

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

Years Ended June 30, 2023 and 2022

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Independent Auditor's Report

RSM US LLP

Board of Directors
Massachusetts Life Science Center

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Massachusetts Life Science Center (the Center), a component unit of the Commonwealth of Massachusetts (the State), as of and for the years ended June 30, 2023, and 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Qualified Opinion on Business-Type Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Center as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Fiduciary Activities

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary activities of the Center as of June 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on Business-Type Activities

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, as well as convertible notes. Certain of those loan agreements include warrants and convertible features that qualify as reportable derivative instruments under Governmental Accounting Standards Board (GASB) Statement No. 53, *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 and convertible notes held by the Center as of June 30, 2023 and 2022, 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 or convertible features as the financial effects of recognizing and disclosing such information are not reasonably estimable.

Emphasis of Matter-Adoption of New Accounting Standard

As discussed in Note 2 of the accompanying financial statements, the Center adopted the recognition and disclosure requirements of GASB Statement No. 96, *Subscriptions Based Information Technology Arrangements* in fiscal year 2023. Accordingly, the beginning balance of the business-type activities net position as of July 1, 2021, has been restated to reflect the changes. Our opinions have not been modified with respect and related to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
September 29, 2023

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

Management's Discussion and Analysis (Unaudited)

As the management 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, 2023, 2022 and 2021. 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 10-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.

On June 15, 2018, Governor Charlie Baker signed Chapter 112 of the Acts of 2018, *An Act Providing Continued Investment in the Life Sciences Industry in the Commonwealth*, to further invest up to \$623 million in bond authorization and tax credits over five years in education, research and development and workforce training. The reauthorization funding will continue to be managed by the Center.

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 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 and 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.

Financial highlights: Fiscal year 2023 is the 15th 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 Program, and a 14th round of awards under the Life Sciences Tax Incentive Program were granted. This fiscal year represents the fifth year of activities under the 2018 reauthorization.

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

In fiscal year 2023, the Center incurred \$4.5 million of grant expense through the Investment Fund, compared to \$6 million of grant expense in fiscal year 2022, and \$8.1 million of grant expense in fiscal year 2021. The expenses were for research grants, workforce development programs and programs that support innovation in life sciences. The \$1.5 million decrease from fiscal year 2022 to 2023 and the \$2.1 million decrease from 2021 to 2022 are due to timing of awards and a return to normal levels of programming. The remaining payment for commitments as of June 30, 2023, on the outstanding investment fund grants is \$9.8 million.

Capital Program: The Capital Program was created by the *Life Sciences Act* and is for municipalities and nonprofit institutions to construct and/or renovate buildings, purchase equipment, make 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 and an additional \$473 million was provided by the reauthorization. The Capital Program is funded by the Commonwealth.

In fiscal year 2023, the Center incurred \$29.5 million of grant expense in the Capital Program compared to \$34.1 million of grant expense in fiscal year 2022, and \$52.8 million of grant expense in fiscal year 2021. This is a decrease of \$4.6 million from fiscal year 2022 to 2023 due to programming activities and timing of award expenditures. The \$18.7 million decrease from fiscal year 2021 to 2022 is due to decreased programming activities and timing of award expenditures. The remaining payment for commitments as of June 30, 2023, on the outstanding Capital Program grants is \$61.9 million.

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 2023, the Center incurred \$1.8 million of expenses. The Center incurred \$2.2 million and \$218 thousand of expense in fiscal years 2022 and 2021, 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 can award 9 different tax incentives with a cumulative cap of \$25 million per year for 10 years. The reauthorization increased the annual cap to \$30 million for the next five years. The tax incentives have no financial impact on the Center. The Center awarded \$24.5 million to 43 companies in fiscal year 2023, \$24.2 million to 36 companies in fiscal year 2022 and \$19.5 million to 28 companies in fiscal year 2021. The Center launched the third round of a tax incentive program for Angel Investors in fiscal year 2023 and awarded \$505 thousand of tax credits to 51 individuals.

Investment income: Investment income in fiscal year 2023 was \$1,101,695, compared to \$77,267 in fiscal year 2022 and \$126,737 in fiscal year 2021. Investment income relates primarily to interest earned throughout the fiscal year on the Center's cash and cash equivalent balance. The increase from 2022 to 2023 is due to increase in cash balance held and interest rates. The decrease from 2021 to 2022 is due to decrease in interest rates.

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Management's Discussion and Analysis (Unaudited)

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 2023, the Center incurred \$4.6 million in administrative expenses and purchases of property and equipment. In fiscal year 2022, the Center incurred \$3.7 million in administrative expenses and purchases of property and equipment. In fiscal year 2021, the Center incurred \$3.3 million of administrative expenses and purchases of property and equipment. The increase in expenditures from 2022 to 2023 is primarily due to higher wage and benefit expenses as more positions were filled and higher sponsorship and event costs as the pandemic eased. The increase in expenditures from 2021 to 2022 is also due to higher wage and benefit expenses as more positions were filled and higher sponsorship and event costs as the pandemic eased and more events, such as BIO International, were held.

