

Historical Financial Statements  
Section 18.7

Because applicant's financial statements are prepared in accordance with GAAP as applied to governmental entities, we have included applicant's audited financial statements for fiscal years 2008 and 2009.

These audited financial statements are those of the applicant, the Massachusetts Technology Park Corporation, D/B/A Massachusetts Technology Collaborative (MTC). The Massachusetts Technology Park Corporation has a number of separate and distinct divisions, including the Massachusetts Broadband Institute (MBI). The revenues and fund balances for each of the divisions are restricted for that division's programmatic purpose.

MTC's financial statements are reported on a consolidated basis, and the financials of its divisions, including MBI, are contained within the Governmental Activities segment of the attached audited financial statements. Information about the financial operations of the MBI division is broken-out in a number of places. For example, in the FY2009 audited financials MBI's Net Assets are shown on p. 5, and its revenues and expenses are shown on p. 12. Because MBI was not created until FY09, there is no information relating specifically to the MBI division in the FY08 audited financials.

# Massachusetts Technology

## Park Corporation

(A Component Unit of the Commonwealth of  
Massachusetts)

Basic Financial Statements and Required  
Supplementary Information as of and for the  
Year Ended June 30, 2009, and  
Independent Auditors' Report

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Massachusetts Technology Park Corporation:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Massachusetts Technology Park Corporation (The "Organization"), a component unit of the Commonwealth of Massachusetts, as of the year ended June 30, 2009, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the whole financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Organization as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (unaudited) on pages 2 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte & Touche LLP*

November 5, 2009

# **MASSACHUSETTS TECHNOLOGY PARK CORPORATION**

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

#### **FOR THE YEAR ENDED JUNE 30, 2009**

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This section of the Massachusetts Technology Park Corporation's ("MTPC") annual financial report presents a discussion and analysis of the financial performance during the fiscal years ended June 30, 2009. Please read it in conjunction with MTPC's financial statements, which follow this section.

#### **Agency Overview**

The Massachusetts Technology Park Corporation, which does business as the Massachusetts Technology Collaborative ("MTPC"), is the Commonwealth of Massachusetts' (the "Commonwealth" or "Massachusetts") economic development agency responsible for promoting growth in the innovation economy.

MTPC is a nonpartisan agency that fosters a more favorable environment for the formation, retention, and expansion of technology-related enterprises in Massachusetts. MTPC, now in its 27<sup>th</sup> year, operates at the intersection of government, industry, and academia. It brings together leaders and stakeholders to advance technology-based solutions that lead to economic growth, a cleaner environment, improved healthcare, and to extend affordable, high speed internet access across the Commonwealth. MTPC has six major divisions.

#### **John Adams Innovation Institute**

The John Adams Innovation Institute (the "Innovation Institute") was established in 2004 through economic stimulus legislation. As the economic development arm of MTPC, the Innovation Institute makes strategic investments to strengthen industry clusters, support the Commonwealth's research enterprises, and grow the knowledge economy.

The Innovation Institute makes targeted investments to support key industry clusters in the Commonwealth's knowledge economy. The Innovation Institute also supports rigorous collaborative, interdisciplinary research and development partnerships at Massachusetts universities as new ideas and technologies emerge; enhances the success of the Commonwealth's academic research centers to compete for millions of dollars in Federal research awards; and, secures the economic benefits of downstream production and employment for the Commonwealth as new research and technologies are commercialized in the marketplace.

#### **Renewable Energy Trust**

The Renewable Energy Trust (the "Trust") is making investments to maximize the economic and environmental benefits from clean energy. The Trust has awarded over \$300 million in loans and grants to support over 2,300 clean energy projects across the Commonwealth. More businesses, homeowners, and communities are installing clean energy systems today than at any other time in the Commonwealth's history. Among other activities, the Trust provides financial assistance to individuals and businesses for solar panels and wind turbines at their homes and facilities, works with communities to incorporate green design into schools and, helps emerging clean energy businesses flourish in the Commonwealth.

#### **e-Health and Life Sciences**

Massachusetts' healthcare system is vitally important for the well-being of its citizens and the strength of its economy. MTPC is working to speed the adoption of technologies that save lives and reduce costs in

healthcare. This e-Health partnership has brought together policymakers, healthcare experts, physicians, and business leaders to break down barriers impeding widespread implementation of advanced technologies, such as computerized physician order entry systems.

In August 2008, Governor Patrick signed into law *Chapter 305 of the Acts of 2008 — An Act to Promote Cost Containment, Transparency, and Efficiency in the Delivery of Quality Health Care*, establishing the e-Health Institute (“MeHI”). MeHI is responsible for advancing the dissemination of health information technology across the Commonwealth, including the deployment of electronic health records systems in all health care provider settings that are networked through a statewide health information exchange. The Commonwealth has provided \$15 million in initial funding to meet the goal of state-wide implementation of electronic health records in all provider settings as part of an interoperable health information exchange by the end of 2014.

The Massachusetts Life Sciences Collaborative (the “Collaborative”) is creating a cross-sector partnership that helps Massachusetts maintain and build upon its preeminence in research, development, and commercialization efforts in the life sciences cluster. The Collaborative is engaging life sciences leaders from academia, industry, and government in an ongoing dialogue on how to overcome the obstacles to full economic and competitive potential facing the life sciences cluster, and is working to develop a comprehensive and integrated strategic plan for life sciences growth in the Commonwealth.

### **The Massachusetts Broadband Institute**

In August 2008, the Governor signed into law Chapter 231 of the Acts of 2008 (the “Act”) — *An Act Establishing and Funding the Massachusetts Broadband Institute* (“MBI”). As required, the Organization established a fund known as the Massachusetts Broadband Incentive Fund. The mission of MBI is to extend affordable high-speed internet access to all homes, businesses, schools, libraries, medical facilities, government offices, and other public places across our state. The Act gives the MBI the authority to invest up to \$40 million of Commonwealth bond funds in necessary and long-lived infrastructure assets—such as conduits, fiber-optic cable and wireless towers pursuant to a comprehensive broadband plan designed by MBI.

### **Campus Operations**

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

### **Wind Technology Testing Center**

MTPC established a new division in fiscal year 2008 for the activities surrounding the establishment of a Wind Testing Technology Center (“WTTC”) which was awarded a \$2 million research and development grant award to fund new equipment plus additional technical support from the United States Department of Energy. During fiscal year 09, MTPC continued its work with the National Renewable Energy Laboratory (“NREL”), Massachusetts Port Authority, University of Massachusetts and the design and engineering team led by Architerra Inc. to design the WTTC along the Mystic River in the Charlestown neighborhood of Boston. The WTTC will be a state-of-the-art, sustainable facility to test wind turbine blades and meet other research and development needs of the wind industry.

## **Overview of the Financial Statements**

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

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

## **Financial Analysis**

The statement of net assets is a government-wide statement that presents information on all of MTPC's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets serve as one indicator of MTPC's financial position. On the following page is a summary of net assets for fiscal years 2009 and 2008.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**SUMMARY OF NET ASSETS**  
**AS OF JUNE 30, 2009 AND 2008**

	2009			2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>						
Noncapital assets	\$ 255,782,860	\$ 12,187,249	\$ 267,970,109	\$ 277,653,401	\$ 14,384,899	\$ 292,038,300
Capital assets (net of accumulated depreciation)	<u>996,960</u>	<u>10,819,734</u>	<u>11,816,694</u>	<u>1,262,245</u>	<u>10,663,234</u>	<u>11,925,479</u>
Total assets	256,779,820	23,006,983	279,786,803	278,915,646	25,048,133	303,963,779
<b>LIABILITIES</b>	<u>26,529,161</u>	<u>1,267,917</u>	<u>27,797,078</u>	<u>40,980,422</u>	<u>4,342,816</u>	<u>45,323,238</u>
<b>NET ASSETS</b>	<u>\$ 230,250,659</u>	<u>\$ 21,739,066</u>	<u>\$ 251,989,725</u>	<u>\$ 237,935,224</u>	<u>\$ 20,705,317</u>	<u>\$ 258,640,541</u>
<b>NET ASSETS:</b>						
Invested in capital assets	\$ 996,960	\$ 10,819,734	\$ 11,816,694	\$ 1,262,245	\$ 10,663,234	\$ 11,925,479
Restricted for:						
Renewable Energy Trust Fund	157,273,946		157,273,946	173,610,497		173,610,497
Alternative compliance payments	23,718,542		23,718,542	21,318,726		21,318,726
e-Health and life sciences	15,385,241		15,385,241	2,916,876		2,916,876
John Adams Innovation Institute	31,789,122		31,789,122	38,826,880		38,826,880
Massachusetts Broadband Institute	1,086,848		1,086,848			
Campus development/other purposes		2,601,538	2,601,538		2,601,538	2,601,538
Unrestricted		<u>8,317,794</u>	<u>8,317,794</u>		<u>7,440,545</u>	<u>7,440,545</u>
<b>TOTAL</b>	<u>\$ 230,250,659</u>	<u>\$ 21,739,066</u>	<u>\$ 251,989,725</u>	<u>\$ 237,935,224</u>	<u>\$ 20,705,317</u>	<u>\$ 258,640,541</u>



Between fiscal years 2008 and 2009 net assets have decreased by \$6.6 million to \$252 million, a 2.6% decrease. MTC's total assets were \$280 million as of June 30, 2009, a decrease of \$24.2 million from the prior year. This decrease results from higher financial assistance expenditures which caused a reduction in the cash and investment balances. Total liabilities were \$27.8 million, a decrease from the prior year of \$17.5 million, primarily related to the recognition of \$14 million of alternative compliance payment deposits previously held in unearned revenue.

Of MTC's net assets, 62.4% are restricted for the Renewable Energy Trust Fund, 12.6% for the John Adams Innovation Institute, 6.1% for e-Health and Life Sciences, 9.4% for alternative compliance payments, 0.4% for Massachusetts Broadband Institute and 1.0% for campus development and other purposes. Capital assets represent 4.7% of net assets. The remaining 3.4% is classified as unrestricted.

Renewable Energy Trust Fund restricted net assets totaled \$157.3 million. These funds are restricted primarily for the development, implementation, and execution of programs intended to increase both the generation and consumption of renewable energy resources in Massachusetts, to advance the renewable energy industry in Massachusetts, and to stimulate overall economic activity in Massachusetts relating to the renewable energy sector. Approved financial assistance awards and reservations represent more than \$126 million of the net assets restricted for the Renewable Energy Trust.

During fiscal year 2009, MTC was authorized by DOER to utilize \$14 million of alternative compliance payments for the Trust's Commonwealth Solar Initiative and that amount was recognized as revenue. An additional \$7 million is reserved for the Commonwealth Solar Initiative for the next year and will be recognized as revenue when fully authorized by DOER for use.

Restricted net assets of the John Adams Innovation Institute decreased by \$7 million as a result of the net impact of \$1 million in revenues offset by operating, financial assistance expenses and transfers of \$8 million.

Restricted net assets of e-Health and life sciences increased as a result of the net impact of \$15 million of state appropriation offset by operating and financial assistance expenses of approximately \$3.2 million.

Included in the governmental activities' net assets is \$1 million which is invested in capital assets, including improvements, computer and network equipment, furniture and fixtures. There is no debt outstanding against these assets.

The net assets of the business-type activities were \$21.7 million as of June 30, 2009, an increase of \$1 million from the prior year end. The primary function of the business-type activities is the Campus Operations, the fund that relates to the development and maintenance of the 36-acre campus in Westborough, Massachusetts. Of the total net asset balance, \$9.8 million was invested in capital assets, including buildings and campus improvements, computer and network equipment, furniture and fixtures. In addition, there is \$1 million in capital assets for the design activities for the Wind Testing Technology Center. There is no debt outstanding against these assets. Of the remaining net assets, \$2.6 million was restricted for future investment in the campus and its buildings or other related purposes; the remaining balance of \$8.3 million was unrestricted.

There was no significant capital asset activity during the fiscal year. Refer to the notes to the financial statements for more detailed information about capital assets. MTC has no long-term debt outstanding.

In August 2008, *Chapter 307 of the Acts of 2008 — An Act Relative to Green Jobs in the Commonwealth* was signed into law and created the new Clean Energy Technology Center (CEC), funded in part through \$5,000,000 per year from the Renewable Energy Trust Fund and the Massachusetts Alternative and Clean Energy Investment Trust Fund. The Green Jobs Act contemplates a coordinated effort to support the clean energy economy of the Commonwealth, including effective use of investment and R&D/testing vehicles to attract clean energy projects and companies to Massachusetts. In keeping with this legislative construct and the Trust's 5 Year Strategic Plan, the Trust has sought to gain programmatic efficiencies and prevent duplicative effort on behalf of the Commonwealth by coordinating industry development efforts with the

CEC. To implement this cooperation, effective June 30, 2009, the Trust will 1) no longer offers an II&D Program or employ staff to oversee the investments made under this program; and 2) no longer manage and oversee the Wind Technology Testing Center. In May and June of 2009, The Massachusetts Renewable Energy Trust Governing board and the MTPC Executive Board approved the assignment to CEC of certain assets, contracts and outstanding obligations related to company investments and loans and the Wind Technology Testing Center. During July through October 2009 MTPC assigned these various contracts and transferred the assets and obligations to the Center.

Legislation has been submitted by Governor Deval Patrick to the Massachusetts General Court that would transfer the administration, custody and control of the Trust to CEC. Under the legislation as currently drafted, CEC would assume all rights, responsibilities, obligations and liabilities of MTPC arising out of its administration of the Trust Fund. The effective date of the transfer of the Trust Fund will be established pursuant to a Memorandum of Understanding executed by MTPC and the Center, which will also include a plan and schedule to implement the transfer.

