

# **Massachusetts Life Sciences Center**

**Financial Statements with Management's  
Discussion and Analysis  
June 30, 2009 and 2008**

**Massachusetts Life Sciences Center**  
**Index**  
**June 30, 2009 and 2008**

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**Report of Independent Auditors**

To the Board of Directors of the  
Massachusetts Life Sciences Center

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses, and changes in net assets and statements of cash flows present fairly, in all material respects, the financial position of the Massachusetts Life Sciences Center (the "Center") as of June 30, 2009 and 2008, and the results of operations and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 2 to 4 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

September 29, 2009

# **Massachusetts Life Sciences Center**

## **Management's Discussion and Analysis (unaudited)**

### **June 30, 2009 and 2008**

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As the Board of Directors of the Massachusetts Life Sciences Center (the "Center") we offer the following narrative overview and analysis of the financial activities of the Center for the fiscal years ended June 30, 2009, 2008 and 2007. This unaudited management discussion and analysis should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

The Center was created on June 24, 2006 in the Economic Stimulus Bill, Chapter 123, Section 24 of the Acts of 2006 and codified in the Massachusetts General Laws, Chapter 23I. The Center is a body politic and corporate. Exercise of the powers conferred by Chapter 23I is considered to be the performance of an essential governmental function. The purpose of the Center is to promote the life sciences within The Commonwealth of Massachusetts (the "Commonwealth"). It is tasked with investing in life sciences research and economic development initiatives. This work includes making financial investments in public and private institutions growing life sciences research, development and commercialization, as well as building ties between sectors of the Massachusetts life sciences community.

On June 16, 2008, the Life Sciences Act enacted by the Massachusetts Legislature was signed into law by Governor Deval Patrick. The Commonwealth of Massachusetts committed to investing \$1 billion over a ten year period to create jobs, drive innovation and promote biomedical breakthroughs that improve people's lives. The Center is the steward of the \$1 billion and uses three statutory funding vehicles to achieve the Commonwealth's mission: the Life Sciences Investment Fund (the "Fund"), the Capital Program and the Life Sciences Tax Fund Incentive Program.

The Life Sciences Investment Fund is to be used in making appropriations, allocations, grants or loans to leverage development and investments in life sciences in Massachusetts. The Capital Program is for municipalities and institutions for buildings, upgrades to roads, equipment, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Tax Fund Incentive Program allows the Center to award tax incentives to companies at every stage of development.

The Center is governed by a seven member Board of Directors (the "Board of Directors") consisting of: the Secretary of Administration and Finance or her/his designee; the Secretary of Housing and Economic Development or his/her designee; the president of the University of Massachusetts or his designee; and four members appointed by the Governor, one of whom is a physician licensed to practice medicine in Massachusetts and affiliated with an academic medical center, one of whom is a CEO of a Massachusetts-based life sciences corporation that is a member of the board of directors of the Massachusetts Biotechnology Council, one of whom is a researcher involved in the commercialization of biotechnology, pharmaceuticals or medical diagnostic products and one of whom has significant financial experience in the life sciences sector.

#### **Using the Financial Statements**

The Center's annual report includes three basic financial statements: the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB").

#### **Financial Highlights**

Fiscal year 2009 reflects the first year of significant operating activities of the Center as staff was added and grants were made both from the Investment Fund and Capital Programs.

# **Massachusetts Life Sciences Center**

## **Management's Discussion and Analysis (unaudited)**

### **June 30, 2009 and 2008**

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#### **Investment Fund**

Section 24 of Chapter 123 of the Acts of 2006 established the Massachusetts Life Sciences Investment Fund to be administered by the Center to finance its activities. The Life Sciences Act of 2008 contemplates an annual appropriation from the legislature totaling \$250 million over 10 years. The Fund is also to be used to support the administrative expenses and investment in property and equipment of the Center.

The legislature appropriated \$15 million in fiscal year 2009, \$15 million in fiscal year 2008 and \$10 million to the fund in fiscal year 2007.

