Massachusetts Life Sciences Center

(A Component Unit of the Commonwealth
of Massachusetts)

Financial Statements and Reports Required
for Audits Performed in Accordance with
Government Auditing Standards

June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of the
Massachusetts Life Sciences Center

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of the Massachusetts Life Sciences Center (the "Center"), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
The Center has loan agreements within the Life Sciences Investment Fund, established under Section 24 of Massachusetts General Laws Chapter 123 of the Acts of 2006. Certain of those loan agreements include warrants that qualify as reportable derivative instruments under Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*. We were unable to obtain sufficient appropriate audit evidence as it relates to the fair value of the warrants held by the Center as of June 30, 2017 and 2016, as financial information to support valuation was not readily available. Consequently, the Center has not recognized or disclosed any values associated with these unexercised warrants as the financial effects of recognizing and disclosing such information are not reasonably estimable. In our opinion, recognition and disclosure of this information is required by accounting principles generally accepted in the United States of America ("GAAP").

Qualified Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Center, as of June 30, 2017 and 2016, and the respective changes in the financial position and cash flows for the years then ended in accordance with GAAP.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3–6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2017, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
October 27, 2017

Management's Discussion and Analysis (unaudited)

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, 2017, 2016 and 2015. 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 industry 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 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 "Investment Fund"), the Capital Program and the Life Sciences Tax Incentive Program.

The 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, equipment, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Tax Incentive Program allows the Center to award tax incentives to companies on behalf of the Department of Revenue ("DOR") at every stage of development.

The Center is governed by a seven member Board of Directors (the "Board") consisting of: the Secretary of Administration and Finance or her/his designee; the Secretary of Housing and Economic Development or her/his designee; the president of the University of Massachusetts or her/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 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"). The Center's financial statements are reported as a special purpose business type entity. The Center's annual report includes three basic financial statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statements of net position present the financial position of the Center as of June 30, 2017 and 2016. It provides information about the nature and the amount of resources (assets), plus deferred outflows (as applicable), obligations (liabilities), plus deferred inflows (as applicable) and net position.

The statements of revenues, expenses and changes in net position present the changes in net position over the course of the years ended June 30, 2017 and 2016. The change in net position may be useful in assessing whether the financial position improved or deteriorated for the year.

The statements of cash flows present the cash activities segregated by four major cash flow categories; operating activities, noncapital financing activities, capital and related financing activities and investing activities. This statement may be useful in determining the changes in liquidity and in understanding how cash and cash equivalents were used during the years ended June 30, 2017 and 2016.

Financial highlights: Fiscal year 2017 is the ninth year of the initiative and reflects a year of significant operating activities of the Center as grants were made both from the Investment Fund and Capital Programs and an eighth round of awards under the Life Sciences Tax Incentive Program were granted.

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 Investment Fund is also to be used to support the administrative expenses and investment in property and equipment of the Center.

In fiscal year 2017, the Center incurred $5.6 million of grant expense compared to $6.7 million of grant expense in fiscal year 2016 and $6.9 million in fiscal year 2015. The expenses were for research grants, workforce development programs, and programs that support innovation in life sciences. The $1.1 million decrease of grant expense from fiscal year 2017 to 2016 is due to fewer programs. The $0.2 million decrease of grant expense from fiscal year 2016 to 2015 is due to timing of awards and fewer programs. Remaining payment commitments as of June 30, 2017 on the outstanding grants are approximately $10.1 million.

Capital programs: The Capital Program was created by the Life Sciences Act and is for municipalities and institutions for buildings, equipment, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Act provides for $500 million to the Capital Program over 10 years. The Capital Program is funded by the Commonwealth. In fiscal year 2017, the Center incurred $48.4 million of grant expense compared to $50.2 million of grant expense in fiscal year 2016 and approximately $74.8 million in fiscal year 2015. The decrease in fiscal year 2017 from 2016 is due to a decrease in payments for qualifying expenses relating to grants awarded. The decrease in fiscal year 2016 from 2015 is due to payments for qualifying expenses relating to grants awarded in prior years and the recognition of delayed expenses of $11.4 million for one project in fiscal year 2015.

The Life Sciences Act also provides for a Life Sciences Education fund for providing grants for purchasing or leasing equipment to train students in life sciences and research. In fiscal year 2017, the Center made 49 grants totaling $4.0 million. In fiscal year 2017, the Center incurred $2.6 million of expense. The Center incurred $3.8 million and $3.0 million of expense in fiscal years 2016 and 2015, respectively.

Life sciences tax incentive program: The Life Sciences Tax Incentive Program was created by the Life Sciences Act and allows the Center to award tax incentives to companies at every stage of development on behalf of the DOR. The Center has the ability to award ten 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 Center awarded $19.9 million to 22 companies in fiscal year 2017, $20.9 million to 28 companies in fiscal year 2016 and $19.0 million to 11 companies in fiscal year 2015.