The summary of changes in net assets shows how the fiscal year activities impacted the net assets. Below is the summary of changes in net assets for the fiscal years 2009 and 2008:

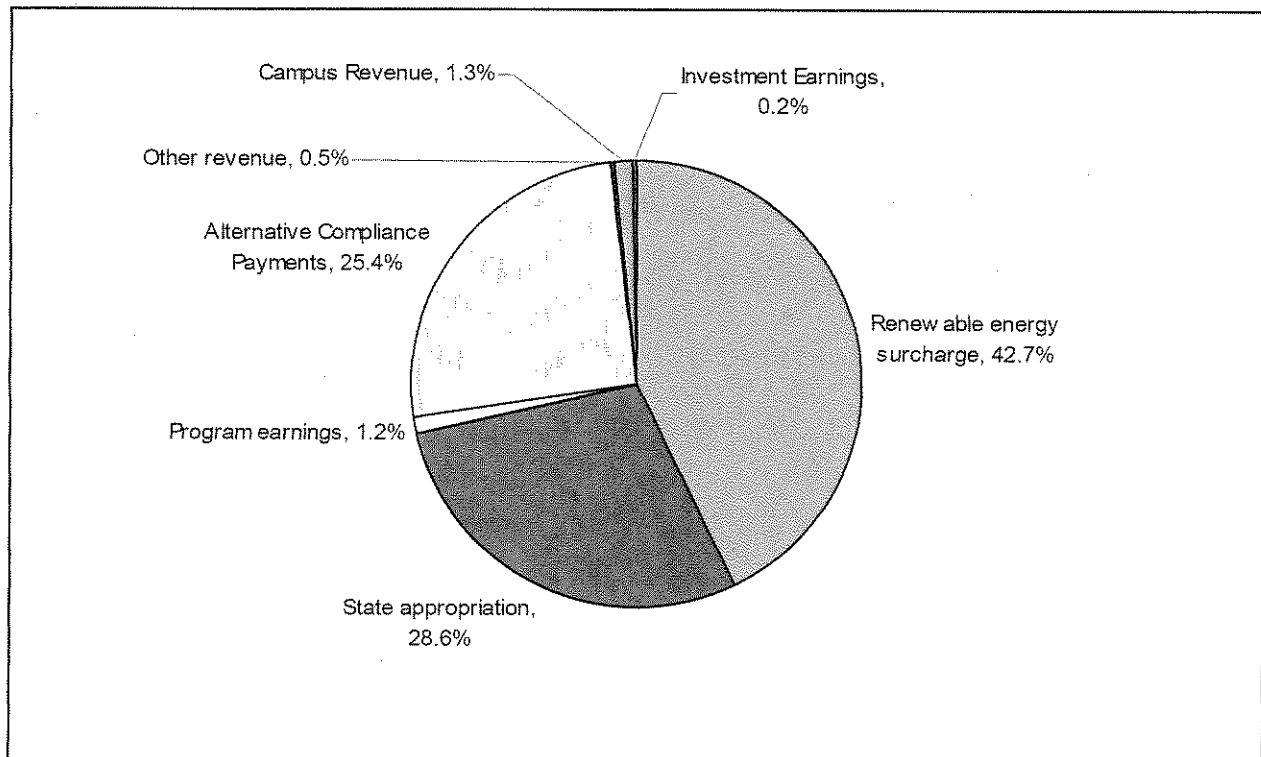
**SUMMARY OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>REVENUE:</b>						
Renewable energy surcharge	\$ 23,503,901	\$	\$ 23,503,901	\$ 24,147,877	\$ -	\$ 24,147,877
State appropriation	15,774,578		15,774,578	250,000		250,000
Program earnings	677,207		677,207	903,743		903,743
Alternative compliance payments	14,000,000		14,000,000	7,000,000		7,000,000
Other revenue	263,263		263,263	589,841		589,841
Campus operations		720,604	720,604		813,885	813,885
Total revenue	<u>54,218,949</u>	<u>720,604</u>	<u>54,939,553</u>	<u>32,891,461</u>	<u>813,885</u>	<u>33,705,346</u>
<b>EXPENSES:</b>						
Renewable Energy	49,838,552		49,838,552	43,029,147		43,029,147
John Adams Innovation Institute	6,856,527		6,856,527	9,327,504		9,327,504
e-Health and life sciences	3,172,236		3,172,236	2,215,594		2,215,594
Massachusetts Broadband Institute	738,380		738,380			
Alternative compliance payments				25,545		25,545
Waste-to-energy	21,508		21,508	2,731		2,731
Wind Technology Testing Center		571,241	571,241		299,807	299,807
Campus operations		516,730	516,730		529,060	529,060
Total expenses	<u>60,627,203</u>	<u>1,087,971</u>	<u>61,715,174</u>	<u>54,600,521</u>	<u>828,867</u>	<u>55,429,388</u>
NET	(6,408,254)	(367,367)	(6,775,621)	(21,709,060)	(14,982)	(21,724,042)
INVESTMENT EARNINGS	(94,620)	219,425	124,805	8,215,417	453,539	8,668,956
TRANSFERS	(1,181,691)	1,181,691		(626,692)	626,692	-
CHANGE IN NET ASSETS	(7,684,565)	1,033,749	(6,650,816)	(14,120,335)	1,065,249	(13,055,086)
NET ASSETS — Beginning of year	<u>237,935,224</u>	<u>20,705,317</u>	<u>258,640,541</u>	<u>252,055,559</u>	<u>19,640,068</u>	<u>271,695,627</u>
NET ASSETS — End of year	<u>\$230,250,659</u>	<u>\$ 21,739,066</u>	<u>\$ 251,989,725</u>	<u>\$ 237,935,224</u>	<u>\$20,705,317</u>	<u>\$ 258,640,541</u>

Total governmental and business-type revenues, including investment earnings, were \$55 million for the fiscal year ended on June 30, 2009, which was an increase of \$12.6 million from the prior year. The change in the revenue results primarily from state appropriations of \$15.7 million, \$15 million of which was for the e-Health Institute and \$0.7 million of which was for the Massachusetts Broadband Institute; as well as \$7 million more revenue than prior year for alternative compliance payments. These increases were offset by investment earnings decreasing by \$8.5 million. Total expenses increased by \$6.3 million, primarily as a result of a \$4 million increase in financial assistance expenditures, most of which occurred in the renewable energy program.

## Revenue

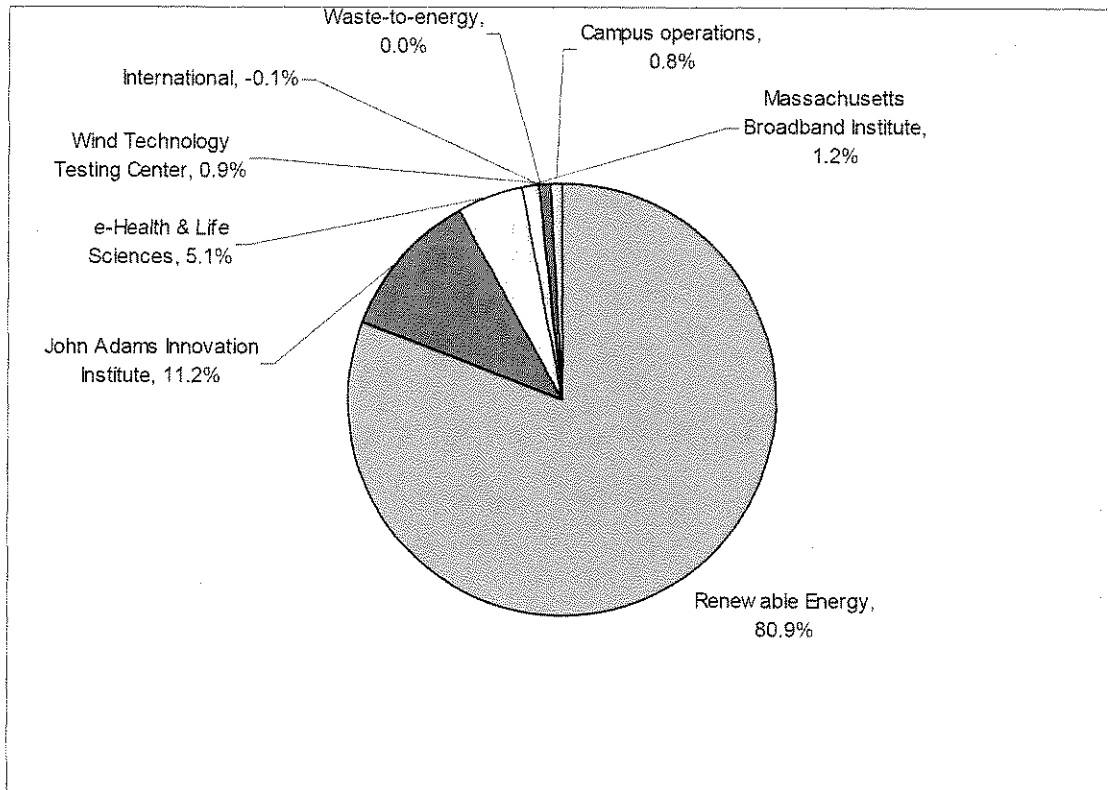
The total revenues of MTPC for the fiscal year ended June 30, 2009, were \$55 million, including investment earnings. Total revenues break down by source as follows:



One of MTPC's primary sources of programmatic revenue is the Renewable Energy Surcharge. The surcharge revenue is received from investor-owned utilities pursuant to restructuring legislation passed by the Massachusetts legislature in 1997. These revenues are based upon a per kilowatt-hour (KWH) surcharge assessed to all of their Massachusetts customers. Other primary sources of income for 2009 include alternative compliance payments, state appropriations, program investment earnings, rentals of campus buildings, and investment earnings.

## Expenses

The expenses for fiscal year 2009 were \$61.7 million which includes \$47.9 million of financial assistance expenditures. Financial assistance expenditures are those paid out to award recipients or to projects which directly benefit the stakeholders in the Commonwealth. The breakdown of expense by program, based upon the fund-level financial statements is as follows:



## Financial Assistance Awards

Net financial assistance awards totaling \$25.6 million (\$55.8 million, net of rescissions of \$30.1 million) were made by the Renewable Energy Trust during fiscal year 2009, for a cumulative net total of approximately \$300 million since 2001. The majority of awards during fiscal year 2009 were to fund projects in the following five program areas: (1) Commonwealth Solar; (2) business expansion; (3) the Clean Energy Center; (4) large onsite renewables; and (5) community wind.

The Innovation Institute made gross financial assistance awards totaling \$3 million in 2009, primarily for regional priority awards and cluster development. e-Health and life sciences made awards totaling \$1.9 million. Of these awards, only the amounts expended for financial assistance are reflected in the financial statements and in the related graph. The difference between the financial assistance awards and expenses represents amounts for which the financial assistance award recipients are required to fulfill obligations under the award agreement prior to MTPC recognizing the amounts as an expense.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2009**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Noncapital assets:			
Cash and cash equivalents	\$ 21,604,440	\$ 12,187,249	\$ 33,791,689
Investments	8,837,321		8,837,321
Accounts receivable:			
Renewable energy surcharge	1,754,155		1,754,155
Internal balances	958,248		958,248
Other	978,788		978,788
Prepaid expense and other assets	221,831		221,831
Assets committed under programs:			
Cash and cash equivalents — committed for awards	57,937,886		57,937,886
Cash and cash equivalents — restricted for program commitments	727,543		727,543
Alternative compliance payment custodial cash and cash equivalents — restricted	39,669,460		39,669,460
Investments — committed for awards	75,823,550		75,823,550
Investments — restricted for program commitments	23,396,659		23,396,659
Renewable Energy Trust Fund investments	10,554,989		10,554,989
Renewable Energy Trust Fund program assets	5,298,743		5,298,743
Renewable Energy Trust Fund loans and other receivables (net of allowance of \$7,678,517)	8,019,247		8,019,247
Total assets committed under programs	<u>221,428,077</u>	-	<u>221,428,077</u>
Total noncapital assets	<u>255,782,860</u>	<u>12,187,249</u>	<u>267,970,109</u>
Capital assets (net of accumulated depreciation):			
Buildings	311,035	10,670,690	10,981,725
Improvements	537,151	136,098	673,249
Equipment	70,845	11,564	82,409
Furniture and fixtures	77,929	1,382	79,311
Total capital assets	<u>996,960</u>	<u>10,819,734</u>	<u>11,816,694</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 256,779,820</u></b>	<b><u>\$ 23,006,983</u></b>	<b><u>\$ 279,786,803</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 3,768,845	\$ 169,444	\$ 3,938,289
Accrued expenses	3,547,489	18,021	3,565,510
Internal balances		958,248	958,248
Alternative compliance payment custodial holdings	10,145,674		10,145,674
Other liabilities	9,067,153	122,204	9,189,357
<b>TOTAL LIABILITIES</b>	<b><u>\$ 26,529,161</u></b>	<b><u>\$ 1,267,917</u></b>	<b><u>\$ 27,797,078</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets	\$ 996,960	\$ 10,819,734	\$ 11,816,694
Restricted for:			
Renewable Energy Trust Fund	157,273,946		157,273,946
Alternative compliance payments	23,718,542		23,718,542
e-Health and life sciences	15,385,241		15,385,241
John Adams Innovation Institute	31,757,932		31,757,932
Massachusetts Broadband Institute	1,086,848		1,086,848
International	31,190		31,190
Campus development/other purposes		2,601,538	2,601,538
Unrestricted		8,317,794	8,317,794
<b>TOTAL</b>	<b><u>\$ 230,250,659</u></b>	<b><u>\$ 21,739,066</u></b>	<b><u>\$ 251,989,725</u></b>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Programs Functions	Expenses	Program Revenue Charges for Services	Operating Grants and Contributions	Net Revenue and Changes in Net Assets Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>						
Renewable energy	\$49,838,552	\$ 623,123	\$23,557,985	\$ (25,657,444)	\$ -	\$ (25,657,444)
John Adams Innovation Institute	6,856,527	55,763	62,500	(6,738,264)		(6,738,264)
eHealth and life sciences	3,172,236	207,500	15,000,000	12,035,264		12,035,264
Massachusetts Broadband Institute	738,380		712,078	(26,302)		(26,302)
Alternative compliance payments			14,000,000	14,000,000		14,000,000
Waste-to-energy	21,508			(21,508)		(21,508)
Total governmental activities	<u>60,627,203</u>	<u>886,386</u>	<u>53,332,563</u>	<u>(6,408,254)</u>	<u>-</u>	<u>(6,408,254)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Wind Technology Testing Center	571,241				(571,241)	(571,241)
Campus operations	516,730	720,604			203,874	203,874
Total business-type activities	<u>1,087,971</u>	<u>720,604</u>	<u>-</u>	<u>-</u>	<u>(367,367)</u>	<u>(367,367)</u>
<b>TOTAL</b>	<u>\$61,715,174</u>	<u>\$ 1,606,990</u>	<u>\$53,332,563</u>	<u>(6,408,254)</u>	<u>(367,367)</u>	<u>(6,775,621)</u>
INVESTMENT EARNINGS (LOSS)				(94,620)	219,425	124,805
TRANSFERS				(1,181,691)	1,181,691	-
CHANGE IN NET ASSETS				(7,684,565)	1,033,749	(6,650,816)
NET ASSETS — Beginning of year				237,935,224	20,705,317	258,640,541
NET ASSETS — End of year				<u>\$230,250,659</u>	<u>\$21,739,066</u>	<u>\$251,989,725</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**BALANCE SHEET — GOVERNMENTAL FUND**  
**AS OF JUNE 30, 2009**

	<b>General Fund</b>
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	\$ 21,604,440
INVESTMENTS	8,837,321
ACCOUNTS RECEIVABLE:	
Renewable energy surcharge	1,754,155
Due from other funds	958,248
Other	978,788
Total accounts receivable	3,691,191
PREPAID EXPENSE AND OTHER ASSETS	221,831
ASSETS COMMITTED UNDER PROGRAMS:	
Cash and cash equivalents — committed for awards	57,937,886
Cash and cash equivalents — restricted for program commitments	727,543
Alternative compliance payment custodial cash and cash equivalents — restricted	39,669,460
Investments — committed for awards	75,823,550
Investments — restricted for program commitments	23,396,659
Renewable Energy Trust Fund investments	10,554,989
Renewable Energy Trust Fund program investments	5,298,743
Renewable Energy Trust Fund loans and other receivables (net of loan reserve of \$7,678,517)	8,019,247
Total assets committed under programs	221,428,077
<b>TOTAL</b>	<b>\$ 255,782,860</b>
<b>LIABILITIES AND FUND BALANCE</b>	
LIABILITIES:	
Accounts payable	\$ 3,638,458
Accrued expenses	3,547,489
Alternative compliance payment custodial holdings	10,145,674
Other liabilities	9,067,153
Total liabilities	26,398,774
FUND BALANCE:	
Reserved for encumbrances	134,451,354
Unreserved	94,932,732
Total fund balance	229,384,086
<b>TOTAL</b>	<b>\$ 255,782,860</b>
AMOUNTS REPORTED FOR GOVERNMENTAL FUNDS ABOVE AND THOSE REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Total fund balance of governmental fund	\$ 229,384,086
Waste-to-energy grants are recorded on a full accrual basis in the government-wide statement of activities rather than modified accrual as in the fund-basis statements	(130,387)
Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in funds (net of accumulated depreciation)	996,960
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 230,250,659</b>

See notes to basic financial statements.



