency is exposed to various risks of loss related to general property and casualty losses. Accordingly, the Agency carries general liability and property insurance policies. The Agency also carries insurance coverage for business automobile, workers compensation, director and officer liability, professional liability, cyber liability, crime and special excess liability. There were no changes in coverage since last year and no settlements that exceeded insurance coverage for the past fiscal year.

22. Restatement of Balances

The Agency restated its fiscal year 2022 beginning net position due to the implementation of GASB No. 84, *Fiduciary Activities.*, in which a private purpose trust fund is shown in the statement of fiduciary net position rather than the Agency's statement of net position and due to the adoption of GASB 96. The Agency also restated the beginning net position of the Fiduciary Funds as of June 30, 2022 in the statement of fiduciary net position to remove the Agency holdings in the Investment Trust Fund as of December 31, 2021 and to add a Private Purpose Trust Fund as of June 30, 2022.

Business Type Activities

June 30, 2022	Net Position Beginning of Year
Balance, as previously report	$ 430,569,200
Adjustment to remove Private Purpose Trust Fund	(8,869,695)
Adoption of GASB 96	21,354
Balance, as restated	$ 421,720,859

Fiduciary Funds

June 30, 2022	Net Position Beginning of Year
Balance, as previously reported	$ 248,459,215
Adjustment to remove Investment Trust Fund Agency portion	(78,777,365)
Adjust to add Private Purpose Trust Fund	8,869,695
Balance, as restated	$ 178,551,545

Massachusetts Development Finance Agency
Other Information
June 30, 2023
(unaudited)

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	MassDevelopment/ HEFA Trust	Charter School Facilities	Site Readiness	Transformative Development Initiative	CARES Act	SSBCI Loans & Guarantees	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Assets																	
Current assets	$ 52,525,996	$ 10,199,206	$ 38,255,927	$ 7,447,471	$ 441,887	$ 36,170,009	$ 7,662,008	$ 21,767,199	$ 895,762	$ 15,118,404	$ 28,809,807	$ 11,200,681	$ 10,179,858	$ 67,703,243	$ 7,751,329	$ (80,000)	$ 316,048,787
Noncurrent assets	108,787,519	1,237,259	11,032,819	-	8,856,730	(549,548)	-	4,677,750	1,701,894	114,416	12,727,440	3,862,176	8,001,607	(61,166)	-	(8,428,761)	151,960,135
Capital, leased, subscription assets, net	6,198,462	-	-	-	-	-	-	191,892	-	-	33,308,010	7,233,585	49,817,619		1,872,743	-	98,622,311
Total assets	$ 167,511,977	$ 11,436,465	$ 49,288,746	$ 7,447,471	$ 9,298,617	$ 35,620,461	$ 7,662,008	$ 26,636,841	$ 2,597,656	$ 15,232,820	$ 74,845,257	$ 22,296,442	$ 67,999,084	$ 67,642,077	$ 9,624,072	$ (8,508,761)	$ 566,631,233
Liabilities																	
Current liabilities	$ 10,650,067	$ 2,582,304	$ 3,547	$ 4,204,096	$ 4,032	$ 9,240	$ 2,621,765	$ 6,349,486	$ -	$ 6,125,618	$ 2,549,046	$ 2,979,871	$ 3,159,021	$ 28,102,771	$ 90,526	$ (80,000)	$ 69,351,390
Noncurrent liabilities	1,581,657	-	-	-	-	77,514	-	-	-	21,667	8,212,174	3,645,000	33,429,699	16,925,728		(8,428,761)	55,464,678
Total liabilities	12,231,724	2,582,304	3,547	4,204,096	4,032	86,754	2,621,765	6,349,486	-	6,147,285	10,761,220	6,624,871	36,588,720	45,028,499	90,526	(8,508,761)	124,816,068
Deferred inflows of resources																	
Leases deferred inflows of resources	62,201	-	-	-	-	-	-	-	-		4,326,168	-	-	-	-	-	4,388,369
Net position																	
Net investment in capital assets	6,186,466	-	-	-	-	-	-	191,892	-	-	33,301,966	3,092,934	24,247,105	-	1,872,743	80,000	68,973,106
Restricted	593,496	8,854,161	49,285,199	3,243,375	9,294,585	35,533,707	5,040,243	20,095,463	2,597,656	9,085,535	26,455,903	12,578,637	7,163,259	22,201,600	7,660,803	(80,000)	219,603,622
Unrestricted	148,438,090	-	-	-	-	-	-	-	-	-	-	-	-	411,978	-	-	148,850,068
Total net position	155,218,052	8,854,161	49,285,199	3,243,375	9,294,585	35,533,707	5,040,243	20,287,355	2,597,656	9,085,535	59,757,869	15,671,571	31,410,364	22,613,578	9,533,546	-	437,426,796
Total liabilities, deferred inflows of resources and net position	$ 167,511,977	$ 11,436,465	$ 49,288,746	$ 7,447,471	$ 9,298,617	$ 35,620,461	$ 7,662,008	$ 26,636,841	$ 2,597,656	$ 15,232,820	$ 74,845,257	$ 22,296,442	$ 67,999,084	$ 67,642,077	$ 9,624,072	$ (8,508,761)	$ 566,631,233