In fiscal year 2009, the Board of Directors authorized approximately \$20.7 million in commitments as compared to \$8.2 million in fiscal year 2008 and \$200,000 in fiscal year 2007. The commitments were for research matching grants, workforce development, programs, and projects that support innovation in life sciences. The increase in commitments in fiscal year 2009 is due to this being the first year of fully staffed operations of the Center. In fiscal year 2009 the Center incurred \$10.8 million of grant expense compared to \$75,000 in fiscal year 2008 and none in fiscal year 2007. The increase in fiscal year 2009 expense is due to the disbursement of funds on grants made in fiscal year 2009, as well as prior year commitments incurring expenses in fiscal year 2009. Remaining payment commitments as of June 30, 2009 on the outstanding grants are approximately \$20.4 million.

In fiscal year 2009, the Center also provided early stage companies loans for a total of \$3.4 million under the Life Sciences Accelerator loan program. The loan program provides working capital to early stage companies at a critical stage of their development. No loans were made in fiscal years 2008 or 2007.

#### **Capital Programs**

The Capital Program was created by the Life Sciences Act and is for municipalities and institutions for buildings, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sectors. The Life Sciences Act provides for \$500 million to the program over 10 years. The Capital program is funded by the bonds issued by the Executive Office of Finance and Administration for the Commonwealth of Massachusetts. Fiscal year 2009 was the initial year of the program. The Center made three commitments totaling \$24.7 million with approximately \$9.9 million of grant expense incurred in fiscal year 2009. Remaining payment commitments on the grants are approximately \$16.3 million as of June 30, 2009.

#### **Life Sciences Tax Fund Incentive Program**

The Life Sciences Tax Fund Incentive Program was created by the Life Sciences Act and allows the Center to award tax incentives to companies at every stage of development. The Center has the ability to award nine different tax incentives with a cumulative cap of \$25 million per year for 10 years. The tax incentives have no financial impact on the Center. The Company did not award any tax incentives in fiscal year 2009 and is expected to award incentives in fiscal year 2010.

#### **Investment Income**

Investment income in fiscal year 2009 was \$516,000 compared to \$782,000 in fiscal year 2008 and \$496,000 in fiscal year 2007. The decrease from fiscal year 2008 to 2009 is due to lower interest rates and deployment of funds. The increase from fiscal year 2007 to fiscal year 2008 is due to a larger average cash balance in fiscal year 2008.

# **Massachusetts Life Sciences Center**

## **Management's Discussion and Analysis (unaudited)**

### **June 30, 2009 and 2008**

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#### **Administrative Expenses and Investments in Property and Equipment**

In accordance with the Act, administrative expenses and purchases of property and equipment are provided by the Fund. In fiscal year 2009, the Center incurred approximately \$2.5 million of administrative expenses and purchases of property and equipment compared to administrative expenses of \$347,000 in fiscal year 2008 and \$232,000 in fiscal year 2007. By statute, the Center was not authorized to spend more than \$3.75 million on administrative expenses and purchases of property and equipment in fiscal year 2009. The Center expended approximately \$1.25 million below the statutory amount in fiscal year 2009. The increase in expenditures from both fiscal years 2008 and 2007 is due to the increase in staffing and operations by the center. In fiscal year 2009, the Center established a facility in Waltham, Massachusetts and expanded its communications outreach programs. In fiscal year 2009, the Center hired a Chief Executive Officer, General Counsel and Chief Financial Officer, as well as six other senior level and staff employees resulting in a headcount of 10 at June 30, 2009. In fiscal year 2008, the Center had one employee and in fiscal year 2007 it had two employees.

In June 2009, The Commonwealth of Massachusetts, through its budget process, reduced the administrative expenditure cap from \$3.75 million to \$3 million for fiscal year 2010.

#### **Liquidity of the Investment Fund**

From inception through June 30, 2009, the Fund has received appropriations from the Commonwealth of Massachusetts of \$40 million. In addition, the Center has received investment income of approximately \$1.8 million during the corresponding period for total inflows of approximately \$41.8 million. The Center reserves all the funds required for a grant or loan commitment at the time of the Board of Directors' authorization. From inception through June 30, 2009, the Center has disbursed or reserved approximately \$37.3 million resulting in approximately \$4.5 million of available funds as of June 30, 2009.