Investment income: Investment income in fiscal year 2017 was $297,148 compared to $170,495 in fiscal year 2016 and $90,100 in fiscal year 2015. Investment income relates to interest earned throughout the fiscal year on the Center's cash and cash equivalent balance. The increase in fiscal year 2017 from fiscal year 2016 is due to higher balances and interest rates. The increase in fiscal year 2016 from fiscal year 2015 is due to higher balances.

Administrative expenses and investments in property and equipment: In accordance with the Life Sciences Act, administrative expenses and purchases of property and equipment are provided by the Investment Fund. In fiscal year 2017, the Center incurred approximately $3.4 million of administrative expenses and purchases of property and equipment. In fiscal year 2016 and 2015, the Center incurred approximately $2.9 million and $3.5 million of administrative expenses, respectively. The increase in expenditures in fiscal year 2017 from fiscal year 2016 is due to increased staffing costs, communication programs and purchases of equipment and software services. The decrease in expenditures in fiscal year 2016 from fiscal year 2015 is due to lower costs related to open staff positions, communications programs, administrative expenses, and purchases of property and equipment. For the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015, the headcount of the Center at the end of the fiscal year was fifteen, eighteen and nineteen, respectively.

Budgets and appropriations: Annual operating budgets are developed on a basis consistent with GAAP. The Center's annual operating budgets are developed through an internal process and reviewed and modified as appropriate by the Center's executive management. The annual operating budget is presented to the Center's Board for final approval and adoption. The budget approved by the Board is used for 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.

Financial summary: The following summarizes the Statement of Net Position and Revenue, Expenses and Changes in Net Position for fiscal years 2017, 2016 and 2015.

	June 30, 2017	June 30, 2016	June 30, 2015
Assets			
Current assets:			
Current assets	$ 80,756,645	$ 69,219,571	$ 91,926,541
Assets held on behalf of Neuroscience Consortium	1,576,089	773,873	872,177
Noncurrent assets	3,848,268	6,483,777	5,912,333
Capital assets	42,162	40,234	69,939
Total assets	$ 86,223,164	$ 76,517,455	$ 98,780,990
Liabilities			
Current liabilities	$ 46,091,475	$ 30,877,582	$ 51,967,916
Noncurrent liabilities	1,576,089	773,873	997,177
Total liabilities	47,667,564	31,651,455	52,965,093
Net Position			
Net investment in capital assets	42,162	40,234	69,939
Unrestricted	38,513,438	44,825,766	45,745,958
Total net position	38,555,600	44,866,000	45,815,897
Total liabilities and net position	$ 86,223,164	$ 76,517,455	$ 98,780,990
Statements of Revenues, Expenses and Changes in Net Position			
Revenues and Expenses			
Operating revenues	$ 52,396,514	$ 54,764,313	$ 78,534,919
Operating expenses	(59,004,062)	(65,884,705)	(88,738,758)
Operating loss	(6,607,548)	(11,120,392)	(10,203,839)
Nonoperating revenues	297,148	170,495	90,119
Capital contributions	-	10,000,000	11,389,769
(Decrease) increase in net position	$ (6,310,400)	$ (949,897)	$ 1,276,049

The Center's net position decreased by $6.3 million (14%) and approximately $0.9 million (2%) for the fiscal years ending June 30, 2017 and June 30, 2016 respectively, and increased by $1.3 million (3%) for the fiscal year ending June 30, 2015. The changes in net position are primarily due to the Center's operating expenses exceeding operating revenues offset by capital contributions appropriated from the legislature for the Center's Investment Fund. There were no appropriations from the legislature during fiscal year 2017. The Center received $10.0 million in fiscal year 2016 and $11.4 million in fiscal year 2015. The Center ended the year with total net position of $38.6 million as of June 30, 2017, $44.9 million as of June 30, 2016 and $45.8 million as of June 30, 2015.

Liquidity of the Investment Fund: From inception through June 30, 2017, the Investment Fund has received appropriations from the Commonwealth of $125.9 million. In addition, the Center has earned investment income of approximately $2.7 million and collected approximately $14.2 million through loan repayments, sponsorship, insurance proceeds, and corporate consortium revenues for total inflows of approximately $142.8 million. The Center reserves all the funds required for a grant or loan commitment at the time of the Board's authorization. From inception through June 30, 2017, the Center has disbursed or reserved approximately $129.9 million resulting in approximately $12.9 million of available funds as of June 30, 2017.

Requests for information: To obtain further information regarding current and future programs, prior year financials, and contact information for the Center's employees, please refer to our website at: www.masslifesciences.com.