**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF REVENUE, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE — GOVERNMENTAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Fund</b>
<b>REVENUES:</b>	
Renewable energy surcharge	\$ 23,503,901
State appropriation	15,774,578
Program earnings	677,207
Alternative compliance payments	14,000,000
Investment earnings	(94,620)
Other revenue	<u>263,263</u>
Total revenues	<u>54,124,329</u>
<b>EXPENDITURES:</b>	
Renewable energy	49,638,982
John Adams Innovation Institute	6,797,778
e-Health and life sciences	3,160,283
Waste-to-energy	20,906
Massachusetts Broadband Institute	<u>738,380</u>
Total expenditures	<u>60,356,329</u>
CHANGE IN FUND BALANCES BEFORE TRANSFERS	(6,232,000)
TRANSFERS	<u>(1,181,691)</u>
NET CHANGE IN FUND BALANCE	(7,413,691)
FUND BALANCE — Beginning of year	<u>236,797,777</u>
FUND BALANCE — End of year	<u>\$229,384,086</u>
<b>AMOUNTS REPORTED FOR GOVERNMENTAL FUNDS ABOVE AND        THOSE REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE        STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:</b>	
Net change in fund balance — general fund	\$ (7,413,691)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period	<u>(270,874)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (7,684,565)</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF NET ASSETS — PROPRIETARY FUNDS**  
**AS OF JUNE 30, 2009**

	Campus Operations	Wind Technology Testing Center	Total
CURRENT ASSETS — Cash and cash equivalents	\$ 12,187,249	\$ -	\$ 12,187,249
NONCURRENT ASSETS:			
Buildings	20,226,945	1,010,612	21,237,557
Improvements	305,605		305,605
Equipment	355,452		355,452
Furniture and fixtures	110,441		110,441
Total noncurrent assets	20,998,443	1,010,612	22,009,055
Less accumulated depreciation	(11,189,321)		(11,189,321)
Total noncurrent assets	9,809,122	1,010,612	10,819,734
TOTAL ASSETS	<u>\$ 21,996,371</u>	<u>\$ 1,010,612</u>	<u>\$ 23,006,983</u>
CURRENT LIABILITIES:			
Accounts payable	\$ -	\$ 169,444	\$ 169,444
Accrued expenses	1,160	16,861	18,021
Due to other funds	1,144,553	(186,305)	958,248
Other liabilities	122,204		122,204
TOTAL CURRENT LIABILITIES	<u>\$ 1,267,917</u>	<u>\$ -</u>	<u>\$ 1,267,917</u>
NET ASSETS:			
Invested in capital assets	\$ 9,809,122	\$ 1,010,612	\$ 10,819,734
Restricted for campus development/other purposes	2,601,538		2,601,538
Unrestricted	8,317,794		8,317,794
TOTAL NET ASSETS	<u>\$ 20,728,454</u>	<u>\$ 1,010,612</u>	<u>\$ 21,739,066</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS — PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Campus Operations	Wind Technology Testing Center	Total
OPERATING REVENUE:			
Operating lease revenue	\$ 717,891	\$ -	\$ 717,891
Other revenue	<u>2,713</u>	<u>-</u>	<u>2,713</u>
Total operating revenue	<u>720,604</u>	<u>-</u>	<u>720,604</u>
OPERATING EXPENSES:			
Personnel	41,505	336,940	378,445
General and administrative	873	40,447	41,320
Professional fees	1,448	141,677	143,125
Communications	145	5,493	5,638
Information and technology services	926	8,925	9,851
Facility support	105,932	15,460	121,392
Depreciation	<u>365,901</u>	<u>22,299</u>	<u>388,200</u>
Total operating expenses	<u>516,730</u>	<u>571,241</u>	<u>1,087,971</u>
OPERATING INCOME (LOSS)	203,874	(571,241)	(367,367)
NONOPERATING REVENUE — Interest income	219,425		219,425
TRANSFERS	<u>(73,277)</u>	<u>1,254,968</u>	<u>1,181,691</u>
CHANGE IN NET ASSETS	350,022	683,727	1,033,749
TOTAL NET ASSETS — Beginning of year	<u>20,378,432</u>	<u>326,885</u>	<u>20,705,317</u>
TOTAL NET ASSETS — End of year	<u>\$20,728,454</u>	<u>\$1,010,612</u>	<u>\$21,739,066</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Campus Operations	Wind Technology Testing Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from leases and rentals	\$ 723,982	\$ -	\$ 723,982
Other operating income	(4,787)		(4,787)
Payroll and payments to vendors	<u>(201,578)</u>	<u>(579,583)</u>	<u>(781,161)</u>
Net cash provided by (used in) operating activities	517,617	(579,583)	(61,966)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES — Transfer from other funds			
	(2,228,693)	1,263,310	(965,383)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES — Purchase of capital assets			
	(705,999)	(683,727)	(1,389,726)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest received			
	<u>219,425</u>		<u>219,425</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,197,650)	-	(2,197,650)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>14,384,899</u>		<u>14,384,899</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 12,187,249</u>	<u>\$ -</u>	<u>\$ 12,187,249</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 203,874	\$ (571,241)	\$ (367,367)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	365,901	22,299	388,200
Changes in assets and liabilities:			
Accounts payable	(51,820)	79,598	27,778
Accrued expenses	1,072	(110,239)	(109,167)
Other liabilities	<u>(1,410)</u>		<u>(1,410)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 517,617</u>	<u>\$ (579,583)</u>	<u>\$ (61,966)</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity** — The Organization is a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth") created pursuant to Chapter 40J of the Massachusetts General Laws (MGL). The public purpose of MTPC is to foster the expansion of industrial and commercial activity and employment opportunities in the Commonwealth by employing its resources to advance additional; more direct economic development initiatives which support firms to maintain, expand, and locate their business activities within the Commonwealth; and thereby create and retain increased and more rewarding employment opportunities for citizens of the Commonwealth.

In addition to its other programs, the Organization is charged with oversight of:

- (i) the Massachusetts Renewable Energy Trust (the "Trust"), the purpose of which is to generate the maximum economic and environmental benefits over time from renewable energy to the ratepayers of the Commonwealth by promoting the increased availability, use, and affordability of renewable energy and related enterprises, institutions, and projects;
- (ii) the John Adams Innovation Institute (the "Institute"), an economic development effort dedicated toward expanding the knowledge economy in Massachusetts;
- (iii) the Massachusetts e-Health Institute will advance the dissemination of health information technology across the Commonwealth;
- (iv) the Massachusetts Broadband Institute (MBI), established to extend affordable high-speed Internet access to all homes, business, schools, libraries, medical facilities, government offices, and other public places within Massachusetts; and
- (v) a 36-acre campus and its related operations.

MTPC is governed by a board of directors (the "Board") comprising of 24 members, including 20 individuals appointed by the governor and four state officials that serve in an ex officio capacity, including the Secretary of Administration and Finance, the Undersecretary for Business Development, the Secretary of Energy and Environmental Affairs, and the Commissioner of Higher Education.

In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units — an Amendment of GASB Statement 14*, the financial statements must present the Organization and its

component units. MTPC has no component units. MTPC, however, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

**Government-Wide and Fund-Level Financial Statements** — The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Organization. In the government-wide reporting model, governmental activities (those supported by state appropriations and legislatively mandated surcharges remitted from public utilities) are reported separately from business-type activities which rely on fees and charges for support. The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenue. Expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) state appropriations that support specific programmatic functions of the Organization; (2) legislatively mandated surcharges remitted by public utilities; (3) lease and rental revenue; (4) returns on renewable energy program debt and equity program investments; (5) interest, dividends, and capital gains earned on invested, unexpended funds from any source noted above; (6) sponsorship and grant revenue; and (7) alternative compliance payments received and retained on behalf of the Department of Energy Resources. The effect of interfund activity has been removed from these statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual: generally, when they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year end. Significant revenues susceptible to accrual include renewable energy surcharges and alternative compliance payments. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, grant expenditures are recorded when payment is due from current available financial resources.

The Organization reports the following major governmental fund in the fund-perspective financial statements:

- The general fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization used in its governmental activities. Specifically, the general fund is used to account for the waste-to-energy Program, the renewable energy program, alternative compliance payments, the Institute Programs, MBI, and the e-Health and life sciences programs.

The Organization reports one major proprietary fund in the fund-perspective financial statements:

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

MTPC has one nonmajor proprietary fund to report in the fund-level financial statements.

- The Wind Technology Testing Center (WTTC) is a proprietary fund and accounts for the activities around the establishment, design, and construction of the Wind Blade Testing Facility that will be run as a separate business activity

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Organization applies all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, for government-wide reporting and proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Organization has elected not to adopt the FASB statements and interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20.

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

**Cash and Cash Equivalents** — Cash and cash equivalents consist substantially of interest-bearing deposits with financial institutions and investments with maturities of three months or less when acquired.

**Cash, Cash Equivalents, and Investments — Restricted or Committed for Awards** — Such amounts represent cash, cash equivalents, or investments held by MTPC to be expended for certain programmatic purposes based upon specific awards approved by the MTPC Board or appropriate committee in accordance with the particular program's legislative intent.

**Alternative Compliance Payments Custodial Cash and Cash Equivalents — Restricted** — In accordance with guidelines set forth by the Division of Energy Resources (DOER), MTPC acts as the collection agent for alternative compliance payments (ACP) mandated upon electricity suppliers by MGL. ACP funds have totaled \$51.7 million, of which \$39.7 million remains in cash, which will be utilized in a manner directed by DOER. DOER retains the right to commit and expend the ACP without MTPC's acquiescence or programmatic involvement.

**Renewable Energy Surcharge Receivable** — Renewable energy surcharge receivable represents legislatively imposed surcharges due from nonmunicipal electric companies paid by their consumers in support of the renewable energy programs of the Trust. No allowances are established against these receivables as all balances are deemed to be fully collectible.

**Renewable Energy Program Loans Receivable** — Renewable energy program loans receivable consist of loans to companies to accelerate job growth, economic and/or project development, and technological innovation in the Massachusetts Renewable Energy industry. Such amounts are reported net of an allowance for uncollectible loans of \$7,678,517 at June 30, 2009. These reserves are established based on management's assessment of the collectability of the loan portfolio in the aggregate and are reassessed at least annually. These loans bear interest at rates ranging from 5% to 10.25% and mature in periods from 2009 through 2016, or in some cases not until the project is sold or commences operations.

**Investments** — In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value. Fair values are based upon quoted market prices. Certain program investments which do not have readily determinable fair values are carried at cost and assessed periodically for impairment.

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

Buildings	40 years
Improvements	7 years
Leasehold improvements	5 years
Equipment	3 years
Furniture	7 years

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

**Restricted Net Assets** — Restricted net assets represent net assets that are not available for appropriation or that are legally restricted by enabling legislation or by outside parties for use for a specific purpose. Specifically, the Organization's restricted net assets are restricted for use in the renewable energy program, the Institute, other legislatively approved mandates, and for other purposes related to the operations of the campus and for programmatic development. At June 30, 2009, the government-wide statement of net assets reports \$229,253,699 of restricted net assets, all of which is restricted by enabling legislation.

**Fund Balance Reserved for Encumbrances** — Reserved for encumbrances represents fund balance reserved by the Board or appropriate committee for grant awards that have been awarded, but which are awaiting completion of the earnings process before such awards become payable to the grantee.



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

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

**Recently Issued Accounting Standards** — In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB Statement No. 53 is effective for financial statement periods beginning after June 15, 2009. Management is currently assessing the impact of GASB Statement No. 53 on MTPC's financial statements.

In February 2009, the GASB issued statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides guidance related to fund balance classifications and clarifies the existing governmental fund type definitions. GASB Statement No. 54 is effective for financial statement periods beginning after June 15, 2010. Management is currently assessing the impact of GASB Statement No. 54 on MTPC's financial statements.

In March 2009, the GASB issued statement No. 55, *Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 55 incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. GASB Statement No. 55 was effective upon issuance. The adoption of this standard did not have a material impact on MTPC's financial statements.

In March 2009, the GASB issued statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles (1) related-party transactions, (2) going concern considerations, and (3) subsequent events. GASB Statement No. 56 was effective upon issuance. The adoption of this standard did not have a material impact on MTPC's financial statements.

## 2. DEPOSITS AND INVESTMENTS

The Board of MTPC is empowered under Chapter 40J of the MGL to invest corporate assets pending their programmatic use pursuant to the prudent investor rule under Massachusetts law, subject to the fiduciary standards contained in Chapter 32 of the MGL. The Board has authorized the Committee to make recommendations to the Board concerning the investment of assets, pending their use by MTPC to promote statutory goals. An asset allocation policy has been adopted for each of the major funds in order to have reasonable probability of achieving a target return at an acceptable risk level.

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

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2009, bank deposits were \$3,314,731, which excludes the amount held in the Massachusetts Municipal Depository Trust (MMDT). Of that amount, \$2,633,731 was exposed to custodial credit risk as uninsured and uncollateralized. The table below presents the Organization's custodial credit risk.

	Bank Balance	Carrying Amount	Insured Amount
Cash and cash equivalents:			
Cash	\$2,220,134	\$ 462,003	\$ 681,000
Short-term investment fund/money market	<u>1,094,597</u>	<u>1,094,597</u>	<u>                    </u>
	<u>\$3,314,731</u>	<u>\$1,556,600</u>	<u>\$ 681,000</u>

The Organization invests in the MMDT, an investment pool for political subdivisions of the Commonwealth designed as a legal means to invest temporarily available cash. The state treasurer serves as the trustee of MMDT, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. At June 30, 2009, MTPC's deposits with MMDT totaled \$130,569,978. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

**Interest Rate Risk — Investments** — Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The investments include various short-term and long-term items by maturity in years. MTPC minimizes some of the risk of the market value of securities falling due to changes in interest rates (interest rate risk) by maintaining a significant portion of its assets in constant (\$1) value money market funds. Further, all of the fixed income assets are U.S. Treasury securities held in escrow accounts for programmatic uses where future (par value) maturities are intended to approximately match anticipated future cash flows. The following table provides information about the interest rate risks associated with MTPC's investments.

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 23,396,658	\$ 2,008,988	\$ 10,318,081	\$ 9,418,499	\$ 1,651,090
Mutual funds	91,555,453	91,555,453			
Stocks	<u>3,660,408</u>	<u>3,660,408</u>			
Total	<u>\$ 118,612,519</u>	<u>\$ 97,224,849</u>	<u>\$ 10,318,081</u>	<u>\$ 9,418,499</u>	<u>\$ 1,651,090</u>

### 3. PROGRAM ACTIVITIES

MTPC is the Commonwealth's development agency for the innovation economy and the primary goal is to stimulate economic activity in communities throughout the Commonwealth. MTPC does so through a variety of program activities managed through divisions of the organization including the Trust, the Institute, the e-Health and life sciences programs (including the Massachusetts e-Health Institute), and the Massachusetts Broadband Institute.

The Trust was established in 1997 pursuant to Section 4E of Chapter 40J of the MGL. Under this law, a mandatory charge per kilowatt-hour (KWH) is assessed for all electricity consumers, except those consumers served by a municipal light plant. The surcharge is remitted to MTPC by investor-owned utilities to fund programs that promote the development of renewable energy projects in the

Commonwealth. During fiscal year 2009, the Trust surcharge was \$0.0005/KWH and resulted in the recognition of \$23,503,901 of revenue, of which \$1,754,155 was receivable from investor-owned utilities at year-end.

Financial assistance awards from the Trust totaled approximately \$25.6 million during fiscal year 2009, for a cumulative total of approximately \$300 million to date. Of the total awarded, only the amounts expended for financial assistance are reflected in the financial statements. The difference represents amounts for which the financial assistance award recipients are required to fulfill obligations under the award agreement prior to MTPC recognizing the amounts as an expenditure. The most significant awards in fiscal year 2009 were made under the following five initiatives: (1) Commonwealth Solar, (2) business expansion, (3) the Clean Energy Center, (4) large onsite renewables, and (5) community wind.

The Institute made awards totaling more than \$1.8 million. The Institute includes the Innovation Institute Fund and the Research Center Matching Fund. These two funds were established in the Economic Stimulus Bill of 2003 with an appropriation of \$35 million (\$15 million and \$20 million, respectively). The legislature recapitalized the Research Center Matching Fund in fiscal year 2007 with an additional \$10 million. Other economic development efforts within the Institute include efforts in the IT Collaborative, the Innovation Economy Index, and the Berkshire Wireless Learning Initiative.