Schedules of Departmental Net Position and Schedules of Departmental Revenues, Expenses and Changes in Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	MassDevelopment/ HEFA Trust	Charter School Facilities	Site Readiness	Transformative Development Initiative	CARES Act		Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Operating revenues	$ 18,673,907	$ 73,468	$ 533,303	$ -	$ -	$ 161,376	$ 226	$ (1,523,043)	$ 54,657	$ 11,083	$ 17,590,277	$ 26,820,672	$ 12,552,630	$ 410,281	$ (91,547)	$ (431,272)	$ 74,836,018
Operating expenses	(21,919,635)	(304,600)	(2,454,159)	(674,820)	(96,669)	(19,987)	(3,836,797)	(4,710,178)	(116,958)	(138,923)	(19,783,749)	(23,597,683)	(12,230,524)	(2,084,051)	(155,713)	1,247,904	(90,876,542)
Operating income (loss)	(3,245,728)	(231,132)	(1,920,856)	(674,820)	(96,669)	141,389	(3,836,571)	(6,233,221)	(62,301)	(127,840)	(2,193,472)	3,222,989	322,106	(1,673,770)	(247,260)	816,632	(16,040,524)
Nonoperating revenues (expenses)	822,957	344,278	2,558,171	274,982	672,345	1,159,522	295,438	898,426	16,918	360,871	866,487	217,718	551,397	2,045,030	-	11,130	11,095,670
Capital contributions (distributions)	(6,640,875)	2,921,215	-	674,820	(150,786)	-	4,658,904	878,986	-	8,875,897	9,851	-	-	1,380,846	-	(827,762)	11,781,096
Increase (decrease) in net position	(9,063,646)	3,034,361	637,315	274,982	424,890	1,300,911	1,117,771	(4,455,809)	(45,383)	9,108,928	(1,317,134)	3,440,707	873,503	1,752,106	(247,260)	-	6,836,242
Net position-beginning of year (as restated)	164,281,698	5,819,800	48,647,884	2,968,393	8,869,695	34,232,796	3,922,472	24,743,164	2,643,039	(23,393)	61,075,003	12,230,864	30,536,861	20,861,472	9,780,806	-	430,590,554
Net position-end of year	$ 155,218,052	$ 8,854,161	$ 49,285,199	$ 3,243,375	$ 9,294,585	$ 35,533,707	$ 5,040,243	$ 20,287,355	$ 2,597,656	$ 9,085,535	$ 59,757,869	$ 15,671,571	$ 31,410,364	$ 22,613,578	$ 9,533,546	$ -	$ 437,426,796