**Massachusetts Life Sciences Center**  
**Balance Sheets**  
**June 30, 2009 and 2008**

	2009	2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 27,294,471	\$ 25,692,579
Accounts receivable	88,259	-
Capital program grants receivable from The Commonwealth of Massachusetts	1,590,391	-
Interest receivable	11,479	-
Prepaid expenses and other current assets	<u>13,579</u>	<u>988</u>
Total current assets	<u>28,998,179</u>	<u>25,693,567</u>
Loans receivable	3,400,000	-
Property and equipment, net	<u>272,531</u>	-
Total assets	<u>\$ 32,670,710</u>	<u>\$ 25,693,567</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 434,275	\$ 70,458
Grants payable and accrued grant expense	3,799,655	-
Other current liabilities	<u>250,000</u>	<u>-</u>
Total current liabilities	<u>4,483,930</u>	<u>70,458</u>
Deferred rent	<u>26,152</u>	-
Total liabilities	4,510,082	70,458
<b>Net Assets</b>		
Invested in capital assets	272,531	-
Unrestricted net assets	<u>27,888,097</u>	<u>25,623,109</u>
Total net assets	<u>28,160,628</u>	<u>25,623,109</u>
Total liabilities and net assets	<u>\$ 32,670,710</u>	<u>\$ 25,693,567</u>

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

**Massachusetts Life Sciences Center**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Operating revenues</b>		
Capital program revenues from The Commonwealth of Massachusetts	\$ 9,928,796	\$ -
Sponsorship revenues	90,619	-
Interest income	11,479	-
Total operating revenues	<u>10,030,894</u>	<u>-</u>
<b>Operating expenses</b>		
Grant expense	20,742,133	75,000
Salary and related employee expenses	1,052,121	60,176
Professional and consulting fees	742,798	253,120
Communications programs, sponsorships and contributions	304,995	24,771
General and administrative expenses	144,546	9,244
Depreciation expense	22,415	-
Total operating expenses	<u>23,009,008</u>	<u>422,311</u>
Operating loss	(12,978,114)	(422,311)
Nonoperating revenues		
Investment income	<u>515,633</u>	<u>781,614</u>
Total nonoperating revenues	<u>515,633</u>	<u>781,614</u>
(Loss) income before capital contributions	(12,462,481)	359,303
Contributions from The Commonwealth of Massachusetts	<u>15,000,000</u>	<u>15,000,000</u>
Increase in net assets	2,537,519	15,359,303
<b>Net assets</b>		
Beginning of year	<u>25,623,109</u>	<u>10,263,806</u>
End of year	<u>\$ 28,160,628</u>	<u>\$ 25,623,109</u>

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

**Massachusetts Life Sciences Center**  
**Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities</b>		
Receipts of capital program grants from The Commonwealth of Massachusetts	\$ 8,338,405	\$ -
Payments for grants	(16,942,478)	(75,000)
Payments for salary and related employee expenses	(854,338)	(119,082)
Payments for professional and consulting fees	(757,941)	(201,016)
Payments for general and administrative expenses	(210,648)	(11,191)
Payments for communication programs, sponsorships and contributions	(124,674)	(24,771)
Receipts for sponsorships	2,360	-
Receipts for other current liabilities	250,000	-
Net cash used in operating activities	<u>(10,299,314)</u>	<u>(431,060)</u>
<b>Cash flows from capital and related financing activities</b>		
Receipt of contributions from The Commonwealth of Massachusetts	<u>15,000,000</u>	<u>15,000,000</u>
Net cash provided by capital and related financing activities	<u>15,000,000</u>	<u>15,000,000</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(214,427)	-
Issuance of loans	(3,400,000)	-
Receipt of investment income	<u>515,633</u>	<u>781,614</u>
Net cash (used in) provided by investing activities	<u>(3,098,794)</u>	<u>781,614</u>
Net increase in cash and cash equivalents	<u>1,601,892</u>	<u>15,350,554</u>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>25,692,579</u>	<u>10,342,025</u>
End of year	<u>\$ 27,294,471</u>	<u>\$ 25,692,579</u>
<b>Reconciliation of cash flows from operating activities</b>		
Operating loss	\$ (12,978,114)	\$ (422,311)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	22,415	-
Changes in assets and liabilities		
Accounts receivable	(88,259)	-
Capital program grants receivable from The Commonwealth of Massachusetts	(1,590,391)	-
Interest receivable	(11,479)	-
Prepaid expenses and other current assets	(12,591)	(988)
Accounts payable and accrued expenses	283,298	(7,761)
Grants payable and accrued grant expense	3,799,655	-
Deferred rent	26,152	-
Other current liabilities	250,000	-
Total adjustments	<u>2,678,800</u>	<u>(8,749)</u>
Net cash used in operating activities	<u>\$ (10,299,314)</u>	<u>\$ (431,060)</u>