Massachusetts Life Sciences Center
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	**$ 12,953,117**	$ 16,852,612
Accounts receivable	**4,558**	193,157
Grant reimbursement receivable from Commonwealth of Massachusetts	**37,418,560**	28,156,201
Loans receivable, net	**656,250**	187,500
Interest receivable, net	**325,907**	112,796
Assets held on behalf of Neuroscience Consortium	**1,576,089**	773,873
Prepaid expenses and other current assets	**63,646**	47,997
Assets committed under programs and awards:		
Cash and cash equivalents	**29,334,607**	23,669,308
Total current assets	**82,332,734**	69,993,444
Non-current assets:		
Loans receivable, net	**3,080,067**	5,237,097
Interest receivable, net	**768,201**	1,246,680
Net property and equipment	**42,162**	40,234
Total noncurrent assets	**3,890,430**	6,524,011
Total assets	**$ 86,223,164**	$ 76,517,455
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	**$ 440,058**	$ 467,687
Grants payable and accrued grant expense	**45,651,417**	30,409,895
Total current liabilities	**46,091,475**	30,877,582
Noncurrent liabilities:		
Agency obligation to the Neuroscience Consortium	**1,576,089**	773,873
Total liabilities	**47,667,564**	31,651,455
Net Position		
Net investment in capital assets	**42,162**	40,234
Unrestricted	**38,513,438**	44,825,766
Total net position	**38,555,600**	44,866,000
Total liabilities and net position	**$ 86,223,164**	$ 76,517,455

See notes to financial statements.

Massachusetts Life Sciences Center
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating income:		
Capital program revenues from Commonwealth of Massachusetts	**$ 51,016,512**	$ 53,988,420
Grant revenues	**26,182**	198,413
Sponsorship - Corporate Consortium	**10,140**	139,449
Interest income	**1,343,680**	438,031
Total operating income	**52,396,514**	54,764,313
Operating expenses:		
Grant expense	**56,643,681**	60,687,029
Salary and related employee expenses	**2,276,216**	1,893,121
Professional and consulting fees	**307,640**	355,854
Communications programs, sponsorships and contributions	**242,812**	216,185
General and administrative expenses	**531,838**	459,739
Loan loss reserve (recovery) expense	**(1,026,107)**	2,237,598
Depreciation	**27,982**	35,179
Total operating expenses	**59,004,062**	65,884,705
Operating loss	**(6,607,548)**	(11,120,392)
Non-operating revenues:		
Investment income	**297,148**	170,495
Total nonoperating revenues	**297,148**	170,495
Loss before capital contributions	**(6,310,400)**	(10,949,897)
Contributions from the Commonwealth of Massachusetts	**-**	10,000,000
Decrease in net position	**(6,310,400)**	(949,897)
Net position:		
Beginning of year	**44,866,000**	45,815,897
End of year	**$ 38,555,600**	$ 44,866,000

See notes to financial statements.

Massachusetts Life Sciences Center
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts for reimbursements from the Commonwealth	**$ 41,754,153**	$ 72,295,040
Payments for grants	**(41,402,159)**	(81,951,076)
Payments for salary and related employee expenses	**(2,315,855)**	(1,820,583)
Payments for professional consulting fees	**(307,640)**	(355,854)
Payments for general and administrative expenses	**(529,974)**	(359,081)
Payments for communication programs, sponsorships and contributions	**(242,812)**	(216,185)
Receipts for grant revenues	**218,394**	255,988
Receipts for loan interest income	**1,599,931**	201,139
Receipts for sponsorships	**10,140**	14,449
Net cash used in operating activities	**(1,215,822)**	(11,936,163)
Cash flows from capital and related financing activities:		
Receipt of contributions from the Commonwealth of Massachusetts	**-**	10,000,000
Net cash provided by capital and related financing activities	**-**	10,000,000
Cash flows from investing activities:		
Purchase of property and equipment	**(29,910)**	(5,474)
Issuance of loans	**(750,000)**	(2,999,696)
Repayment of loans	**3,464,388**	348,249
Receipt of investment income	**297,148**	170,495
Net cash provided by (used) in investing activities	**2,981,626**	(2,486,426)
Net increase (decrease) in cash and cash equivalents	**1,765,804**	(4,422,589)
Cash and cash equivalents:		
Beginning of year	**40,521,920**	44,944,509
End of year	**$ 42,287,724**	$ 40,521,920
Reconciliation of cash flows from operating activities:		
Operating loss	**$ (6,607,548)**	$ (11,120,392)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	**27,982**	35,179
Loan loss reserve	**(1,026,107)**	2,237,598
Loan Interest reserve	**341,087**	1,000,361
Changes in assets and liabilities:		
Accounts receivable	**188,599**	58,592
Grant reimbursement from Commonwealth	**(9,262,359)**	18,306,620
Interest receivable	**(75,720)**	(1,237,253)
Prepaid expenses and other current assets	**(15,649)**	(1,534)
Accounts payable and accrued expenses	**(27,629)**	173,713
Grants payable and accrued grant expense	**15,241,522**	(21,264,047)
Unearned revenues - Corporate Consortium	**-**	(125,000)
Total adjustments	**5,391,726**	(815,771)
Net cash used in operating activities	**$ (1,215,822)**	$ (11,936,163)

See notes to financial statements.