The combined activities of the e-Health and Life Sciences division include the Computerized Physician Order Entry (CPOE) efforts, research and analysis of other technology-based health care opportunities, the establishment of the Massachusetts e-Health Institute, as well as supporting the growth of the life sciences cluster within Massachusetts.

The Massachusetts Broadband Institute was established in fiscal year 2009 to extend affordable high-speed Internet access to all homes, businesses, schools, libraries, medical facilities, government offices, and other public places across our state.

In accordance with guidelines set forth by the DOER, any electricity supplier that did not secure enough Renewable Energy Certificates (REC) to meet the Renewable Portfolio Standard (RPS) requirements shall be deemed in compliance if they make an ACP to MTPC in a specified amount for every REC they are short of their required quota. Pursuant to this regulation, MTPC received approximately \$216,000 in ACPs during fiscal year 2009 on behalf of DOER, which were recorded as alternative compliance payment custodial holdings as of June 30, 2009. MTPC acts as the collection agent for these funds that are payable to the DOER. The funds received to date from the ACPs, which have totaled \$51.7 million, will be utilized in a manner authorized by the DOER when such determinations are made. During fiscal year 2008, MTPC and DOER entered into an agreement to authorize the use of \$28 million over four years to support the funding for the Commonwealth Solar Initiative administered by the Trust. Of that amount, \$7 million was recognized as revenue in fiscal year 2008, \$14 million in fiscal year 2009, and the additional \$7 million is recorded as unearned revenue and shall be earned upon each authorization by DOER to utilize the final block of funding. As awards are made by the Trust for Commonwealth Solar projects, ACP funds are transferred into the Trust. In addition in prior years, DOER instructed MTPC to make a direct payment from the custodial holdings to fund certain activities authorized by DOER in the amount of \$3.1 million. Any additional amounts that may be used by MTPC from the ACPs to fund programmatic activities have yet to be determined. DOER retains the right to commit and expend the alternative compliance payments without MTPC's acquiescence or programmatic involvement.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment of MTPC at June 30, 2009, is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Buildings	\$ 370,368	\$ 21,237,557	\$ 21,607,925
Improvements	1,170,039	305,605	1,475,644
Equipment	997,956	355,452	1,353,408
Furniture	<u>261,498</u>	<u>110,441</u>	<u>371,939</u>
	<u>2,799,861</u>	<u>22,009,055</u>	<u>24,808,916</u>
Less accumulated depreciation:			
Buildings	(59,333)	(10,566,867)	(10,626,200)
Improvements	(632,888)	(169,507)	(802,395)
Equipment	(927,111)	(343,888)	(1,270,999)
Furniture	<u>(183,569)</u>	<u>(109,059)</u>	<u>(292,628)</u>
	<u>(1,802,901)</u>	<u>(11,189,321)</u>	<u>(12,992,222)</u>
Property and equipment — net	<u>\$ 996,960</u>	<u>\$ 10,819,734</u>	<u>\$ 11,816,694</u>

Total depreciation expense for the year ended June 30, 2009, was approximately \$815,000. Of that amount, approximately \$426,000 (comprising approximately \$280,000, \$1,000, \$102,000, \$34,000, \$6,000 and \$3,000 in the renewable energy program, waste-to-energy program, the Institute Program, e-Health and Life Sciences Initiative, MA Broadband Institute, and International, respectively) is reported in the governmental activities and approximately \$388,000 is reported in the proprietary funds/business-type activities.

#### Governmental Activities

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Buildings	\$ 370,368	\$ -	\$ -	\$ 370,368
Improvements	1,153,091	16,948		1,170,039
Equipment	1,066,204		(68,248)	997,956
Furniture	<u>256,396</u>	<u>5,102</u>		<u>261,498</u>
	<u>2,846,059</u>	<u>22,050</u>	<u>(68,248)</u>	<u>2,799,861</u>
Less accumulated depreciation:				
Buildings	(50,074)	(9,259)		(59,333)
Improvements	(456,301)	(176,587)		(632,888)
Equipment	(917,961)	(77,398)	68,248	(927,111)
Furniture	<u>(159,478)</u>	<u>(24,091)</u>		<u>(183,569)</u>
	<u>(1,583,814)</u>	<u>(287,335)</u>	<u>68,248</u>	<u>(1,802,901)</u>
Property and equipment — net	<u>\$ 1,262,245</u>	<u>\$ (265,285)</u>	<u>\$ -</u>	<u>\$ 996,960</u>

**Business-Type Activities**

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Buildings	\$ 20,553,831	\$ 683,726	\$ -	\$ 21,237,557
Improvements	305,432	173		305,605
Equipment	369,017		(13,565)	355,452
Furniture	<u>110,389</u>	<u>52</u>	<u></u>	<u>110,441</u>
	<u>21,338,669</u>	<u>683,951</u>	<u>(13,565)</u>	<u>22,009,055</u>
Less accumulated depreciation:				
Buildings	(10,061,194)	(505,673)		(10,566,867)
Improvements	(150,103)	(19,404)		(169,507)
Equipment	(356,060)	(1,393)	13,565	(343,888)
Furniture	<u>(108,077)</u>	<u>(982)</u>	<u></u>	<u>(109,059)</u>
	<u>(10,675,434)</u>	<u>(527,452)</u>	<u>13,565</u>	<u>(11,189,321)</u>
Property and equipment — net	<u>\$ 10,663,235</u>	<u>\$ 156,499</u>	<u>\$ -</u>	<u>\$ 10,819,734</u>

**5. DEFINED CONTRIBUTION PLANS**

MTPC's Personnel and Governance Committee is the Board's governance body for all compensation and benefit-related issues. MTPC has adopted a simplified employee pension plan and a matching contribution 401(a) plan, which are administered by Vanguard and TIAA-CREF, respectively.

Under the simplified pension plan, MTPC makes a monthly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2009, pension expense was \$992,826.

Under the 401(a) plan, MPTC matches 50% of employees' contributions into their 457B plan with a maximum MTPC contribution of 3% of the employees' salary. In accordance with the plan, these contributions will "vest" at a rate of 25% for every full year an employee has been employed at MTPC. For the year ended June 30, 2009, MTPC's total contributions were \$159,943, of which \$121,871 was vested. These contributions were based on \$558,847 in fiscal year 2009 of employee contributions.

## 6. LEASES

MTPC leases its Integrated Circuit Fabrication Facility (ICFF) to an unrelated party in accordance with an operating lease (the "Lease") which expires in April 2013. The Lease requires monthly base rent, as defined, payable in advance. Estimated future minimum lease payments to be received by MTPC are as follows:

Fiscal Years	Amount
2010	\$ 654,000
2011	654,000
2012	654,000
2013	<u>490,500</u>
	<u>\$ 2,452,500</u>

MTPC continues to incur certain operating costs related to the ICFF. Under the terms of the Lease agreement, the lessee has agreed to reimburse MTPC for these costs. For the year ended June 30, 2009, these reimbursements are included in operating lease revenue and amounted to \$59,870.

In accordance with the Lease, the lessee deposited \$125,000 with MTPC. These funds are included in other liabilities in the accompanying statement of net assets for the proprietary fund at June 30, 2009.

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

## 7. DERIVATIVES

MTPC, through the activities of the Trust Fund (RETF) and more specifically the Massachusetts Green Power Partnership (MGPP) and other project financing initiatives, has entered into long-term contracts for REC in an effort to stimulate private investment in the construction of new clean electric-generating facilities in Massachusetts and New England. These clean energy facilities are being built to satisfy both voluntary demand for green power among Massachusetts consumers and the requirements of the mandatory Massachusetts RPS established under Massachusetts General Law. These contracts were entered into for the sole purpose of furthering the mission and objectives of the Trust.

The renewable energy developers are dependent on revenue streams from power sales, tax incentives, and sale of attributes (RECs) to generate income and to cover future payments to equity and debt investors. Faced with considerable uncertainty regarding future market prices of power, project developers must also deal with the uncertain future value of RECs. Demand for RECs, particularly over time, is uncertain. The RPS can be modified or eliminated at any time. Further, in competitive electricity markets nationwide, no substantial voluntary demand for RECs has yet developed. As a consequence, there have been few if any long-term contracts executed for RECs in Massachusetts.

The absence of long-term contracts for RECs with creditworthy entities makes it difficult for developers to secure equity and debt financing for their renewable energy projects. The MGPP aims to address the lack of REC cash flow certainty by providing long-term REC contracts, assuming the risk that government mandated demand will persist under substantially similar terms and that a voluntary market for RECs will develop. By placing funds into an escrow account to support MTPC's REC purchase commitments, MTPC also provides the creditworthiness required by equity and debt investors.

MTPC has entered into three types of REC contracts:

*Purchase Agreements* — Purchase agreements under which the developer has an obligation to sell and MTPC is obliged to purchase a specified quantity of RECs over multiple years at the prices agreed to in the contract.

*Put Options* — Put options under which a developer secures the right, but not the obligation, to sell RECs to MTPC over the contract period at the prices set in the agreement (the “put option strike price”). MTPC must purchase the RECs if the developer exercises its right.

*Put and Call Options* — Put and call options under which a developer secures the right to sell RECs to MTPC under a put option and, if the put option is not exercised, MTPC also obtains the right to purchase RECs from the developer at a specified higher price (a call option). This contract type allows MTPC to share some of the upside potential if the market price for RECs reaches higher levels.

*Put-Back Option* — Some contracts also include a put-back option with a put option or put and call option. The put-back allows MTPC to require that the seller buy back the RECs at a set per-unit price that is lower than the put option strike price.

MTPC will resell the RECs that it purchases. This will return funds that can be utilized to further the objectives and mission of the Trust. Companies that purchase RECs from MTPC will use them for sale in the voluntary market or for compliance with the mandates of the RPS.

The table below summarizes the obligations under the REC contracts by the type of contract, the nominal value of the agreements, the duration, and the present value of the value or exposure of the contracts based upon the most current assumptions known by MTPC.

<b>Contract Type</b>	<b>Number of Contracts</b>	<b>Nominal Amount</b>	<b>Effective Date Period of Obligation</b>	<b>Present Value (Risk)</b>
REC purchase	5	\$ 6,882,878	2004–2021	\$ 1,219,922
Put option	1	911,200	2011–2021	(629,735)
Put/call option	2	3,605,000	2007–2017	(124,534)
Price collar (put/call with put-back option)	1	5,600,000	2009–2013	1,391,707
Put/put-back option	1	2,992,990	2008–2018	(130,649)
	<u>10</u>	<u>\$ 19,992,068</u>		<u>\$ 1,726,711</u>

These contracts have a range of prices for the purchase, put, and call options for RECs which vary from \$5 to \$170 depending on the type of obligations and the type of RECs.

The present value of the obligations is based upon assumptions relating to the pricing of RECs and discount rate. Massachusetts RPS eligible RECs were trading at approximately \$22 as of June 30, 2009, but the price over time will vary depending on the availability of RECs in the market and the status of the RPS requirements in Massachusetts, as well as other states in the New England Region. In this model, it is assumed that the existing RPS requirements will be unchanged and that the volume of RECs available in the market will increase in coming years thereby reducing the price of RECs in the later years of MTPC’s contract obligations. It is also assumed that each of the projects for which MTPC has a contract will be constructed in the time frame and with the capacity currently anticipated. These

assumptions do not consider volatility. It is important to note that there is not a readily determinable long-term REC market value to value these agreements because of the significant uncertainty of the future REC market. MTPC has based its assumptions upon the current market indications for multiyear REC agreements and projected renewable energy projects that will generate RECs in future years. These assumptions also assume that there will not be changes made to the RPS requirements which would have a significant impact on the valuations and risk. Because of the uncertainty in the long-term REC market, MTPC has determined that in a worst case scenario and the value of RECs was \$0 and all other assumptions remained the same, MTPC's total risk would be \$14,256,930, of which \$10,513,000 is the maturity value of escrowed funds as of June 30, 2009.

**Credit Risk** — As part of the MGPP initiative, MTPC has agreed, to the extent necessary for a particular project, to escrow funds in an amount that is based upon the purchase or put price of the various agreements in future periods. The escrow accounts are funded with U.S. Treasuries that mature at a value that is equivalent to the anticipated cost of the obligation for the RECs in a purchase agreement or if a put option is effectuated. Because MTPC has a right to remove these funds from escrow if contractual requirements are not met, MTPC has mitigated the risk of credit with the project developer from a financial loss perspective.

**Market Risk** — Other risks associated with these transactions relate to the market price of the RECs in future years. This risk is impacted by potential changes by the legislature with regard to RPS requirements both in Massachusetts and other states in the New England region where RECs can also be traded. In addition, the market price of RECs is driven by the supply of RECs put into the market. As more renewable energy-generating projects come on line, the prices will decrease, unless the demand has correspondingly increased. The RPS regulations allow certain RECs produced outside the ISO New England Control Area to be imported and qualify under the Massachusetts RPS which adds to the uncertainty of forward REC prices. MTPC may be required to pay the contractually obligated purchase or put price when the REC market price is lower.

**Termination Risk** — Funds for these obligations are held by MTPC in either a project-specific escrow account or as a reserved encumbrance of the fund balance; so if performance is required under any or all of these contracts, MTPC is able to adhere to the terms of such contracts. If a project developer does not fulfill the contractual requirements, MTPC has the authority to withdraw the funds from escrow. The Organization's potential value associated with these transactions under these circumstances would not be realized.

## 8. RISK MANAGEMENT

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

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

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

MTPC carries a crime policy that provides coverage of \$10,000,000.



**9. INTERFUND ACTIVITY**

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

Internal balances between funds at June 30, 2009, consisted of the following:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Campus Operations	\$ 1,144,553
Wind Technology Testing Center	General Fund	186,305

Interfund transfers during the fiscal year ended June 30, 2009, consisted of the following:

	<b>General Fund</b>	<b>Wind Technology Testing Center</b>
Interfund transfers	<u>\$ (1,254,967)</u>	<u>\$ 1,254,967</u>
	<b>General Fund</b>	<b>Campus Operations</b>
	<u>\$ 73,277</u>	<u>\$ (73,277)</u>

Interfund transfers are used to move funds considered financial assistance expenditure in one fund to support the activities within another fund and to move unrestricted funds to subsidize program deficits. The transfers for the year June 30, 2009, are related to the Trust making a financial assistance expenditure to fund the activities of the WTTC division and to subsidize the Life Sciences program deficit.

## 10. SUBSEQUENT EVENTS

**Financial Events Subsequent to Year-End** — In August 2008, *Chapter 307 of the Acts of 2008 — An Act Relative to Green Jobs in the Commonwealth* was signed into law and created the new Clean Energy Technology Center (CEC), funded in part through \$5,000,000/year from the Renewable Energy Trust Fund and the Massachusetts Alternative and Clean Energy Investment Trust Fund. The Green Jobs Act contemplates a coordinated effort to support the clean energy economy of the Commonwealth, including effective use of investment and R&D/testing vehicles to attract clean energy projects and companies to Massachusetts. In keeping with this legislative construct and the Trust's 5-Year Strategic Plan, the Trust will seek to gain programmatic efficiencies and prevent duplicative effort on behalf of the Commonwealth by coordinating industry development efforts with the CEC. To implement this cooperation, effective June 30, 2009, the Trust will (1) no longer offer an II&D Program or employ staff to oversee the investments made under this program; and (2) no longer manage and oversee the WTTC. In May and June of 2009, The Governing Board of the Trust and the MTPC Executive Board approved the assignment of certain assets, contracts and outstanding obligations related to company investments and loans and the WTTC. During July 2009 through October 2009, MTPC assigned these various contracts and transferred the assets and obligations to the Center.