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

# Massachusetts Life Sciences Center

## Notes to Financial Statements

### June 30, 2009 and 2008

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#### 1. Organization

On June 24, 2006, The Commonwealth of Massachusetts (the "Commonwealth") enacted Section 24 of Chapter 123 of the Acts of 2006, creating the Massachusetts Life Sciences Center (the "Center") and establishing the Massachusetts Life Sciences Investment Fund (the "Fund") to financially support its activities. The legislature appropriated an initial \$10 million to the Fund in fiscal year 2007, an additional \$15 million in fiscal year 2008, and another \$15 million in fiscal year 2009 for the Center to begin fulfilling its legislative purpose of promoting the life sciences within The Commonwealth of Massachusetts. All investments to be made by the Center require approval by its Board of Directors.

#### 2. Significant Accounting Principles

##### **Accounting and Reporting Standards**

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

The Center applies all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements, under the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

The GASB defines the basic financial statements of a business type activity as the: balance sheet, statement of revenues, expenses and changes in net assets, the statement of cash flows, and management's discussion and analysis as required supplemental information. The balance sheet is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenue and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses and changes in net assets. Operating activities are those that support the mission and purpose of the Center. Nonoperating activities represent transactions that are capital, investing, legislative or regulated in nature. The GASB requires that resources be classified into three categories of net assets. Net assets represent the residual interest in the Center's assets after liabilities are deducted and consist of: invested in capital assets, net of related debt; restricted; and unrestricted. Those assets are defined as follows:

##### ***Invested in Capital Assets***

Invested in capital assets, net of related debt includes capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

##### ***Restricted***

Restricted assets are those net assets subject to externally imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire by the passage of time.

# Massachusetts Life Sciences Center

## Notes to Financial Statements

### June 30, 2009 and 2008

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#### **Unrestricted**

Unrestricted assets are those net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may be otherwise limited by contractual agreements with outside parties. The Center's unrestricted net assets include appropriations received from the Commonwealth that are restricted for the general purposes of the Center. Per its enabling legislation, the Center may not expend more than fifteen percent of the assets held in the Fund or \$3,750,000, whichever is less, for operating expenses per year. On June 29, 2009, The Commonwealth of Massachusetts passed its fiscal year 2010 budget requiring that no more than \$3,000,000 be expended on administrative and operational expenses excluding grants.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of amounts on hand and highly liquid interest investments with maturities of three months or less at acquisition.

#### **Revenue Recognition**

Investment income is recognized as earned. Sponsorship revenues are related to obligations to provide tradeshow booths and other space for companies for a trade show. Sponsorship revenues are recognized when earned upon occurrence of the event.

Capital program revenues are amounts due to the Center by The Commonwealth of Massachusetts for related capital program expenditures by the Center for grantees of the Center. Capital program revenues are recognized in the period earned.

#### **Contributions from The Commonwealth of Massachusetts**

Contributions from the Commonwealth are recognized when received from the Commonwealth.