Note 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 “Investment Fund”) to financially support its activities.

On June 16, 2008, the Life Sciences Act enacted by the Massachusetts Legislature was signed into law by Governor Deval Patrick. In that legislation, the Commonwealth 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 and administrator of the $1 billion and uses three statutory funding vehicles to achieve the Commonwealth’s mission: the Life Sciences Investment Fund (the “Investment Fund”), the Capital Program and the Life Sciences Tax Incentive Program.

The 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, equipment, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Tax Incentive Program allows the Center to award tax incentives on behalf of the Department of Revenue (DOR) to companies at every stage of development.

All grants and awards to be made by the Center require approval by its Board of Directors (the “Board”).

The Center is governed by a seven member Board 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/her 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.

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

Note 2. Significant Accounting Principles

Accounting and reporting standards: These financial statements have been prepared in accordance with GAAP, as prescribed by GASB codification section 2100, which establishes standards for defining and reporting on the financial reporting entity.

The GASB defines the basic financial statements of a business type activity as the: statement of net position, statement of revenues, expenses and changes in net position, and the statement of cash flows. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or non-operating activities in the statement of revenues, expenses and changes in net position. 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.

Note 2. Significant Accounting Principles (Continued)

The GASB requires that resources be classified into three categories of net position. Net position represents the residual interest in the Center's assets plus deferred outflows (as applicable) of resources after liabilities plus deferred inflows (as applicable) of resources are deducted and consist of: net investment in capital assets, restricted, and unrestricted, as follows:

Net Investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. For fiscal year 2017 and 2016 there were no deferred outflows or inflows of resources.

Restricted: Restricted net position represents the portion of net position 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. At June 30, 2017 and 2016, the Center does not maintain any restricted net position.

Unrestricted: Unrestricted net position represents the portion of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board or may be otherwise limited by contractual agreements with outside parties. The Center’s unrestricted net position includes appropriations received from the Commonwealth that are to be used for the general purposes of the Center. Per its enabling legislation, the Center may not expend more than fifteen percent of the amounts to be expended from the Investment Fund for the fiscal year for administrative expenditures and property and equipment.

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

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 from the date of acquisition.

Cash and cash equivalents committed under awards and programs: Such amounts represent cash and cash equivalents to be expended for programmatic purposes based upon specific awards being made or programs authorized by the Board.

Investments: Under GASB 79, *Certain External Investment Pools and Pool Participants,* the Center’s investments represent a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenues, expenses and changes in net position. The Center’s investments as of June 30, 2017 and 2016 meet the definition to be reported as cash equivalents.

Note 2. Significant Accounting Principles (Continued)

Revenue recognition: Investment income is recognized as earned. Sponsorship revenues represent fees collected from companies for providing tradeshow booths and other space at industry trade shows. Sponsorship revenues are recognized when earned upon occurrence of the event. Consortium revenues are fees paid by corporations to sponsor and participate in the Center's small business matching grant and accelerator loan programs. Fees are for a specific time period and, accordingly, revenues are recognized over the specified time period.

Interest income is recognized as earned. Interest income on loans are reported net of any interest income loss reserve.

Capital program revenues are amounts due to the Center from the Commonwealth for related capital program expenditures by grantees of the Center. Capital program grantees submit requests for reimbursement to the Center after funds have been expended. The Center then bills the Commonwealth for these grantee expenses and recognizes the corresponding revenue.

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

Loans receivable and interest receivable, net: Loans receivable, net, consists of loans issued by the Center through the Investment Fund 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 initial stated interest rate on each loan is 10% compounded annually.

Certain of these loan agreements include warrants that qualify as reportable derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The value of these warrants is ultimately dependent upon the fair value of the companies which have issued the warrants. These loans are generally issued to companies that are otherwise unable to obtain market based financing. Most of these companies are pre-revenue start-up operations which are being incubated through the Investment Fund to promote economic development in the Commonwealth. Given the nature of these entities, the uncertainties associated with the ultimate viability of these companies precludes the Center from developing reliable estimates of the fair value of the related warrants. As such, it is the policy of the Center to recognize value associated with these warrant agreements only at such time as these warrants are ultimately exercised, at which point a reliable fair value is determined by a transaction, such as an initial public offering or a sale of the company.