	<b>Governmental Activities</b>
Renewable Energy Trust:	
Cash and cash equivalents — reserved for awards	\$30,051,393
Renewable Energy Trust Fund investments	10,554,989
Renewable Energy Trust loans and other receivables (net of allowance of \$5,471,333)	<u>5,497,794</u>
Total assets	<u>\$46,104,177</u>
	<b>Business-Type Activities</b>
Wind Technology Testing Center — buildings	<u>\$ 1,010,612</u>
Total assets	<u>\$ 1,010,612</u>

**Legislation Pending Subsequent to Year-End** — Legislation has been submitted by Governor Deval Patrick to the Massachusetts General Court that would transfer the administration, custody, and control of the Trust to CEC. Under the legislation as currently drafted, CEC would assume all rights, responsibilities, obligations, and liabilities of MTPC arising out of its administration of the Trust. If enacted, the effective date of the transfer of the Trust would be established pursuant to a Memorandum of Understanding executed by MTPC and the Center, which would also include a plan and schedule to implement the transfer.

\* \* \* \* \*

RECEIVED

# Massachusetts Technology Park Corporation

(A Component Unit of the Commonwealth of  
Massachusetts)

Basic Financial Statements and Required  
Supplementary Information as of and for the  
Year Ended June 30, 2008, and  
Independent Auditors' Report

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Massachusetts Technology Park Corporation:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Massachusetts Technology Park Corporation (the "Organization"), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2008, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Organization, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte & Touche LLP*

November 3, 2008

# **MASSACHUSETTS TECHNOLOGY PARK CORPORATION**

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

#### **FOR THE YEAR ENDED JUNE 30, 2008**

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This section of the Massachusetts Technology Park Corporation's (the "Organization" or "MTPC") annual financial report presents a discussion and analysis of the financial performance during the fiscal years ended June 30, 2008 and 2007. Please read it in conjunction with the Organization's financial statements, which follow this section.

#### **Agency Overview**

The Massachusetts Technology Park Corporation, which does business as the Massachusetts Technology Collaborative ("MTC"), is the Commonwealth of Massachusetts' (the "Commonwealth" or "Massachusetts") economic development agency responsible for promoting growth in the innovation economy.

MTC is a nonpartisan agency that fosters a more favorable environment for the formation, retention, and expansion of technology-related enterprises in Massachusetts. MTC, now in its 26<sup>th</sup> year, operates at the intersection of government, industry, and academia. It brings together leaders and stakeholders to advance technology-based solutions that lead to economic growth, a cleaner environment, and improved healthcare. MTC has three major divisions.

#### **John Adams Innovation Institute**

The Innovation Institute was established in 2004 through economic stimulus legislation. As the economic development arm of MTC, the Innovation Institute makes strategic investments to strengthen industry clusters, support the state's research enterprises, and grow the knowledge economy.

The Innovation Institute makes targeted investments to support key industry clusters in the Commonwealth's knowledge economy. The Innovation Institute also supports rigorous collaborative, interdisciplinary research and development partnerships at Massachusetts universities as new ideas and technologies emerge; enhances the success of the state's academic research centers to compete for millions of dollars in federal research awards; and, secures the economic benefits of downstream production and employment for the Commonwealth as new research and technologies are commercialized in the marketplace.

#### **Renewable Energy Trust**

The Renewable Energy Trust is making investments to maximize the economic and environmental benefits from clean energy. The Trust has awarded more than \$275 million in loans and grants to support over 1,500 clean energy projects across the state. More businesses, homeowners, and communities are installing clean energy systems today than at any other time in the state's history. The Trust is also working to grow the state's vibrant cluster of clean energy businesses, everything from small start-up companies to established manufacturing companies. The Trust is helping cities and towns "go green" by purchasing clean energy and installing renewable technologies to meet municipal needs.

#### **e-Health & Life Sciences**

Massachusetts' healthcare system is vitally important for the well-being of its citizens and the strength of its economy. MTC is working to speed adoption of technologies that save lives and reduce costs in healthcare. This e-Health partnership has brought together policymakers, healthcare experts, physicians, and business leaders to break down barriers impeding widespread implementation of advanced technologies, such as computerized physician order entry systems.

The Massachusetts Life Sciences Collaborative is creating a cross-sector partnership that helps Massachusetts maintain and build upon its preeminence in research, development, and commercialization efforts in the life sciences cluster. The Life Sciences Collaborative is engaging life sciences leaders from academia, industry, and government in an ongoing dialogue on how to overcome the obstacles to full economic and competitive potential facing the life sciences cluster, and is working to develop a comprehensive and integrated strategic plan for life sciences growth in the Commonwealth.

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

In FY08, MTC established a new division for the activities surrounding the establishment of a Wind Testing Technology Center. Following a highly competitive national process to expand blade testing capabilities in the United States, the United States Department of Energy awarded a \$2 million federal research and development grant to fund new equipment plus additional technical support for the project. MTC is working with the National Renewable Energy Laboratory (NREL), Massachusetts Port Authority, University of Massachusetts and a design/engineering team led by Architerra Inc. to build the Wind Technology Testing Center along the Mystic River in the Charlestown neighborhood of Boston. The Center will be a state-of-the-art, sustainable facility to test wind turbine blades and meet other research and development needs of the wind industry.

### **Overview of the Financial Statements**

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

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

### **Financial Analysis**

The statement of net assets is a government-wide statement that presents information on all of MTPC's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets serve as one indicator of MTPC's financial position. On the following page is a summary of net assets for fiscal years 2008 and 2007.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**SUMMARY OF NET ASSETS**  
**AS OF JUNE 30, 2008 AND 2007**

	2008			2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS:						
Noncapital assets	\$ 277,653,401	\$ 14,384,899	\$ 292,038,300	\$ 296,832,777	\$ 12,263,712	\$ 309,096,489
Capital assets (net of accumulated depreciation)	<u>1,262,245</u>	<u>10,663,234</u>	<u>11,925,479</u>	<u>1,338,758</u>	<u>10,813,777</u>	<u>12,152,535</u>
Total assets	278,915,646	25,048,133	303,963,779	298,171,535	23,077,489	321,249,024
LIABILITIES	<u>40,980,422</u>	<u>4,342,816</u>	<u>45,323,238</u>	<u>46,115,976</u>	<u>3,437,421</u>	<u>49,553,397</u>
NET ASSETS	<u>237,935,224</u>	<u>20,705,317</u>	<u>258,640,541</u>	<u>252,055,559</u>	<u>19,640,068</u>	<u>271,695,627</u>
NET ASSETS:						
Invested in capital assets	\$ 1,262,245	\$ 10,663,234	\$ 11,925,479	\$ 1,338,758	\$ 10,813,777	\$ 12,152,535
Restricted for:						
Renewable Energy Trust Fund/ other purposes	173,610,497		173,610,497	186,480,481		186,480,481
Alternative compliance payments	21,318,726		21,318,726	14,722,574		14,722,574
e-Health and life sciences	2,916,876		2,916,876	4,091,865		4,091,865
John Adams Innovation Institute	38,826,880		38,826,880	45,421,881		45,421,881
Campus development/other purposes		2,601,538	2,601,538		2,667,228	2,667,228
Unrestricted		<u>7,440,545</u>	<u>7,440,545</u>		<u>6,159,063</u>	<u>6,159,063</u>
TOTAL	<u>\$ 237,935,224</u>	<u>\$ 20,705,317</u>	<u>\$ 258,640,541</u>	<u>\$ 252,055,559</u>	<u>\$ 19,640,068</u>	<u>\$ 271,695,627</u>



Between fiscal years 2007 and 2008 net assets have decreased by \$13.1 million to \$258.6 million, a 4.8% decrease. MTPC's total assets were \$304 million as of June 30, 2008, a decrease of \$17.3 million from the prior year. This decrease primarily results from the increase in financial assistance expenditures which caused a reduction in the cash and investment balances. Total liabilities were \$45.3 million, a decrease from the prior year of \$4.2 million, primarily related to the revenue recognition of \$7 million of alternative compliance payment deposits previously held as deposits and escrows, offset by an increase of accrued expenses of \$3.7 million.

Of MTPC's net assets, 67.1% are restricted for the Renewable Energy Trust Fund, 15% for the John Adams Innovation Institute, 1.1% for e-Health and Life Sciences, 8.3% for alternative compliance payments and 1% for campus development and other purposes. Capital assets represent 4.6% of net assets, and the remaining 2.9% is classified as unrestricted.

Renewable Energy Trust Fund restricted net assets totaled \$173.6 million. These funds are restricted primarily for the development, implementation, and execution of programs intended to increase both the generation and consumption of renewable energy resources in Massachusetts, to advance the renewable energy industry in Massachusetts, and to stimulate overall economic activity in Massachusetts relating to the renewable energy sector. Approved financial assistance awards and reservations represent more than \$159.3 million of the net assets restricted for the Renewable Energy Trust.

During fiscal year 2008, MTPC received \$1.5 million in alternative compliance payments from electricity suppliers as an alternative method to meeting the Renewable Portfolio Standard mandated by regulations promulgated by the Division of Energy Resources (DOER). The alternative compliance payments in fiscal year 2008 were significantly less than the prior fiscal year. This resulted from an increased supply of Renewable Energy Certificates (RECs) in the market, which allowed suppliers to purchase RECs to meet their Renewable Portfolio Standard obligations more readily. MTPC acts as the collection agent for alternative compliance payments, but such funds are expended at the direction of the DOER. During fiscal year 2008, MTPC was authorized by DOER to utilize \$7 million for the RET Commonwealth Solar Initiative and that amount was recognized as revenue. An additional \$21 million has been reserved for the Commonwealth Solar Initiative for the next three years and will be recognized as revenue when fully authorized by DOER for use. During fiscal year 2008 DOER directed MTPC to disburse \$3.1 million to fund solar installations.

Restricted net assets of the John Adams Innovation Institute decreased by \$6.6 million as a result of the net impact of \$2.6 million in revenues offset by operating and financial assistance expenses of \$9.3 million.

Restricted net assets of e-Health and life sciences decreased primarily as a result of the net impact of \$275 thousand of revenue offset by operating and financial assistance expenses of approximately \$2.2 million.

Of the governmental activities' net assets, \$1.3 million is invested in capital assets, including improvements, computer and network equipment, furniture and fixtures. There is no debt outstanding against these assets.

The net assets of the Business-Type Activities — Campus Operations were \$20.4 million as of June 30, 2008, an increase of \$738,000 from the prior year end. The primary activities of the Campus Operations fund relate to the development and maintenance of the 36-acre campus in Westborough, Massachusetts. Of the total net asset balance, \$10.3 million was invested in capital assets, including buildings and campus improvements, computer and network equipment, furniture and fixtures. There is no debt outstanding against these assets. Of the remaining net assets, \$2.6 million was restricted for future investment in the campus and its buildings or other related purposes; the remaining balance of \$7.4 million was unrestricted.

There was no significant capital asset activity during the fiscal year. Refer to the notes to the financial statements for more detailed information about capital assets. MTPC has no long-term debt outstanding.

The summary of changes in net assets shows how the fiscal year activities impacted the net assets. Below is the summary of changes in net assets for the fiscal years 2008 and 2007:

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

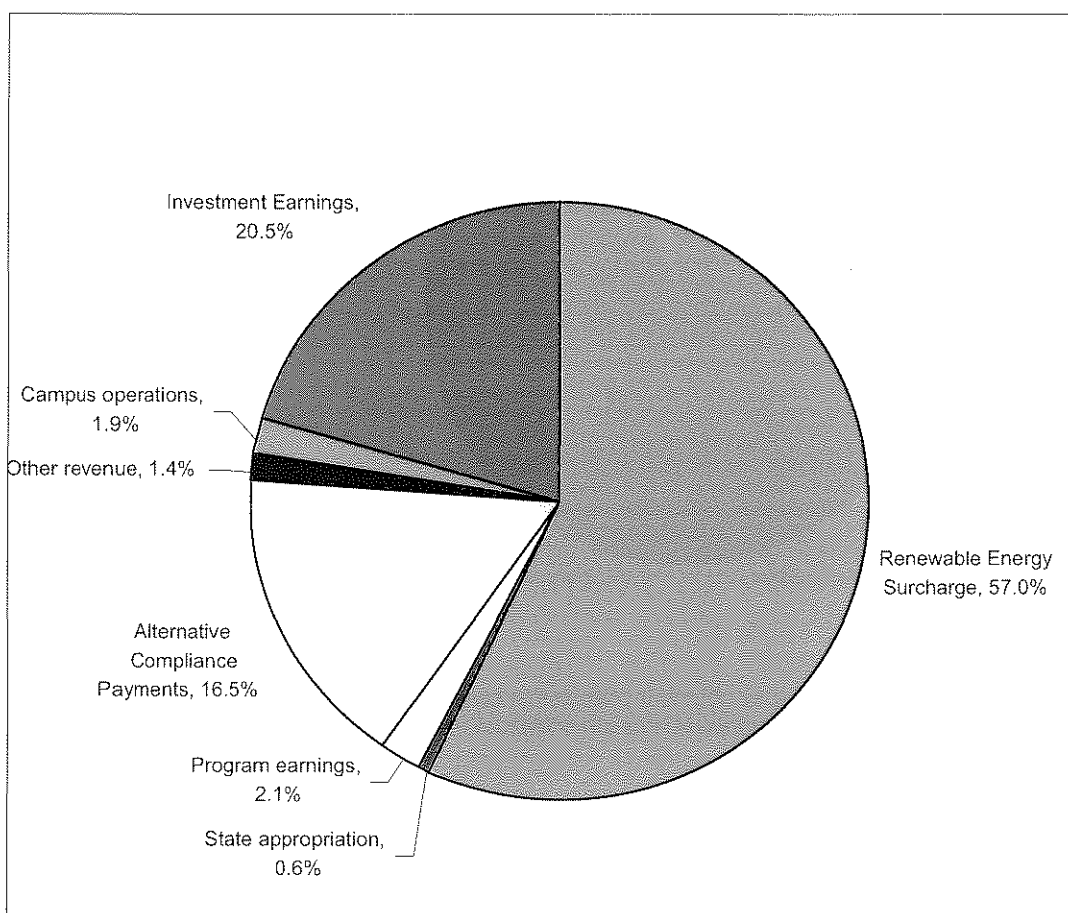
**SUMMARY OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>REVENUE:</b>						
Renewable energy surcharge	\$ 24,147,877	\$ -	\$ 24,147,877	\$ 23,999,729	\$ -	\$ 23,999,729
State appropriation	250,000		250,000	15,150,000		15,150,000
Program earnings	903,743		903,743	1,589,586		1,589,586
Alternative compliance payments	7,000,000		7,000,000			-
Other revenue	589,841		589,841	113,500		113,500
Campus operations		813,885	813,885		837,974	837,974
<b>Total revenue</b>	<b>32,891,461</b>	<b>813,885</b>	<b>33,705,346</b>	<b>40,852,815</b>	<b>837,974</b>	<b>41,690,789</b>
<b>EXPENSES:</b>						
Renewable Energy	43,029,147		43,029,147	30,147,737		30,147,737
John Adams Innovation Institute	9,327,504		9,327,504	5,760,185		5,760,185
e-Health and life sciences	2,215,594		2,215,594	1,374,802		1,374,802
Alternative compliance payments	25,545		25,545	47,478		47,478
Waste-to-energy	2,731		2,731	10,074		10,074
Wind Technology Testing Center		299,807	299,807			-
Campus operations		529,060	529,060		642,569	642,569
<b>Total expenses</b>	<b>54,600,521</b>	<b>828,867</b>	<b>55,429,388</b>	<b>37,340,276</b>	<b>642,569</b>	<b>37,982,845</b>
<b>NET</b>	<b>(21,709,060)</b>	<b>(14,982)</b>	<b>(21,724,042)</b>	<b>3,512,539</b>	<b>195,405</b>	<b>3,707,944</b>
<b>INVESTMENT EARNINGS</b>	<b>8,215,417</b>	<b>453,539</b>	<b>8,668,956</b>	<b>18,041,651</b>	<b>368,233</b>	<b>18,409,884</b>
<b>TRANSFERS</b>	<b>(626,692)</b>	<b>626,692</b>	<b>-</b>			<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(14,120,335)</b>	<b>1,065,249</b>	<b>(13,055,086)</b>	<b>21,554,190</b>	<b>563,638</b>	<b>22,117,828</b>
<b>NET ASSETS — Beginning of year</b>	<b>252,055,559</b>	<b>19,640,068</b>	<b>271,695,627</b>	<b>230,501,369</b>	<b>19,076,430</b>	<b>249,577,799</b>
<b>NET ASSETS — End of year</b>	<b>\$237,935,224</b>	<b>\$ 20,705,317</b>	<b>\$ 258,640,541</b>	<b>\$ 252,055,559</b>	<b>\$ 19,640,068</b>	<b>\$ 271,695,627</b>

Total governmental and business-type revenues, including investment earnings, were \$42.4 million for the fiscal year ended on June 30, 2008, which was a decrease of \$17.7 million from the prior year. The change in the revenue results primarily from the prior year's one time state appropriations of \$15 million, \$10 million of which was for the Research Center Match Fund and \$5 million of which was for the e-Health activities. Additionally investment earnings decreased by \$9.7 million. These decreases were offset by \$7 million in alternative compliance payment revenue recognized. Total expenses increased by \$17.3 million, primarily as a result of a more than \$17 million increase in financial assistance expenditures, most of which occurred in the renewable energy program.