#### **Loans Receivable**

Loans receivable consists of loans issued by the Center to facilitate research, development, manufacturing and commercialization in life sciences by early stage companies. The loans have repayment terms of the earlier of 5 years or a qualified financing greater than \$5,000,000. The stated interest rate on each loan is 10% compounded annually. As of June 30, 2009, \$3,400,000 has been authorized and disbursed. On a periodic basis, the Center assesses the collectibility of each loan and establishes a loss reserve, if deemed necessary. As of June 30, 2009, no amounts have been reserved for losses.

Interest receivable related to the loans receivable totaled \$11,479.

#### **Grant Expense and Grants Payable**

Grant expenses are related to grant awardees in the period incurred. The Center had grant expense of \$20,742,133 for 2009. As of June 30, 2009, \$3,799,655 was recorded as grants payable, representing grant expense incurred but not yet paid.

**Massachusetts Life Sciences Center**  
**Notes to Financial Statements**  
**June 30, 2009 and 2008**

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**Income Taxes**

Pursuant to Massachusetts General Laws chapter 23I §6(a), the operations of the Center constitute the performance of an essential government function and are therefore exempt from taxation by and within the Commonwealth.

**Reclassifications**

Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

**3. Related Party Transactions**

During part of fiscal year 2009 and during fiscal year 2008, certain administrative functions were provided within the Executive Office of Housing and Economic Development at no cost to the Center. Additionally, the Co-Chairman of the Center's Board of Directors is the Secretary of Housing and Economic Development.

Further, certain of the Center's Board members have relationships with institutions that have received grants. Absent any statutory exemptions to the conflict of interest law, in circumstances where approval of such votes would create a conflict of interest, MLSC Board members are required to recuse themselves.

**4. Cash and Cash Equivalents**

The following summarizes the cash and cash equivalents of the Center and identifies certain types of investment risk as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, at June 30, 2009 and 2008.

<b>June 30, 2009</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash deposits	\$ 7,836,750	\$ 7,836,750
Massachusetts Municipal Depository Trust	<u>19,457,721</u>	<u>19,457,721</u>
Total at June 30, 2009	<u>\$ 27,294,471</u>	<u>\$ 27,294,471</u>
<b>June 30, 2008</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Massachusetts Municipal Depository Trust	<u>\$ 25,692,579</u>	<u>\$ 25,692,579</u>
Total at June 30, 2008	<u>\$ 25,692,579</u>	<u>\$ 25,692,579</u>

**Custodial Credit Risk—Deposits**

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. The Center's cash and cash equivalents are held by financial institutions and the credit of those institutions has been reviewed by management.

**Massachusetts Life Sciences Center**  
**Notes to Financial Statements**  
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**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Center manages its exposure to interest rate risk by structuring its investment portfolio so that investments mature to meet cash requirements for ongoing operations and investing operating funds primarily in cash equivalents.

	2009	2008
<b>Depository accounts</b>		
Insured	\$ -	\$ -
Uninsured and uncollateralized	<u>27,294,471</u>	<u>25,692,579</u>
Total cash deposits	<u>\$ 27,294,471</u>	<u>\$ 25,692,579</u>

As of June 30, 2009 and 2008, the Massachusetts Municipal Depository Trust investment maturities are summarized as follows:

2009 Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate bonds	\$ 175,959	\$ 175,959	\$ -	\$ -	\$ -
Certificates of deposit	8,282,131	8,282,131	-	-	-
Commercial paper	3,166,405	3,166,405	-	-	-
U.S. Government and government agency obligations	421,889	421,889	-	-	-
Federal agencies	3,097,624	3,097,624	-	-	-
U.S. Treasury obligations	818,544	818,544	-	-	-
Bank notes	60,260	60,260	-	-	-
Medium-term notes	2,077,759	2,077,759	-	-	-
Repurchase agreements	1,576,128	1,576,128	-	-	-
Other assets (liabilities), net	(218,978)	(218,978)	-	-	-
	<u>\$ 19,457,721</u>	<u>\$ 19,457,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2008 Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 7,430,567	\$ 7,430,567	\$ -	\$ -	\$ -
Commercial paper	4,604,469	4,604,469	-	-	-
Federal agencies	1,038,268	1,038,268	-	-	-
Bank notes	78,881	78,881	-	-	-
Master notes	460,662	460,662	-	-	-
Medium-term notes	6,685,241	6,685,241	-	-	-
Repurchase agreements	5,174,920	5,174,920	-	-	-
Other assets (liabilities), net	219,568	219,568	-	-	-
	<u>\$ 25,692,576</u>	<u>\$ 25,692,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**Notes to Financial Statements**  
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**5. Property and Equipment, Net**