For the fiscal years ended June 30, 2023, 2022 and 2021, the headcount of the Center, including interns, at the end of the fiscal year was 24, 22 and 19, respectively.

Budgets and appropriations: Annual operating budgets are developed on a basis consistent with accounting principles generally accepted in the United States of America (U.S. 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 the purposes of management accountability. The budget passed by the Board is not, however, considered a legally adopted budget and, therefore, is not presented as required supplemental information to the financial statements.

Using the financial statements: The basic financial statements are prepared in accordance with U.S. GAAP, as promulgated by the Governmental Accounting Standards Board (GASB). The Center's financial statements are reported as a special purpose business-type entity. This report includes three basic financial statements: the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows.

The statements of net position present the financial position of the Center as of June 30, 2023 and 2022. It provides information about the nature and the number 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, 2023 and 2022. 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. These statements 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, 2023 and 2022.

Fiduciary activities are used to account for resources held for the benefit of parties outside of the Center. These activities are excluded from the business-type activities because the resources of these funds are restricted and cannot be used to finance the Center's operations. The fiduciary activities of the Center include the activities of the Massachusetts Neuroscience Consortium (the Consortium), a collaboration between seven global pharmaceutical companies. The Center is not a member of the Consortium. The financial burden and administrative control do 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.

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Management's Discussion and Analysis (Unaudited)

The fiduciary activities are reported in the statements of fiduciary net position and the statements of changes in fiduciary net position. The statements of fiduciary net position are a point-in-time snapshot of the amount the Consortium has accumulated in net assets to pay for future benefits and any liabilities that are owed as of the statement date. The statements of changes in fiduciary net position present the additions and deductions for the fiscal year.

The Center adopted the provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangement*, (GASB 96). As a result of the implementation, the net position as of July 1, 2021, was restated, resulting in a decrease of \$629.

Notes to the basic financial statements provide additional information that is essential to fully understand the data provided in the basic financial statements.

Financial summary: The following summarizes the statements of net position and revenue, expenses and changes in net position for fiscal years 2023, 2022, and 2021:

Statements of Net Position

	June 30, 2023	June 30, 2022	June 30, 2021
Assets:			
Current assets	\$ 53,122,613	\$ 63,119,285	\$ 61,329,960
Noncurrent assets	677,603	1,196,786	1,664,205
Right-to-use leased and SBITAs assets, net of amortization	1,859,786	2,191,570	2,453,926
Property and equipment, net	82,913	40,879	51,230
Total assets	<u>\$ 55,742,915</u>	<u>\$ 66,548,520</u>	<u>\$ 65,499,321</u>
Liabilities:			
Current liabilities	\$ 19,285,265	\$ 32,635,959	\$ 32,511,373
Noncurrent liabilities	2,057,835	2,460,610	2,590,413
Total liabilities	<u>21,343,100</u>	<u>35,096,569</u>	<u>35,101,786</u>
Net position:			
Net investment in capital assets	(42,636)	(54,661)	(757)
Unrestricted	34,442,451	31,506,612	30,398,292
Total net position, as restated	<u>34,399,815</u>	<u>31,451,951</u>	<u>30,397,535</u>
Total liabilities and net position	<u>\$ 55,742,915</u>	<u>\$ 66,548,520</u>	<u>\$ 65,499,321</u>

**Statements of Revenues, Expenses
and Changes in Net Position**

	June 30, 2023	June 30, 2022	June 30, 2021
Revenues and expenses:			
Operating revenues	\$ 32,884,796	\$ 37,576,764	\$ 55,561,452
Operating expenses	(41,015,502)	(46,516,665)	(62,829,439)
Operating loss	(8,130,706)	(8,939,901)	(7,267,987)
Nonoperating revenues (expenses)	1,028,570	(5,683)	36,694
Capital contributions	10,050,000	10,000,000	-
Increase (Decrease) in net position	<u>\$ 2,947,864</u>	<u>\$ 1,054,416</u>	<u>\$ (7,231,293)</u>

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Management's Discussion and Analysis (Unaudited)

The Center's net position increased \$2.9 million, approximately 9%, for the fiscal year ended June 30, 2023, as compared to an increased \$1.1 million, approximately 3%, for the fiscal year ended June 30, 2022, and a decrease of \$7.2 million, approximately 19%, for the fiscal year ended June 30, 2021.

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. The Center received \$10 million of appropriations in fiscal years 2023 and 2022, there were no appropriations received in fiscal year 2021. The Center ended the year with total net position of \$34.4 million as of June 30, 2023, \$31.5 million as of June 30, 2022, and \$30.4 million as of June 30, 2021.

Liquidity of the Investment Fund: From inception through June 30, 2023, the Investment Fund has received appropriations from the Commonwealth of \$165.9 million. In addition, the Center has earned an investment income of \$5.7 million and collected \$27.6 million through loan repayments, sponsorship, insurance proceeds, and corporate consortium revenues for total inflows of \$199 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, 2023, the Center has disbursed or reserved \$186.7 million, resulting in \$12.5 million of available funds as of June 30, 2023.