## Revenue

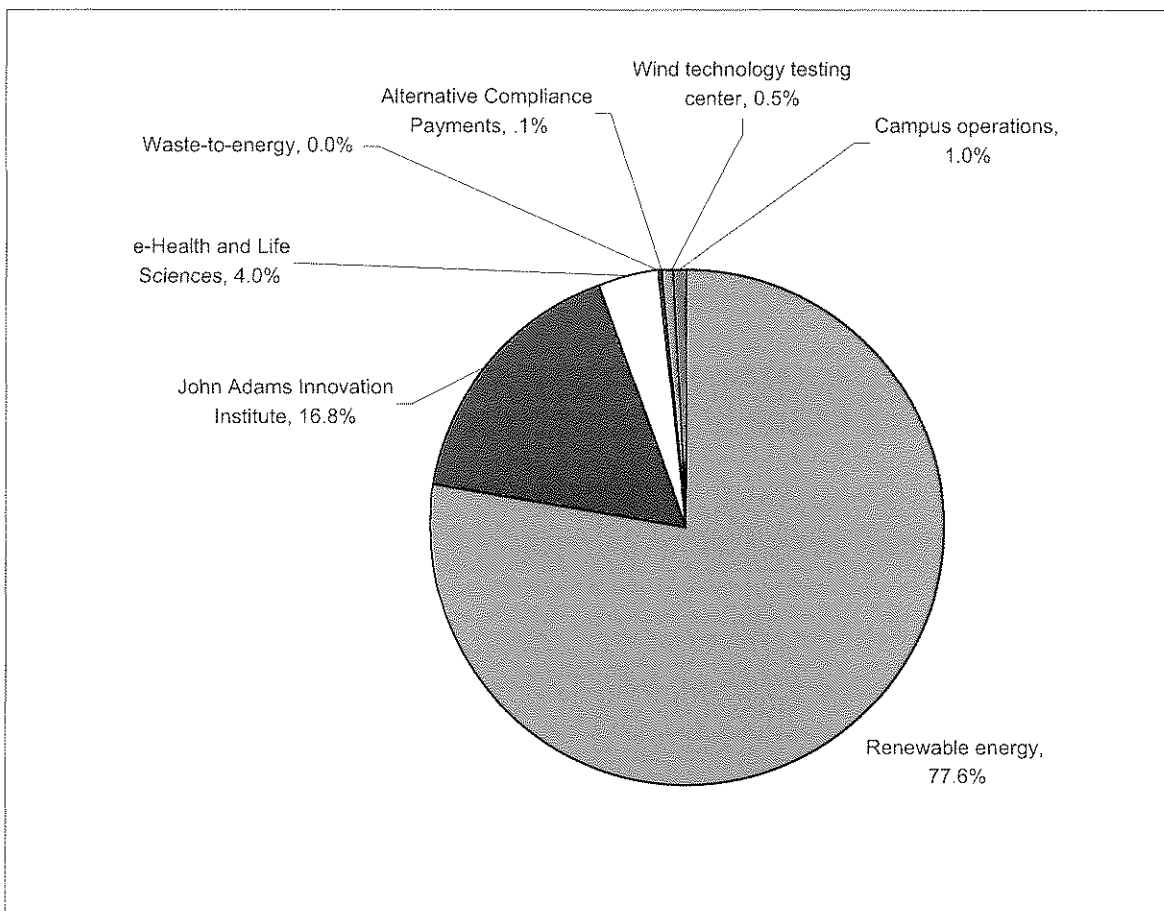
The total revenues of the Organization for the fiscal year ended June 30, 2008 were \$42.4 million, including investment earnings. Total revenues break down by source as follows:



One of MTPC's primary sources of programmatic revenue is the Renewable Energy Surcharge. The surcharge revenue is received from investor-owned utilities pursuant to restructuring legislation passed by the legislature in 1997. These revenues are based upon a per kilowatt-hour (KWH) surcharge assessed to all of their Massachusetts customers. Other primary sources of income for 2008 include investment earnings, alternative compliance payments, state appropriations, rentals of campus buildings, and program investment earnings.

## Expenses

The expenses for fiscal year 2008 were \$55.4 million which includes \$44.8 million of financial assistance expenditures. Financial assistance expenditures are those paid out to award recipients or to projects which directly benefit the stakeholders in the Commonwealth. The breakdown of expense by program, based upon the fund-level financial statements is as follows:



## Financial Assistance Awards

Gross financial assistance awards totaling \$23.8 million (\$43.7 million, net of rescissions of \$19.9 million) were made by the Renewable Energy Trust during fiscal year 2008, for a cumulative total of \$330 million since 2001. The majority of awards during fiscal year 2008 were to fund projects in the following five program areas: (1) large onsite renewables; (2) business expansion; (3) community wind; (4) cluster development; and (5) Commonwealth Solar/small renewables.

The Innovation Institute made financial assistance awards totaling \$14.5 million in 2008, primarily for regional priority awards, project awards, and research center matching grants. E-Health and Life Sciences made awards totaling \$585,000. Of these awards, only the amounts expended for financial assistance are reflected in the financial statements and in the expenses pie chart. The difference between the financial assistance awards and expenses represents amounts for which the financial assistance award recipients are required to fulfill obligations under the award agreement prior to MTPC recognizing the amounts as an expense.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF NET ASSETS**  
**AS OF JUNE 30, 2008**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Noncapital assets:			
Cash and cash equivalents	\$ 31,814,558	\$ 14,384,899	\$ 46,199,457
Investments	24,802,476		24,802,476
Accounts receivable:			
Renewable energy surcharge	2,741,065		2,741,065
Internal balances	3,227,277		3,227,277
Other	441,518		441,518
Prepaid expense and other assets	<u>137,322</u>		<u>137,322</u>
Assets committed under programs:			
Cash and cash equivalents — reserved for awards	35,184,627		35,184,627
Cash and cash equivalents — restricted for program commitments	347,290		347,290
Alternative compliance payment custodial cash and cash equivalents — restricted	49,902,758		49,902,758
Investments — reserved for awards	84,410,488		84,410,488
Investments — restricted for program commitments	22,935,347		22,935,347
Renewable Energy Trust Fund investments	5,298,741		5,298,741
Renewable Energy Trust Fund program assets	10,850,240		10,850,240
Renewable Energy Trust Fund loans and other receivables (net allowance of \$5,063,093)	<u>5,559,694</u>		<u>5,559,694</u>
Total assets committed under programs	<u>214,489,185</u>	-	<u>214,489,185</u>
Total noncapital assets	<u>277,653,401</u>	<u>14,384,899</u>	<u>292,038,300</u>
Capital assets (net of accumulated depreciation):			
Buildings	320,294	10,492,636	10,812,930
Improvements	696,790	155,329	852,119
Equipment	148,243	12,957	161,200
Furniture and fixtures	<u>96,918</u>	<u>2,312</u>	<u>99,230</u>
Total capital assets	<u>1,262,245</u>	<u>10,663,234</u>	<u>11,925,479</u>
Total assets	<u>278,915,646</u>	<u>25,048,133</u>	<u>303,963,779</u>
<b>LIABILITIES:</b>			
Accounts payable	3,312,473	862,452	4,174,925
Accrued expenses	5,750,888	127,189	5,878,077
Internal balances		3,227,277	3,227,277
Alternative compliance payment custodial holdings	9,349,432		9,349,432
Other liabilities	<u>22,567,629</u>	<u>125,898</u>	<u>22,693,527</u>
Total liabilities	<u>40,980,422</u>	<u>4,342,816</u>	<u>45,323,238</u>
<b>NET ASSETS:</b>			
Invested in capital assets	1,262,245	10,663,234	11,925,479
Restricted for:			
Renewable Energy Trust Fund/other purposes	173,610,497		173,610,497
Alternative compliance payments	21,318,726		21,318,726
eHealth and life sciences	2,916,876		2,916,876
John Adams Innovation Institute	38,826,880		38,826,880
Campus development/other purposes		2,601,538	2,601,538
Unrestricted		<u>7,440,545</u>	<u>7,440,545</u>
<b>TOTAL</b>	<u>\$ 237,935,224</u>	<u>\$ 20,705,317</u>	<u>\$ 258,640,541</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**

(A Component Unit of the Commonwealth of Massachusetts)

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2008**

Programs Functions	Expenses	Program Revenue Charges for Services	Operating Grants and Contributions	Net Revenue and Changes in Net Assets Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES:</b>						
Renewable energy	\$ 43,029,147	\$ 377,973	\$ 24,673,803	\$ (17,977,371)	\$ -	\$ (17,977,371)
John Adams Innovation Institute	9,327,504	314,685	250,000	(8,762,819)		(8,762,819)
eHealth and life sciences	2,215,594	275,000		(1,940,594)		(1,940,594)
Alternative compliance payments	25,545		7,000,000	6,974,455		6,974,455
Waste-to-energy	2,731			(2,731)		(2,731)
Total governmental activities	<u>54,600,521</u>	<u>967,658</u>	<u>31,923,803</u>	<u>(21,709,060)</u>	<u>-</u>	<u>(21,709,060)</u>
<b>BUSINESS-TYPE ACTIVITIES —</b>						
Wind Technology Testing Center	299,807				(299,807)	(299,807)
Campus operations	529,060	813,885			284,825	284,825
Total business type activities	<u>828,867</u>	<u>813,885</u>	<u>-</u>	<u>-</u>	<u>(14,982)</u>	<u>(14,982)</u>
<b>TOTAL</b>	<u>\$ 55,429,388</u>	<u>\$ 1,781,543</u>	<u>\$ 31,923,803</u>	<u>(21,709,060)</u>	<u>(14,982)</u>	<u>(21,724,042)</u>
<b>INVESTMENT EARNINGS</b>				8,215,417	453,539	8,668,956
<b>TRANSFERS</b>				(626,692)	626,692	-
<b>CHANGE IN NET ASSETS</b>				(14,120,335)	1,065,249	(13,055,086)
<b>NET ASSETS — Beginning of year</b>				<u>252,055,559</u>	<u>19,640,068</u>	<u>271,695,627</u>
<b>NET ASSETS — End of year</b>				<u>\$ 237,935,224</u>	<u>\$ 20,705,317</u>	<u>\$ 258,640,541</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**BALANCE SHEET — GOVERNMENTAL FUND**  
**AS OF JUNE 30, 2008**

	<b>General Fund</b>
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	<u>\$ 31,814,558</u>
INVESTMENTS	<u>24,802,476</u>
ACCOUNTS RECEIVABLE:	
Renewable energy surcharge	2,741,065
Due from other funds	3,227,277
Other	<u>441,518</u>
Total accounts receivable	<u>6,409,860</u>
PREPAID EXPENSE AND OTHER ASSETS	<u>137,322</u>
ASSETS COMMITTED UNDER PROGRAMS:	
Cash and cash equivalents — reserved for awards	35,184,627
Cash and cash equivalents — restricted for program commitments	347,290
Alternative compliance payment custodial cash and cash equivalents — restricted	49,902,758
Investments — reserved for awards	84,410,488
Investments — restricted for program commitments	22,935,347
Renewable Energy Trust Fund investments	5,298,741
Renewable Energy Trust Fund program investments	10,850,240
Renewable Energy Trust Fund loans and other receivables (net of loan reserve of \$5,063,093)	<u>5,559,694</u>
Total assets committed under programs	<u>214,489,185</u>
<b>TOTAL</b>	<u><b>\$ 277,653,401</b></u>
<b>LIABILITIES AND FUND BALANCE</b>	
LIABILITIES:	
Accounts payable	\$ 3,182,086
Accrued expenses	5,750,888
Alternative compliance payment custodial holdings	9,349,432
Other liabilities	<u>22,567,629</u>
Total liabilities	<u>40,850,035</u>
FUND BALANCE:	
Reserved for encumbrances	121,010,995
Unreserved	<u>115,792,371</u>
Total fund balance	<u>236,803,366</u>
<b>TOTAL</b>	<u><b>\$ 277,653,401</b></u>
AMOUNTS REPORTED FOR GOVERNMENTAL FUNDS ABOVE AND THOSE REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Total fund balance of governmental fund	\$ 236,803,366
Waste-to-energy grants are recorded on a full accrual basis in the government-wide statement of activities rather than modified accrual as in the fund basis statements	(130,387)
Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in funds (net of accumulated depreciation)	<u>1,262,245</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><b>\$ 237,935,224</b></u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCE — GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund
<b>REVENUE:</b>	
Renewable energy surcharge	\$ 24,147,877
State appropriation	250,000
Program earnings	903,743
Alternative compliance payments	7,000,000
Investment earnings	8,215,417
Other revenue	<u>589,841</u>
Total revenue	<u>41,106,878</u>
<b>EXPENDITURES:</b>	
Renewable energy	42,949,469
John Adams Innovation Institute	9,316,616
eHealth and life sciences	2,235,839
Waste-to-energy	459,650
Alternative compliance payments	<u>25,545</u>
Total expenditures	<u>54,987,119</u>
Change in fund balances before transfers	(13,880,241)
<b>TRANSFERS</b>	<u>(626,692)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(14,506,933)
<b>FUND BALANCE — Beginning of year</b>	<u>251,304,710</u>
<b>FUND BALANCE — End of year</b>	<u>\$ 236,797,777</u>
<b>AMOUNTS REPORTED FOR GOVERNMENTAL FUNDS ABOVE AND  THOSE REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:</b>	
Net change in fund balance — General Fund	\$ (14,506,933)
Waste-to-energy grants are recorded on a full accrual basis in the government-wide statements rather than modified accrual as in the fund basis statements	457,522
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period	<u>(70,924)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (14,120,335)</u>

See notes to basic financial statements.