As of June 30, 2017, $22,441,196 had been authorized and disbursed from the Investment Fund. During fiscal year 2017, the Center funded one new loan of $750,000, four borrowers repaid their loans in full with a repayment of principal of $3,234,500, and three borrower partially repaid their loans with a repayment of principal of $229,888. As of June 30, 2016, $23,191,196 of loans receivable had been authorized and $21,691,196 had been disbursed. During fiscal year 2016, the Center funded $2,999,696 million in new loans, one borrower repaid their loans in full with a repayment of principal of $257,000, and one borrower partially repaid their loan with a repayment of principal of $91,249. Due to the nature of the loans made under this program, reserves are established at the time the loans are granted at a rate commensurate with management's estimate of historic loan loss. On a periodic basis, the Center assesses the collectability of each loan and records adjustments to those reserves based on an assessment of the financial condition of the borrower and loan performance. As of June 30, 2017, $11,223,478 of loans receivable were outstanding and $7,487,161 had been reserved for losses, resulting in net loans receivable of $3,736,317. As of June 30, 2016, $14,457,866 of loans receivable were outstanding and $9,033,269 had been reserved for losses, resulting in net loans receivable of $5,424,597. In June of 2017, the Center wrote off a loan receivable in the amount of $520,000. The loan was fully reserved in fiscal year 2016. In May of 2016, the Center wrote off a loan receivable in the amount of $750,000. This loan was fully reserved in fiscal year 2015.

Note 2. Significant Accounting Principles (Continued)

As of June 30, 2017, the gross interest receivable balance was $4,223,023. As of June 30, 2016, the gross interest receivable balance was $4,305,598. On a periodic basis, the Center assesses the collectability of the interest receivable and establishes a loss reserve in a manner consistent with loss reserves for loans receivable. As of June 30, 2017, $3,128,915 had been reserved resulting in net interest receivable of $1,094,108. As of June 30, 2016, $2,946,122 had been reserved resulting in net interest receivable of $1,359,476. Interest is due at the end of the loan term or upon repayment of the loan due to a qualified financing of these companies of greater than $5,000,000.

Property and equipment, net: Property, equipment, and leasehold improvements with a value greater than $500 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 $27,982 and $35,179 for the years ended June 30, 2017 and 2016, respectively. 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

Grant expense and grants payable: Grant expenses represent the current period cost of qualifying grant expenditures pursuant to the terms of each grant program. The Center had grant expense of $56,643,681 and $60,687,029 for fiscal year 2017 and 2016, respectively. As of June 30, 2017 and 2016, $45,651,417 and $30,409,895, respectively, was recorded as grants payable and accrued grant expense, representing grant expense incurred but not yet paid.

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.

Defined benefit plan: All employees of the Center participate in either the Commonwealth of Massachusetts State Retirement systems under a special funding situation where the Commonwealth of Massachusetts is a 100% non-employer contributor under GASB Statement 68 or the statutorily prescribed optional defined contribution plan provided by the Center. The Center makes no contributions for employees participating in the Commonwealth of Massachusetts State Retirement systems' pension plan (the "State Plan"). An actuarial valuation has been performed for the State Plan. The Center's employees were included in the actuarial analysis and a net pension liability of $765,923 and $927,814 as of June 30, 2017 and 2016, respectively, is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The State Plan's net pension liability and net position are disclosed in the footnotes and other required supplementary information of the Comprehensive Annual Financial Report of the Commonwealth of Massachusetts as there are no liabilities to be recorded in the Center's statements. The Center has not included all required GASB Statement 68 disclosures as GASB Statement 68 is deemed immaterial to the Center.

Note 2. Significant Accounting Principles (Continued)

Defined contribution plan: In fiscal year 2010, as provided by the 2008 Statute, the Center established the optional defined contribution pension plan. The Center annually contributes an amount equal to 12% (5% statutorily mandated) of an employee's annual gross salary less the cost of life and disability insurance. Total optional defined contribution expense by the Center for the years ended June 30, 2017 and 2016 was $173,495 and $143,691, respectively. Vesting is immediate upon contribution. The Center pays administrative expenses of the Plan for the plan participants and VOYA is the custodian of the plan's assets. The balances of the plan are not included in the financial statements of the Center.

Related party-Massachusetts Neuroscience Consortium: In June 2012, the Center announced the formation of a separate initiative, the Massachusetts Neuroscience Consortium (the "Consortium), a collaboration between seven global pharmaceutical companies. The Consortium will fund pre-clinical neuroscience at Massachusetts academic and research institutions. Each Consortium member has agreed to contribute $250,000 to the Consortium for the first year membership contribution. The Center is not a member of the Consortium and makes no financial contribution to the Consortium. The financial burden and administrative control does not reside with the Center. The designated members of the Consortium are responsible for all decisions regarding disbursement of funds. The Center acts solely as a custodian of the Consortium funds which are segregated in a separate bank account, the Center does not receive any fees for custodial services provided. In fiscal year 2017, the Consortium received $1,500,000 plus interest from membership contributions to date held within the segregated bank account of the Center. In fiscal year 2016, the Consortium received $1,250,000 plus interest from membership contributions plus interest from membership contributions to date held within the segregated bank account of the Center. The Consortium issued payments in the amount of $700,000 and $1,349,594 during fiscal years 2017 and 2016, respectively. The asset and corresponding liability balances of the Consortium are included in the financial statements of the Center as of June 30, 2017 and 2016. If the Consortium was to terminate, all remaining funds would be due back to the contributing members on a pro-rata basis.