Property, Equipment, and Leasehold Improvements are all stated at cost. Depreciation is recorded over the estimated useful lives of the assets by the straight line method. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense totaled \$22,415 for the year ended June 30, 2009. Estimated useful lives used for computing depreciation on property, equipment and leasehold improvements are as follows:

Computer equipment and software	3 years
Office equipment	3 years
Office furniture	3 years
Leasehold improvements	shorter of the remaining term of lease or asset life

Property and equipment at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Computer equipment	\$ 92,537	\$ -
Office furniture	128,950	-
Leasehold improvements	<u>73,459</u>	<u>-</u>
	294,946	-
Accumulated depreciation	<u>(22,415)</u>	<u>-</u>
Property and equipment, net	<u>\$ 272,531</u>	<u>\$ -</u>

**6. Accounts Payable and Accrued Expenses**

As of June 30, 2009 and 2008, accounts payable and accrued expenses totaled \$434,275 and \$70,458, respectively. Those expenses primarily accounted for accrued salary, professional and consulting fees and reimbursements owed to the Massachusetts Technology Collaborative and the Massachusetts Development Finance Agency.

**7. Grants and Commitments**

**Investment Fund**

The following grants were made out of the Massachusetts Life Sciences Investment Fund (the "Fund"):

In June 2007, the Board of Directors voted to approve a Grant of \$200,000 to the University of Massachusetts Donahue Institute to study the workforce, training and education needs of the life sciences industry in Massachusetts. \$75,000 was previously expensed in fiscal year 2008. For the year ended June 30, 2009, the Center expensed and paid the remaining \$125,000 as of June 30, 2009. There are no remaining payments under the grant.

In October 2007, the Board of Directors voted to approve two grants for the University of Massachusetts Medical School: 1) \$570,000 for funding for a stem cell registry; and 2) \$7,665,000 for a stem cell bank. In June of 2009, the Board of Directors voted to approve an additional \$695,000 for the stem cell registry. For the year ended June 30, 2009, the Center expensed

# Massachusetts Life Sciences Center

## Notes to Financial Statements

### June 30, 2009 and 2008

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\$6,004,179 of which \$1,256,759 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized grants are \$4,182,580 as of June 30, 2009.

In July 2008, the Board of Directors voted to approve \$6,918,378 in funding for two research matching grant programs to attract top scientific talent, spur new research opportunities and increase industry-sponsored research. Specifically, the Board of Directors awarded five new faculty grants totaling \$3,750,000 to various Massachusetts universities. The Board of Directors also awarded eleven new investigator grants totaling \$3,168,378 to a variety of research centers. For the year ended June 30, 2009, the Center expensed \$653,975 of which \$631,538 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized grants are \$6,895,941 as of June 30, 2009.

In December 2008, the Board of Directors voted to approve \$3,786,000 for six cooperative research grants over a three-year period to foster collaborations between scientists, academic institutions and industry. For the year ended June 30, 2009, the Center expensed \$140,238 of which \$140,238 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized grants are \$3,786,000 as of June 30, 2009.

In January 2009, the Board of Directors voted to approve \$7,400,000 for Organogenesis, Inc of Canton, Massachusetts to assist the company in the construction of its regenerative medicine research and development and manufacturing plant in Canton, Massachusetts. The grant was authorized in two installments in fiscal year 2009 and fiscal year 2010. For the year ended June 30, 2009, the Center expensed \$3,700,000 of which all was paid as of June 30, 2009. Remaining payments under the authorized grant are \$3,700,000 as of June 30, 2009.