**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**STATEMENT OF NET ASSETS — PROPRIETARY FUNDS**  
**AS OF JUNE 30, 2008**

	Campus Operations	Wind Technology Testing Center	Total
CURRENT ASSETS — Cash and cash equivalents	\$ 14,384,899	\$ -	\$ 14,384,899
NONCURRENT ASSETS:			
Buildings	20,226,945	326,885	20,553,830
Improvements	305,433		305,433
Equipment	369,017		369,017
Furniture and fixtures	110,389		110,389
Total noncurrent assets	21,011,784	326,885	21,338,669
Less — accumulated depreciation	(10,675,435)		(10,675,435)
Total noncurrent assets	10,336,349	326,885	10,663,234
Total assets	24,721,248	326,885	25,048,133
CURRENT LIABILITIES:			
Accounts payable	772,606	89,846	862,452
Accrued expenses	88	127,101	127,189
Due to other funds	3,444,224	(216,947)	3,227,277
Other liabilities	125,898		125,898
Total current liabilities	4,342,816	-	4,342,816
NET ASSETS:			
Invested in capital assets	10,336,349	326,885	10,663,234
Restricted for campus development/other purposes	2,601,538		2,601,538
Unrestricted	7,440,545		7,440,545
<b>TOTAL NET ASSETS</b>	<b>\$ 20,378,432</b>	<b>\$ 326,885</b>	<b>\$ 20,705,317</b>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS —  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Campus Operations	Wind Technology Testing Center	Total
<b>OPERATING REVENUE:</b>			
Operating lease revenue	\$ 811,659	\$ -	\$ 811,659
Other revenue	<u>2,226</u>	<u>-</u>	<u>2,226</u>
Total operating revenue	<u>813,885</u>	<u>-</u>	<u>813,885</u>
<b>OPERATING EXPENSES:</b>			
Personnel	48,602	107,014	155,616
General and administrative	1,456	41,816	43,272
Professional fees	3,273	134,221	137,494
Communications	302	991	1,293
Information and technology services	1,596	3,635	5,231
Facility support	107,894	5,325	113,219
Depreciation	<u>365,937</u>	<u>6,805</u>	<u>372,742</u>
Total operating expenses	<u>529,060</u>	<u>299,807</u>	<u>828,867</u>
OPERATING INCOME (LOSS)	284,825	(299,807)	(14,982)
NONOPERATING REVENUE — Interest income	453,539		453,539
TRANSFERS	<u>-</u>	<u>626,692</u>	<u>626,692</u>
CHANGE IN NET ASSETS	738,364	326,885	1,065,249
TOTAL NET ASSETS — Beginning of year	<u>19,640,068</u>	<u>-</u>	<u>19,640,068</u>
TOTAL NET ASSETS — End of year	<u>\$ 20,378,432</u>	<u>\$ 326,885</u>	<u>\$ 20,705,317</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
**(A Component Unit of the Commonwealth of Massachusetts)**

**STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Campus Operations	Wind Technology Testing Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from leases and rentals	\$ 708,433	\$ -	\$ 708,433
Other operating income	(848)		(848)
Payroll and payments to vendors	<u>(210,250)</u>	<u>(76,055)</u>	<u>(286,305)</u>
Net cash provided by (used in) operating activities	497,335	(76,055)	421,280
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES —</b>			
Transfer from other funds	1,746,677	402,940	2,149,617
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>			
<b>ACTIVITIES — Purchase of capital assets</b>	(576,364)	(326,885)	(903,249)
<b>CASH FLOWS FROM INVESTING ACTIVITIES — Interest received</b>	<u>453,539</u>		<u>453,539</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,121,187		2,121,187
<b>CASH AND CASH EQUIVALENTS — Beginning of year</b>	<u>12,263,712</u>	-	<u>12,263,712</u>
<b>CASH AND CASH EQUIVALENTS — End of year</b>	<u>\$ 14,384,899</u>	<u>\$ -</u>	<u>\$ 14,384,899</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>			
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 284,825	\$ (299,807)	\$ (14,982)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	365,937	6,805	372,742
Changes in assets and liabilities:			
Accounts payable	(47,215)	89,846	42,631
Accrued expenses	88	127,101	127,189
Other liabilities	<u>(106,300)</u>		<u>(106,300)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 497,335</u>	<u>\$ (76,055)</u>	<u>\$ 421,280</u>

See notes to basic financial statements.

**MASSACHUSETTS TECHNOLOGY PARK CORPORATION**  
(A Component Unit of the Commonwealth of Massachusetts)

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Massachusetts Technology Park Corporation (MTPC or the "Organization") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

**Reporting Entity** — The Organization is a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth") created pursuant to Chapter 40J of the Massachusetts General Laws (MGL). The public purpose of MTPC is to foster the expansion of industrial and commercial activity and employment opportunities in the Commonwealth by employing its resources to advance additional, more direct economic development initiatives which support firms to maintain, expand, and locate their business activities within the Commonwealth and thereby create and retain increased and more rewarding employment opportunities for citizens of the Commonwealth.

In addition to its other programs, the Organization is charged with oversight of the Massachusetts Renewable Energy Trust (the "Trust"), the purpose of which is to generate the maximum economic and environmental benefits over time from renewable energy to the ratepayers of the Commonwealth by promoting the increased availability, use, and affordability of renewable energy and related enterprises, institutions, and projects.

The Organization is also charged with the oversight of the John Adams Innovation Institute (the "Institute"), an economic development effort dedicated towards expanding the knowledge economy in Massachusetts. The Commonwealth also provides funding to MTPC in support of other targeted economic development programs administered by the Organization, such as the Massachusetts Hospital Computerized Physician Order Entry (CPOE) Initiative.

MTPC also manages a 36-acre campus and its related operations.

MTPC is governed by a board of directors (the "Board") comprising of 24 members, including 20 individuals appointed by the governor and four state officials that serve in an ex officio capacity, including the Secretary of Administration and Finance, the Undersecretary for Business Development, the Secretary of Energy and Environmental Affairs, and the Commissioner of Higher Education.

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

**Government-Wide and Fund-Level Financial Statements** — The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Organization. In the government-wide reporting model, governmental activities (those supported by state appropriations and legislatively mandated surcharges remitted from public utilities) are reported separately from business-type activities, which rely on fees and charges for support. The statement of activities demonstrates the degree to which the expenses of a given function are offset by program revenue. Expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) state appropriations that support specific programmatic functions of the Organization, (2) legislatively mandated surcharges remitted by public utilities, (3) lease and rental revenue, (4) returns on renewable energy program debt and equity program investments, (5) interest, dividends, and capital gains earned on invested, unexpended funds from any source noted above, (6) sponsorship and grant revenue, and (7) alternative compliance payments received and retained on behalf of the Department of Energy Resources. The effect of interfund activity has been removed from these statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual: generally, when they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year end. Significant revenues susceptible to accrual include renewable energy surcharges and alternative compliance payments. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, grant expenditures are recorded when payment is due from current available financial resources.

The Organization reports the following major governmental fund in the fund-perspective financial statements:

- The General Fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization used in its governmental activities. Specifically, the general fund is used to account for the Waste-to-Energy Program, the Renewable Energy Program, alternative compliance payments, John Adams Innovation Institute Programs, and the e-Health and life sciences programs.

The Organization reports two major proprietary funds in the fund-perspective financial statements:

- The Campus Operations Fund accounts for the activities of the Organization's operations related to the Massachusetts Technology Park campus and related development
- The Wind Technology Testing Center is a new proprietary fund and accounts for the activities around the establishment, design, and construction of the Wind Blade Testing Facility that will be run as a separate business activity

MTPC does not have nonmajor funds to report in the fund-level financial statements.

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Organization applies all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, for government-wide reporting and proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Organization has elected not to adopt the FASB statements and interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20.

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

**Cash and Cash Equivalents** — Cash and cash equivalents consist substantially of interest-bearing deposits with financial institutions and investments with maturities of three months or less when acquired.

**Cash, Cash Equivalents and Investments — Restricted or Reserved for Awards** — Such amounts represent cash, cash equivalents, or investments held by MTPC to be expended for certain programmatic purposes based upon specific awards approved by the MTPC Board or appropriate committee in accordance with the particular program's legislative intent.

**Alternative Compliance Payments Custodial Cash and Cash Equivalents — *Restricted*** — In accordance with guidelines set forth by the Division of Energy Resources (DOER), MTPC acts as the collection agent for alternative compliance payments (ACP) mandated upon electricity suppliers by MGL. ACP funds, which total \$51.5 million, will be utilized in a manner agreed to by MTPC and the DOER when such determinations are made. DOER retains the right to commit and expend the ACP without MTPC's acquiescence or programmatic involvement.

**Renewable Energy Surcharge Receivable** — Renewable energy surcharge receivable represents legislatively imposed surcharges due from nonmunicipal electric companies paid by their consumers in support of the renewable energy programs of the Trust. No allowances are established against these receivables as all balances are deemed to be fully collectible.

**Renewable Energy Program Loans Receivable** — Renewable energy program loans receivable consist of loans to companies to accelerate job growth, economic and/or project development, and technological innovation in the Massachusetts renewable energy industry. Such amounts are reported net of an allowance for uncollectible loans of \$5,063,093 at June 30, 2008. These reserves are established based on management's assessment of the collectibility of the loan portfolio in the aggregate and are reassessed at least annually. These loans bear interest at rates ranging from 5% to 10.25% and mature in periods from 2008 through 2013, or in some cases not until the project is sold or commences operations.

**Investments** — In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value. Fair values are based upon quoted market prices. Certain program investments which do not have readily determinable fair values are carried at cost and assessed periodically for impairment.

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

Buildings	40 years
Improvements	7 years
Leasehold improvements	5 years
Equipment	3 years
Furniture	7 years

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

**Restricted Net Assets** — Restricted net assets represent net assets that are not available for appropriation or that are legally restricted by enabling legislation or by outside parties for use for a specific purpose. Specifically, the Organization's restricted net assets are restricted for use in the renewable energy program, the John Adams Innovation Institute, other legislatively approved mandates and for other purposes related to the operations of the campus and for programmatic development. At June 30, 2008, the government-wide statement of net assets reports \$236,667,390 of restricted net assets, all of which is restricted by enabling legislation.

**Reserved for Encumbrances** — Reserved for encumbrances represents fund balance reserved by the Board or appropriate committee for grant awards that have been awarded but which are awaiting completion of the earnings process before such awards become payable to the grantee.

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

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

**Recently Issued Accounting Standards** — In June 2008, the GASB issued statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB No. 53 is effective for financial statement periods beginning after June 15, 2009. Management is currently assessing the impact of GASB No. 53 on MTPC's financial statements.

## 2. DEPOSITS AND INVESTMENTS

The Board of MTPC is empowered under Chapter 40J of the MGL to invest corporate assets pending their programmatic use pursuant to the prudent investor rule under Massachusetts law, subject to the fiduciary standards contained in Chapter 32 of the MGL. The Board has authorized the Committee to make recommendations to the Board concerning the investment of assets, pending their use by MTPC to promote statutory goals. An asset allocation policy has been adopted for each of the major funds in order to have reasonable probability of achieving a target return at an acceptable risk level.

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

Deposits in the bank in excess of the insured amount are uninsured and uncollateralized. At June 30, 2008, bank deposits were \$131,831,243, inclusive of the amount held in the Massachusetts Municipal Depository Trust (MMDT). Of that amount, \$131,612,053 was exposed to custodial credit risk as uninsured and uncollateralized. The table below presents the Organization's custodial credit risk.

	Bank Balance	Carrying Amount	Insured Amount
Cash and cash equivalents:			
Cash	\$ 496,691	\$ 299,579	\$ 219,190
Short-term investment fund/money market	347,290	347,290	
Massachusetts Municipal Depository Trust	<u>130,987,262</u>	<u>130,987,263</u>	
	<u>\$ 131,831,243</u>	<u>\$ 131,634,132</u>	<u>\$ 219,190</u>

The Organization invests in the MMDT, an investment pool for political subdivisions of the Commonwealth designed as a legal means to invest temporarily available cash. The state treasurer serves as the trustee of MMDT, and has sole authority pertaining to rules, regulations, and operations of the Trust. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. At June 30, 2008, MTPC's deposits with MMDT totaled \$130,987,262.



**Interest Rate Risk — Investments** — Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The investments include various short-term and long-term items by maturity in years. MTPC minimizes some of the risk of the market value of securities falling due to changes in interest rates (interest rate risk) by maintaining a significant portion of its assets in constant (\$1.00) value money-market funds. Further, all of the fixed income assets are U.S. Treasury securities held in escrow accounts for programmatic uses where future (par value) maturities are intended to approximately match anticipated future cash flows. The following table provides information about the interest rate risks associated with MTPC's investments.

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
United States Treasuries	\$ 22,935,348	\$ 1,202,724	\$ 9,661,042	\$ 9,177,993	\$ 2,893,589
Other investments					
Mutual funds	116,473,792				
Stocks	<u>3,589,411</u>				
Total	<u>\$142,998,551</u>				

### 3. PROGRAM ACTIVITIES

The Massachusetts Technology Park Corporation is the state's development agency for renewable energy and the innovation economy and the primary goal is to stimulate economic activity in communities throughout the Commonwealth. MTPC does so through a variety of program activities managed through divisions of the organization including the Trust, the John Adams Innovation Institute, and the e-Health and life sciences programs.

The Trust Fund was established in 1997 pursuant to Section 4E of Chapter 40J of the MGL. Under this law, a mandatory charge per kilowatt-hour is assessed for all electricity consumers, except those consumers served by a municipal light plant. The surcharge is remitted to MTPC by investor-owned utilities to fund programs that promote the development of renewable energy projects in the Commonwealth. During fiscal year 2008, the Trust surcharge was \$0.0005/KWH and resulted in the recognition of \$24,147,877 of revenue, of which \$2,741,065 was receivable from investor-owned utilities at year-end.

Financial assistance awards from the Trust totaled approximately \$23.8 million during fiscal year 2008, for a cumulative total of approximately \$330 million to date. Of the total awarded, only the amounts expended for financial assistance are reflected in the financial statements. The difference represents amounts for which the financial assistance award recipients are required to fulfill obligations under the award agreement prior to MTPC recognizing the amounts as an expenditure. The most significant amount of awards in fiscal year 2008 was made under the following five initiatives: (1) large on-site renewables, (2) cluster development, (3) business expansion, (4) low income, and (5) small renewables.

The Institute made awards totaling more than \$14.5 million. The Institute includes the Innovation Institute Fund and the Research Center Matching Fund. These two funds were established in the Economic Stimulus Bill of 2003 with a \$35 million appropriation, \$15 million and \$20 million, respectively. The legislature recapitalized the Research Center Matching Fund in fiscal year 2007 with an additional \$10 million. Other economic development efforts within the Institute included continued efforts in broadband initiatives, the Innovation Economy Index, and the Berkshire Wireless Learning Initiative.

The combined activities of the e-Health and Life Sciences division include the CPOE efforts, research and analysis of other technology-based health care opportunities, as well as supporting the growth of the life science cluster within Massachusetts.

In accordance with guidelines set forth by the DOER, any electricity supplier that did not secure enough Renewable Energy Certificates (REC) to meet the Renewable Portfolio Standard (RPS) requirements shall be deemed in compliance if they make an ACP to MTPC in a specified amount for every REC they are short of their required quota. Pursuant to this regulation, MTPC received approximately \$1.5 million in ACPs during fiscal year 2008, which were recorded as alternative compliance payment custodial holdings as of June 30, 2008. MTPC acts as the collection agent for these funds that are payable to the DOER. The funds received to date from the ACPs, which total \$51.5 million, will be utilized in a manner authorized by the DOER when such determinations are made. During FY08, MTC and DOER entered into an agreement to authorize the use of \$28 million over four years to support the funding for the Commonwealth Solar Initiative administered by the Trust. Of that amount, \$7 million was recognized as revenue in fiscal year 2008 and the additional \$21 million is recorded as unearned revenue and shall be earned upon each authorization by DOER to utilize the next block of funding. As awards are made by the Trust for Commonwealth Solar projects, ACP funds are transferred into the Trust. In addition, DOER instructed MTC to make a direct payment from the custodial holdings to fund certain activities authorized by DOER in the amount of \$3.1 million. Any additional amounts that may be used by MTPC from the ACPs to fund programmatic activities have yet to be determined. DOER retains the right to commit and expend the alternative compliance payments without MTPC's acquiescence or programmatic involvement.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment of MTPC at June 30, 2008, is summarized as follows:

	Governmental Activities	Business-Type Activities	Total
Buildings	\$ 370,367	\$ 20,553,830	\$ 20,924,197
Improvements	1,153,092	305,433	1,458,525
Equipment	1,066,204	369,017	1,435,221
Furniture	256,395	110,390	366,785
	<u>2,846,058</u>	<u>21,338,670</u>	<u>24,184,728</u>
Less accumulated depreciation:			
Buildings	(50,073)	(10,061,194)	(10,111,267)
Improvements	(456,302)	(150,104)	(606,406)
Equipment	(917,961)	(356,060)	(1,274,021)
Furniture	(159,477)	(108,078)	(267,555)
	<u>(1,583,813)</u>	<u>(10,675,436)</u>	<u>(12,259,249)</u>
Net property and equipment	<u>\$ 1,262,245</u>	<u>\$ 10,663,234</u>	<u>\$ 11,925,479</u>

Total depreciation expense for the year ended June 30, 2008, was approximately \$859,000. Of that amount, approximately \$328,000 (comprising approximately \$240,000, \$600, \$75,000, and \$12,000 in the renewable energy program, waste- to-energy program, John Adams Innovation Institute Program, and e-Health and Life Sciences Initiative, respectively) is reported in the governmental activities and approximately \$372,000 is reported in the proprietary funds/business-type activities.