Recent accounting pronouncements: In December 2015, GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this standard are effective for reporting periods beginning after June 15, 2016 and have been reflected in the measurement of investments outlined in Note 4.

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this standard are effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The Center is currently evaluating the impact this pronouncement will have on the financial statements.

In March 2017, GASB issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and recognition of on-behalf payment for pensions and other postemployment benefits. The provisions of this standard are effective for reporting periods beginning after June 15, 2017. Early adoption is permitted. The Center is currently evaluating the impact this pronouncement will have on the financial statements.

Note 2. Significant Accounting Principles (Continued)

In June 2017, GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this standard are effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The Center is currently evaluating the impact this pronouncement will have on the financial statements.

Note 3. Related Party Transactions

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

Note 4. Cash and Cash Equivalents

The Board of the Center is empowered under Chapter 23I of the Massachusetts General Law ("MGL"), which shall have all powers necessary or convenient to carry out and effectuate its purposes, including, without limiting the generality of the foregoing, the powers: to invest any funds held in reserves or sinking funds, or the Investment Fund, or any funds not required for immediate disbursement, in such investments as may be provided in any financing document relating to the use of such funds, or, if not so provided, as the Board may determine. During fiscal years 2017 and 2016, the majority of these assets were allocated to short-term investments/money market accounts which qualify as cash equivalents carried at amortized cost.

Custodial credit risk – deposits: Custodial credit risk for deposits exists when, in the event of failure of a depository financial institution, the Center's deposits may not be recovered. The Center does not have a policy for custodial risk. At June 30, 2017, bank deposits were $12,072,955 which excludes the amount held in the Massachusetts Municipal Depository Trust ("MMDT" or the "Trust"). The Center invests some of its funds in the MMDT, an external investment pool for political subdivisions of the Commonwealth designed as a legal means to invest temporarily available cash. The State Treasurer serves as trustee of MMDT, and has sole authority pertaining to rules, regulations and operations of the Trust. Investment options the MMDT offers are a cash portfolio which offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and Short-Term Bond Portfolio which offers participation in a diversified portfolio of investment-grade, short-term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized. The Center's investment balance as of June 30, 2017 at MMDT was solely in the cash portfolio. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Note 4. Cash and Cash Equivalents (Continued)

The cash portfolio adheres to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amends Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, MA 02110.

The following summarizes the cash and cash equivalents of the Center at June 30:

	2017	2016
Cash deposits	$ 12,072,955	$ 5,582,277
MMDT Cash Portfolio	30,214,769	34,939,643
	$ 42,287,724	$ 40,521,920

Note 5. Property and Equipment, Net

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

	2017	2016
Computer equipment	$ 113,500	$ 129,136
Office furniture	183,534	179,543
Leasehold improvements	103,157	103,157
	400,191	411,836
Accumulated depreciation	(358,029)	(371,602)
Property and equipment, net	$ 42,162	$ 40,234

Note 6. Accounts Payable and Accrued Expenses

As of June 30, 2017, and 2016, accounts payable and accrued expenses totaled $440,058 and $467,687, respectively. Those expenses primarily accounted for accrued salary, professional and consulting fees and marketing expenses.

Note 7. Grants and Commitments

Investment fund: The following grants were made out of the Investment Fund:

In July 2008, the Board 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 awarded five new faculty grants totaling $3,750,000 to various Massachusetts universities. The Board also awarded eleven new investigator grants totaling $3,168,378 to a variety of research centers. For the year ended June 30, 2017, the Center expensed $123,687 of which $30,039 is not paid and is included in grants payable and accrued grant expense on the statement of net position. For the year ended June 30, 2016, the Center expensed $157,857. Remaining commitments under the authorized grants are $210,795 as of June 30, 2017.

Note 7. Grants and Commitments (Continued)

In June 2013, the Board voted to approve $2,000,000 for four cooperative research grants. For the year ended June 30, 2017, the Center expensed no dollars. For the year ended June 30, 2016, the Center expensed $256,536. There are no remaining commitments under the authorized grants as of June 30, 2017.

In June 2015, the Board voted to approve $1,990,380 for six cooperative research grants. For the year ended June 30, 2017, the Center expensed $785,312 of which $589,046 was not paid and is included in grants payable and accrued grant expense on the statement of net position. For the year ended June 30, 2016, the Center expensed $395,278. Remaining commitments under the authorized grants are $1,398,836 as of June 30, 2017.

In December 2013, the Board authorized $3,000,000 for the 2014 Internship Challenge Program which is a year-round program. For the year ended June 30, 2016, the Center reversed $33,275 of expense due to an over accrual in fiscal year 2015.