In February 2009, the Board of Directors authorized up to \$500,000 of expenditures for an Internship Challenge Program. For the year ended June 30, 2009, the Center expensed \$189,945 of which \$180,728 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized program are \$490,783.

In June 2009, the Board of Directors voted to approve \$1,380,256 for seven New Investigator grants to various research centers. No expense was incurred or paid as of June 30, 2009. Remaining payments under the authorized grants are \$1,380,256 as of June 30, 2009.

Total remaining payments for all investment fund grants as of June 30, 2009 are \$20,435,560.

#### **Capital Program Grants**

The following grants were made under the Capital program:

In October 2008, the Board of Directors voted to approve \$5,200,000 for the replacement of a wastewater pump station in Framingham that will help support the expansion of Genzyme Corporation's manufacturing facility in Framingham, Massachusetts. This grant is the first installment of approximately \$12,900,000 that has been allocated to the Framingham project in connection with the Life Sciences Statute. For the year ended June 30, 2009, the Center expensed \$270,724 of which \$270,724 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized grant are \$5,200,000 as of June 30, 2009. In August 2009, the Town of Framingham presented invoices \$221,780 which will be expensed and paid out in FY10.

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In November 2008, the Board of Directors voted to approve \$10,000,000 for the renovation of laboratory space at the Marine Biological Laboratory (“MBL”) in Woods Hole, Massachusetts. The grant augments a \$15,000,000 grant to MBL from the Howard Hughes Medical Institute. MBL is a leading international, independent, nonprofit institution dedicated to discovery and to improving the human condition through creative research and education in the biological, biomedical and environmental sciences. For the year ended June 30, 2009, the Center expensed \$2,663,372 of which \$1,319,668 was not paid as of June 30, 2009 and is included in grants payable and accrued grant expense on the balance sheet. Remaining payments under the authorized grant are \$8,656,296 as of June 30, 2009.

In March 2009, the Board of Directors voted to approve \$9,500,000 for the construction and capital improvements of the Tufts University Cummings School of Veterinary Medicine New England Regional Biosafety Laboratory to improve the public health, protect public safety, improve science education and stimulate economic development. For the year ended June 30, 2009, the Center expensed \$6,994,700 of all which was paid as of June 30, 2009. Remaining payments under the authorized grants are \$2,505,300 as of June 30, 2009.

Total remaining payments for all capital program grants as of June 30, 2009 are \$16,361,596.

**Facility Lease**

In December 2008, the Center entered into a 5 year noncancelable operating lease through March 2014 for its facilities in Waltham, Massachusetts. The lease agreement provides for certain months of nonpayment of rent (“free rent”) and includes escalating rent payments. Rent expense is recorded on the straight line basis, and therefore, as of June 30, 2009, deferred rent in the amount of \$26,152 has been recorded. Rent expense under the operating lease was \$39,814 for the year ended June 30, 2009.

Future minimum lease payments under all operating lease agreements are approximately:

	<b>Amount</b>
2010	\$ 111,000
2011	171,000
2012	177,000
2013	183,000
2014	141,000
Thereafter	-
	<u>\$ 783,000</u>

**8. Subsequent Events**

In July 2009, the Board of Directors voted to approve \$600,000 for three New Investigator matching grants. Although the aforementioned appropriations were approved by the Board of Directors, no actual funds were transferred as of September 29, 2009.

In July 2009, the Center made a second and final payment to Organogenesis pursuant to the terms of the grant Agreement dated May 2009 in the amount of \$3,700,000.

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In July 2009, the Board of Directors authorized the Center's fiscal year 2010 administrative expenses and investments in property and equipment in the amount of \$2,675,000, which is \$325,000 below the legislative cap for fiscal year 2010.

In September 2009, the Board of Directors voted to approve \$90,000,000 for the design, construction, development and related infrastructure improvements for an advanced therapeutics cluster to be constructed at the University of Massachusetts Medical School in Worcester. The Center will receive funds for the grant from The Commonwealth of Massachusetts.