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Buildings	\$ 20,597,313	\$ 326,884	\$ -	\$ 20,924,197
Improvements	1,270,955	187,570		1,458,525
Equipment	1,332,801	106,084	(3,664)	1,435,221
Furniture	355,170	11,615		366,785
	<u>23,556,239</u>	<u>632,153</u>	<u>(3,664)</u>	<u>24,184,728</u>
Less accumulated depreciation:				
Buildings	(9,598,103)	(513,164)		(10,111,267)
Improvements	(421,232)	(185,174)		(606,406)
Equipment	(1,148,470)	(129,215)	3,664	(1,274,021)
Furniture	(235,899)	(31,656)		(267,555)
	<u>(11,403,704)</u>	<u>(859,209)</u>	<u>3,664</u>	<u>(12,259,249)</u>
Net property and equipment	<u>\$ 12,152,535</u>	<u>\$ (227,056)</u>	<u>\$ -</u>	<u>\$ 11,925,479</u>

#### 5. DEFINED CONTRIBUTION PLANS

MTC's Personnel and Governance Committee (the "P&G Committee") of the Board is the authorizing body for all compensation and benefit-related issues. The Committee has adopted a simplified employee pension plan and a matching contribution 401(a) plan, which are administered by DWS Scudder and TIAA-CREF respectively.

Under the simplified pension plan, MTC makes a monthly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2008, pension expense was \$947,856.

Under the 401(a) plan, MTC matches 50% of employees' contributions into their 457B plan with a maximum MTPC contribution of 3% of the employees' salary. In accordance with the plan, these contributions will "vest" at a rate of 25% for every full year an employee has been employed at MTC. For the period ended June 30, 2008, MTC's total contributions were \$160,020, of which \$110,372 was vested. These contributions were based on \$558,766 of employee contributions.

## 6. LEASES

MTPC leases its Integrated Circuit Fabrication Facility (ICFF) to an unrelated party in accordance with an operating lease (the "Lease") which expires in March 2013. The Lease requires monthly base rent, as defined, payable in advance. Estimated future minimum lease payments to be received by MTPC are as follows:

Fiscal Year	Amount
2009	\$ 654,000
2010	654,000
2011	654,000
2012	654,000
2013	<u>490,500</u>
	<u>\$3,106,500</u>

MTPC continues to incur certain operating costs related to the ICFF. Under the terms of the Lease agreement, the lessee has agreed to reimburse MTPC for these costs. For the year ended June 30, 2008, these reimbursements are included in operating lease revenue and amounted to \$59,165.

In accordance with the Lease, the lessee deposited \$125,000 with MTPC. These funds are included in other liabilities in the accompanying statement of net assets for the proprietary fund at June 30, 2008.

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

## 7. DERIVATIVE DISCLOSURE

MTC, through the activities of the Renewable Energy Trust Fund (RETF) and more specifically the Massachusetts Green Power Partnership (MGPP) and other project financing initiatives, has entered into long-term contracts for Renewable Energy Certificates (RECs) in an effort to stimulate private investment in the construction of new clean electric generating facilities in Massachusetts and New England. These clean energy facilities are being built to satisfy both voluntary demand for green power among Massachusetts consumers and the requirements of the mandatory Massachusetts RPS established under Massachusetts General Law. These contracts were entered into for the sole purpose of furthering the mission and objectives of the Renewable Energy Trust Fund.

The renewable energy developers are dependent on revenue streams from power sales, tax incentives, and sale of attributes (RECs) to generate income and to cover future payments to equity and debt investors. Faced with considerable uncertainty regarding future market prices of power, project developers must also deal with the uncertain future value of RECs. Demand for RECs, particularly over time, is uncertain. The RPS can be modified or eliminated at any time. Further, in competitive electricity markets nationwide, no substantial voluntary demand for RECs has yet developed. As a consequence, there have been few if any long-term contracts executed for RECs in Massachusetts.

The absence of long-term contracts for RECs with creditworthy entities makes it difficult for developers to secure equity and debt financing for their renewable energy projects. The MGPP aims to address the lack of REC cash-flow certainty by providing long-term REC contracts, assuming the risk that government mandated demand will persist under substantially similar terms and that a voluntary market for RECs will develop. By placing funds into an escrow account to support MTC's REC purchase commitments, MTC also provides the creditworthiness required by equity and debt investors.

MTC has entered into three types of REC contracts:

*Purchase Agreements* — Purchase agreements under which the developer has an obligation to sell and MTC is obliged to purchase a specified quantity of RECs over multiple years at the prices agreed to in the contract.

*Put Options* — Put options under which a developer secures the right, but not the obligation, to sell RECs to MTC over the contract period at the prices set in the agreement (the “put option strike price”). MTC must purchase the RECs if the developer exercises its right.

*Put and Call Options* — Put and call options under which a developer secures the right to sell RECs to MTC under a put option and, if the put option is not exercised, MTC also obtains the right to purchase RECs from the developer at a specified higher price (a call option). This contract type allows MTC to share some of the upside potential if the market price for RECs reaches higher levels.

*Put-Back Option* — Some contracts also include a put-back option with a put option or put and call option. The put-back allows MTC to require that the seller buy back the RECs at a set per-unit price that is lower than the put option strike price.

MTC will resell the RECs that it purchases. This will return funds that can be utilized to further the objectives and mission of the RETF. Companies that purchase RECs from MTC will use them for sale in the voluntary market or for compliance with the mandates of the RPS.

The table below summarizes the obligations under the REC contracts by the type of contract, the nominal value of the agreements, the duration, and the present value of the value or exposure of the contracts based upon the most current assumptions known by MTC.

<b>Contract Type</b>	<b>Number of Contracts</b>	<b>Nominal Amount</b>	<b>Effective Date Period of Obligation</b>	<b>Present Value (Risk)</b>
REC purchase	5	\$ 6,882,878	2004–2020	\$ 2,002,512
Put option	1	911,200	2011–2021	(807,570)
Put/call option	3	20,680,142	2007–2024	(3,481,041)
Price collar (put/call with put-back option)	1	5,600,000	2009–2013	3,057,183
Put/put-back option	1	2,992,990	2008–2018	(159,460)
	<u>11</u>	<u>\$37,067,210</u>		<u>\$ 611,624</u>

These contracts have a range of prices for the purchase, put, and call options for RECs which vary from \$5 to \$170 depending on the type of obligations and the type of RECs.

The present value of the obligations is based upon assumptions relating to the pricing of RECs and discount rate. Massachusetts RPS eligible RECs were trading at approximately \$45.50 as of June 30, 2008, but the price over time will vary depending on the availability of RECs in the market and the status of the RPS requirements in Massachusetts as well as other states in the New England Region. In this model, it is assumed that the existing RPS requirements will be unchanged and that the volume of RECs available in the market will increase in coming years thereby reducing the price of RECs in the later years of MTC’s contract obligations. It is also assumed that each of the projects for which MTC has a contract will be constructed in the time frame and with the capacity currently anticipated. These

assumptions do not consider volatility. It is important to note that there is not a readily determinable long-term REC market value to value these agreements because of the significant uncertainty of the future REC market. MTC has based its assumptions upon the current market indications for multiyear REC agreements and projected renewable energy projects that will generate RECs in future years. These assumptions also assume that there will not be changes made to the RPS requirements which would have a significant impact on the valuations and risk. Because of the uncertainty in the long-term REC market, MTC has determined that in a worse case scenario and the value of RECs was \$0 and all other assumptions remained the same, MTC's total present value risk would be \$30,271,266 of which \$28,208,000 is the maturity value of escrowed funds as of June 30, 2008.

**Credit Risk** — As part of the MGPP initiative, the Corporation has agreed, to the extent necessary for a particular project, to escrow funds in an amount that is based upon the purchase or put price of the various agreements in future periods. The escrow accounts are funded with U.S. Treasuries that mature at a value that is equivalent to the anticipated cost of the obligation for the RECs in a purchase agreement or if a put option is effectuated. Because MTC has a right to remove these funds from escrow if contractual requirements are not met, MTC has mitigated the risk of credit with the project developer from a financial loss perspective.

**Market Risk** — Other risks associated with these transactions relate to the market price of the RECs in future years. This risk is impacted by potential changes by the legislature with regard to RPS requirements both in Massachusetts and other states in the New England region where RECs can also be traded. In addition, the market price of RECs is driven by the supply of RECs put into the market. As more renewable energy-generating projects come on line, the prices will decrease unless the demand has correspondingly increased. The Renewable Portfolio Standard regulations allow certain RECs produced outside the ISO-NE Control Area to be imported and qualify under the Massachusetts RPS which adds to the uncertainty of forward REC prices. MTC may be required to pay the contractually obligated purchase or put price when the REC market price is lower.

**Termination Risk** — Funds for these obligations are held by MTC in either a project-specific escrow account or as a reserved encumbrance of the fund balance; so if performance is required under any or all of these contracts, MTC is able to adhere to the terms of such contracts. If a project developer does not fulfill the contractual requirements, MTC has the authority to withdraw the funds from escrow. The Corporation's potential value associated with these transactions under these circumstances would not be realized.

## 8. RISK MANAGEMENT

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

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

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

MTPC carries a crime policy that provides coverage of \$10,000,000.

## 9. INTERFUND ACTIVITY

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

Internal balances between funds at June 30, 2008, consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Campus Operations	\$3,444,224
Wind Technology Testing Center	General Fund	216,947

Interfund transfers during the fiscal year ended June 30, 2008, consisted of the following

	General Fund	Wind Technology Testing Center
Interfund transfers	\$ (626,692)	\$ 626,692

Interfund transfers are used to move funds considered financial assistance expenditure in one fund to support the activities within another fund. The transfers for the period ended June 30, 2008, are related to the Trust making a financial assistance expenditure to fund the activities of the newly established Wind Technology Testing Center division.

## 10. SUBSEQUENT EVENTS

### Legislation Passed Subsequent to Year-End

Since June 30, there were several legislative actions taken which have significant impact on MTPC. Material impacts resulting from these legislative acts include the matters summarized below:

**Chapter 169 of the Acts of 2008 — An Act Relative to Green Communities.** This Act modifies the enabling act (section 4E of Chapter 40J of the Massachusetts General Laws) for the Massachusetts Renewable Energy Trust Fund (the "Trust Fund"). This Act creates a Governing Board for the Trust Fund, which shall adopt and submit to the MTC Board for approval a five-year strategic plans and annual operational plans for the application of monies from the Trust Fund. Upon approval of such plans, the Corporation's Board is statutorily required to delegate to the Governing Board the authority to implement said plans. The Corporation shall continue to hold, invest, and expend Trust Fund monies. The Act specifies that the Corporation's Board shall not be liable for any claims arising out of or related to the implementation of any approved plan, or any other decisions of the Governing Board relating to administration of the Trust Fund. In addition, this Act expands the definition of eligible renewable energy technologies.

**Chapter 307 of the Acts of 2008 — An Act Relative to Green Jobs in the Commonwealth.** This Act creates a fund to be known as the Massachusetts Alternative and Clean Energy Investment Trust Fund at the newly created Massachusetts Clean Energy Technology Center (the "Center"). The Center will act as the Commonwealth's lead agency, in collaboration with the Massachusetts Renewable Energy Trust Fund, in the promotion and development of jobs in the clean energy sector. The Massachusetts Renewable Energy Trust Fund has been directed to make an annual transfer of not less than \$5,000,000 for deposit in the Massachusetts Alternative and Clean Energy Investment Trust Fund. The Act also mandates consultation with the Center prior to making any Trust Fund monies available for the purpose of clean energy job creation. The Act directs the Corporation to collaborate with the Center technology transfer efforts and activities to induce firms to maintain, expand, or locate their business activities in Massachusetts. The Act also directs the John Adams Innovation Institute Governing Board to consult with the Center to ensure a comprehensive and effective approach to clean energy cluster growth and development.

**Chapter 305 of the Acts of 2008 — An Act to Promote Cost Containment, Transparency, and Efficiency in the Delivery of Quality Health Care.** The Act establishes an institute for health care innovation, technology, and competitiveness, to be known as the Massachusetts e-Health Institute at the Corporation. The executive director of the Corporation shall appoint a qualified individual to serve as the director of the Institute, who shall be an employee of the Corporation, report to the executive director and manage the affairs of the Institute. The Act establishes a nine-member Health Information Technology Council (the "Council") within the Corporation to advise the institute on the dissemination of health information technology across commonwealth, including the deployment of electronic health records systems in all health care provider settings that are networked through a statewide health information exchange. The institute director shall prepare and annually update a statewide electronic health records plan, and an annual update thereto. Each such plan shall contain a budget for the application of funds from the E-Health Institute Fund for use in implementing each such plan. Each such plan and the associated budget shall be subject to approval of the Corporation's board following action on it by the Council.

There shall be established and set up on the books of the corporation the E-Health Institute Fund, which is to be administered by the executive director of the Corporation. Any disbursement or expenditure from the Fund for grants or for contracts with implementing organizations shall require the Council's approval. The Council's approval is also required for grants to health care providers. Section 87 of Chapter 182 of the Acts of 2008 provides \$25,000,000 from the General Fund to the e-Health Institute Fund at the Corporation.

As part of the 9C cuts set forth in October 2008, the Governor reduced the funding for the e-Health Institute Fund by \$5,000,000. The legislature is considering an additional \$5,000,000 cut.

**Chapter 231 of the Acts of 2008 — An Act Establishing and Funding the Massachusetts Broadband Institute.** The Act directs the Corporation to establish an institute for investment in broadband infrastructure in the Commonwealth, to be known as the Massachusetts Broadband Institute. The Institute is to be governed by a nine-member Board of Directors. The executive director of the Corporation, subject to the approval of the Institute's Board, shall appoint a qualified individual as director to manage the affairs of the Institute. The primary objective of the Institute shall be to achieve the deployment of affordable and ubiquitous broadband access across the Commonwealth. The first priority of the Institute shall be to assess and improve conditions in the communities that have no broadband access. The Institute's Board shall establish and adopt (i) a long-term detailed plan for the operation of the Institute and the administration of the Massachusetts Broadband Incentive Fund; and (ii) annual operating plans governing disbursements from the Massachusetts Broadband Incentive Fund. Such plans, and amendments thereto, shall require the approval of the Secretary of Housing and Economic Development and Secretary of Administration and Finance.

The Corporation shall establish a fund to be known as the Massachusetts Broadband Incentive Fund. To meet the expenditures of the Institute, the state treasurer shall, upon request of the Governor, issue and sell bonds of the Commonwealth in an amount to be specified by the Governor from time to time, but not exceeding, in the aggregate, \$40,000,000. All bond proceeds shall be deposited into the Massachusetts Broadband Incentive Fund.

#### **Financial Events Subsequent to Year-End**

Since June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of MTC's investments since June 30, 2008.



In September 2008, the U.S. government passed legislation increasing the Federal Deposit Insurance Corporation insured deposit limit from \$100,000 to \$250,000. If this law was in effect on June 30, 2008, MTPC's insured cash as shown in Note 2 would have been \$466,303 instead of \$219,190.

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