In December 2014, the Board authorized $3,000,000 for the 2015 Internship Challenge Program which is a year-round program. For the year ended June 30, 2017, the Center reversed $44,712 of expense due to an over accrual in fiscal year 2016. For the year ended June 30, 2016, the Center expensed $1,795,186 for the program. There are no remaining payments for the 2015 Internship Challenge Program as of June 30, 2017.

In December 2015, the Board authorized $3,700,000 for the 2016 Internship Challenge Program which is a year-round program. For the year ended June 30, 2017, the Center expensed $2,434,460 for the program, of which $456,913 was not paid as of June 30, 2017 and is included in grants payable and accrued grant expense on the statement of net position. For the year ended June 30, 2016, the Center expensed $1,052,005 for the program. Remaining payments under the 2016 Internship Challenge Program are $670,447 as of June 30, 2017.

In November 2016, the Board authorized $3,700,000 for the 2017 Internship Challenge Program which is a year-round program. For the year ended June 30, 2017, the Center expensed $1,100,103 for the program, of which $1,100,103 was not paid as of June 30, 2017 and is included in grants payable and accrued grant expense on the statement of net position. Remaining payments under the 2017 Internship Challenge Program are $3,700,000 as of June 30, 2017.

In May 2015, the Board voted to approve 12 awards totaling $2,242,335 in grant funding for the Milestone Achievement Program (“MAP”) to enable early stage companies in achieving critical, value creating milestones. For the year ended June 30, 2017, the Center expensed $155,896. For the year ended June 30, 2016, the Center expensed $983,582. Remaining commitments under the grants are $48,338 as of June 30, 2017.

In June 2017, the Board voted to approve 8 awards totaling $1,635,250 in grant funding for the MassRamp Program to enable early stage companies to leverage federal funding to fuel and sustain innovation for companies that received a Phase I federal grant. For the year ended June 30, 2017, the Center incurred no expense. Remaining commitments under the grants are $1,635,250 as of June 30, 2017.

Note 7. Grants and Commitments (Continued)

Other grants: The Center has made grants to various business plan competitions, workforce development and educational programs to foster company development and collaboration between Massachusetts and international organizations and expand life sciences education and workforce within the Commonwealth. For the fiscal years ended June 30, 2017 and June 30, 2016 the Center had the following grants:

	Award Amount	Expensed Prior to FY16	Expensed FY16	Expensed FY17	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2017	Remaining payments as of June 30, 2017
STEM and Workforce Development Grants	$ 737,048	$ 149,664	$ 156,797	$ 231,552	$ 132,825	$ 331,860
Scientific Research Grants	538,956	289,146	(190)	-	-	250,000
High School Apprenticeship	500,000	-	-	268,421	116,752	348,331
Prof. Development for Life Science Educators	397,744	-	-	155,424	142,672	384,992
International Programs and Partnerships	4,486,162	1,104,447	1,919,254	432,606	65,422	1,095,277
	$ 6,659,910	$ 1,543,257	$ 2,075,861	$ 1,088,003	$ 457,671	$ 2,410,460

Note 7. Grants and Commitments (Continued)

Capital program grants: The following table summarizes active grants in fiscal year 2017 and 2016 under the Capital Program:

Awardee	Location	Award Amount	Expensed Prior to FY16	Expensed FY16	Expensed FY17	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2017	Remaining payments as of June 30, 2017
Baystate Medical	Springfield	$ 5,500,000	$ 5,042,068	$ 457,932	$ -	$ -	$ -
BioBuilder	Cambridge	500,000	-	-	-	-	500,000
Boston Children's Hospital	Boston	2,263,133	-	414,701	331,797	97,782	1,614,417
Boston University	Boston	1,743,648	-	1,648,874	94,774	-	-
Boston University	Boston	363,750	-	363,750	-	-	-
Brigham & Women's Hospital	Boston	2,603,537	-	1,640,155	963,382	170,230	170,230
City of Pittsfield	Pittsfield	9,725,000	515,761	301,365	(914)	6,208	8,914,996
City of Taunton	Taunton	55,000	32,450	22,550	-	-	-
Dana-Farber Cancer Institute	Boston	4,629,019	-	-	-	-	4,629,019
Dean College	Franklin	297,030	-	-	157,080	157,080	297,030
Framingham State University	Framingham	454,000	-	-	454,000	454,000	454,000
FY15 College Planning/Equip	Various	2,491,464	1,753,252	526,926	193,201	82,625	100,710
FY16 College Equipment	Various	1,835,000	-	1,806,577	16,296	12,119	24,246
Gloucester Marine Genomics Institute	Gloucester	2,744,219	-	-	691,061	691,061	2,744,219
Harvard Medical School	Cambridge	4,999,921	4,299,921	700,000	-	-	-
Harvard Medical School	Cambridge	4,345,000	-	-	-	-	4,345,000
Harvard School of Public Health	Boston	4,912,307	-	-	1,226,039	1,226,039	4,912,307
Holyoke Community College	Holyoke	3,800,000	3,000,000	800,000	-	-	-
Institute for Protein Innovation	Boston	5,000,000	-	-	1,029,638	1,029,638	5,000,000
Just-A-Start Corporation	Cambridge	49,992	-	49,992	-	-	-
Lab Central	Cambridge	5,000,000	-	-	5,000,000	3,000,000	3,000,000
LSC – North Shore	See Note	5,000,000	4,243,131	114,801	642,068	520,303	520,303
M.I.T.	Cambridge	1,838,000	83,041	1,754,959	-	-	-
MA Green High Performing Computing Ctr	Holyoke	4,540,000	3,417,077	15,225	1,107,698	5,644	5,644
Merrimack College	North Andover	500,000	-	-	-	-	500,000
Middlesex Community College	Bedford/Lowell	3,000,000	-	-	3,000,000	3,000,000	3,000,000
Mt. Wachusett Community College	Gardner	1,646,787	-	-	-	-	1,646,787
Northern Essex Community College	Haverhill	1,242,000	1,227,710	14,290	-	-	-
Quinsigamond Community College	Worcester	5,000,000	-	742,266	3,670,449	3,670,449	4,257,734
Roxbury Community College	Roxbury Crossing	3,000,000	-	999,694	2,000,306	2,000,306	2,000,306
Smith College	Northampton	489,435	-	-	489,435	489,435	489,435
Springfield Technical Community College	Springfield	972,850	-	968,433	4,417	-	-
The Forsyth Institute	Boston	2,210,229	-	1,439,644	770,585	28,913	28,913
UMASS Amherst	Amherst	95,000,000	40,694,784	28,009,925	23,012,983	21,919,437	25,201,745
UMASS Boston	Boston	10,000,000	2,671,647	3,167,120	3,362,027	1,935,940	2,735,146
UMASS Boston	Boston	588,848	310,155	156,769	66,549	8,802	64,177
UMASS Lowell	Lowell	5,046,697	4,251,573	749,634	44,348	4,354	5,496
UMASS Lowell	Lowell	5,000,000	-	-	-	-	5,000,000
UMASS Medical School	Boston	5,000,000	3,484,300	1,487,133	28,567	28,567	28,567
UMASS Medical School (MassBiologics)	Boston	5,000,000	3,189,961	1,810,039	-	-	-
Venture Café	Boston	347,000	207,469	53,997	77,446	37,865	45,953
Wellesley College	Wellesley	50,000	-	13,695	6,212	-	30,093
Westfield State University	Westfield	75,000	-	-	9,900	9,900	75,000
		$ 218,858,866	$ 78,424,300	$ 50,230,446	$ 48,449,344	$ 40,586,697	$ 82,341,473

Note: the North Shore Biotech Consortium is comprised of the following organizations: Endicott College, Gordon College, Salem State University, North Shore Community College and North Shore Innoventures.

STEM Equipment and Supplies:

Year	Location	Award Amount	Expensed Prior to FY16	Expensed FY16	Expensed FY17	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2017	Remaining payments as of June 30, 2017
FY15 Program	Various	$ 3,151,174	$ 2,999,956	$ 151,218	$ -	$ -	$ -
FY16 Program	Various	3,774,535	-	3,606,756	64,472	-	103,307
FY17 Program	Various	4,000,000	-	-	2,502,696	2,430,946	3,928,250
		$ 10,925,709	$ 2,999,956	$ 3,757,974	$ 2,567,168	$ 2,430,946	$ 4,031,557
		$ 229,784,575	**$ 81,424,256**	**$ 53,988,420**	**$ 51,016,512**	**$ 43,017,643**	**$ 86,373,030**

Total remaining commitments for all capital program grants as of June 30, 2017 are $86,373,030 which is contingent upon the Commonwealth fulfilling their funding obligations to the Center.

Note 7. Grants and Commitments (Continued)

Facility lease: In December 2008, the Center entered into a 5 year noncancelable operating lease through March 2014 for its facilities in Waltham, Massachusetts. In June 2013, the Center renewed its lease with expansion space to be occupied in October 2013. The renewed lease is through March 2019. Rent expense under the operating lease was $263,175 for each of the years ended June 30, 2017 and 2016.

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

2018	$ 263,000
2019	197,000
	$ 460,000

Note 8. Subsequent Events

Management has evaluated subsequent events through October 27, 2017.

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

To the Board of Directors of the
Massachusetts Life Sciences Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Massachusetts Life Sciences Center (the "Center"), a component unit of the Commonwealth of Massachusetts as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Center's basic financial statements, and have issued our report thereon dated October 27, 2017. Our report contained a qualified opinion related to the Center not having recognized or disclosed any values associated with unexercised warrants as the financial effects of recognizing and disclosing such information are not reasonably estimable.

Internal Control over Financial Reporting

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

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

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

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

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

RSM US LLP

Boston, Massachusetts
October 27, 2017