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
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Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,614,578	\$ 14,002,423
Accounts receivable	-	73,537
Grant reimbursement receivable from Commonwealth of Massachusetts	4,797,413	6,923,869
Loans receivable, net of allowance	-	101,250
Interest receivable, net of allowance	-	198,894
Prepaid expenses and other current assets	869,898	694,699
Assets committed under programs and awards:		
Cash and cash equivalents	34,840,724	41,124,613
Total current assets	53,122,613	63,119,285
Non-current assets:		
Loans receivable, net of allowance	47,688	54,766
Interest receivable, net of allowance	70,805	66,049
Convertible notes receivable	559,110	1,075,971
Right-to-use leased asset, net of amortization	1,820,655	2,137,291
Subscription-based IT asset, net of amortization	39,131	54,279
Property and equipment, net of depreciation	82,913	40,879
Total noncurrent assets	2,620,302	3,429,235
Total assets	\$ 55,742,915	\$ 66,548,520
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 392,011	\$ 281,338
Grants payable and accrued grant expense	18,893,254	32,354,621
Total current liabilities	19,285,265	32,635,959
Noncurrent liabilities:		
Lease	1,949,135	2,232,202
Subscription-based IT Arrangements	36,200	54,908
Unearned revenue	72,500	173,500
Total noncurrent liabilities	2,057,835	2,460,610
Total liabilities	21,343,100	35,096,569
Net Position		
Net investment in capital assets	(42,636)	(54,661)
Unrestricted	34,442,451	31,506,612
Total net position	34,399,815	31,451,951
Total liabilities and net position	\$ 55,742,915	\$ 66,548,520

See notes to financial statements.

**Massachusetts Life Sciences Center
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**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022**

	2023	2022
Operating income:		
Capital program revenues from Commonwealth of Massachusetts	\$ 32,873,545	\$ 37,905,516
Grant revenues	201,000	100,525
Sponsorship	21,250	425
Interest loss	(210,999)	(429,702)
Total operating income	32,884,796	37,576,764
Operating expenses:		
Grant expense	35,856,108	42,337,747
Salary and related employee expenses	3,166,110	2,391,876
Professional and consulting fees	250,376	362,730
Communications programs, sponsorships and contributions	526,263	256,494
General and administrative expenses	280,530	265,045
Loan loss write off	574,184	536,938
Amortization on leased and subscription-based IT assets	331,783	322,948
Depreciation	30,148	42,887
Total operating expenses	41,015,502	46,516,665
Operating loss	(8,130,706)	(8,939,901)
Non-operating (expenses) revenues:		
Interest expense on lease and SBITAs	(73,125)	(82,950)
Investment income	1,101,695	77,267
Total nonoperating revenues (expenses)	1,028,570	(5,683)
Loss before capital contributions	(7,102,136)	(8,945,584)
Contributions from the Commonwealth of Massachusetts	10,050,000	10,000,000
Increase in net position	2,947,864	1,054,416
Net position:		
Beginning of year, as restated (Note 10)	31,451,951	30,397,535
End of year	\$ 34,399,815	\$ 31,451,951

See notes to financial statements.

**Massachusetts Life Sciences Center
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**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Receipts for reimbursements from the Commonwealth	\$ 35,000,001	\$ 36,270,500
Payments for grants	(49,317,475)	(42,169,514)
Payments for salary and related employee expenses	(3,060,604)	(2,402,122)
Payments for professional consulting fees	(250,376)	(362,730)
Payments for general and administrative expenses	(411,618)	(283,612)
Payments for communication programs, sponsorships and contributions	(526,263)	(256,494)
Receipts for grant revenues	173,537	198,519
Receipts for loan interest income	-	79,337
Receipts for sponsorship and misc	20,963	-
Net cash used in operating activities	(18,371,835)	(8,926,116)
Cash flows from capital and related financing activities:		
Payment of principal on leases and SBITAs	(301,775)	(275,680)
Payment of interest on leases and SBITAs	(73,125)	(86,664)
Receipt of contributions from the Commonwealth of Massachusetts	10,050,000	10,000,000
Net cash provided by capital and related financing activities	9,675,100	9,637,656
Cash flows from investing activities:		
Purchase of property and equipment	(72,182)	(32,535)
Issuance of convertible notes	-	(250,000)
Receipt of repayment of loans	34,145	114,744
Receipt of investment income	1,063,038	77,267
Net cash provided by (used in) investing activities	1,025,001	(90,524)
Net (decrease) increase in cash and cash equivalents	(7,671,734)	621,016
Cash and cash equivalents:		
Beginning of year	55,127,036	54,506,020
End of year	\$ 47,455,302	\$ 55,127,036
Reconciliation of cash flows from operating activities:		
Operating loss	\$ (8,130,706)	\$ (8,939,901)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	30,148	42,887
Amortization expense on lease and SBITAs asset	331,783	322,948
Loan loss reserve	574,184	536,938
Loan interest reserve	259,204	(157,221)
Investment gains/losses	38,669	-
Changes in assets and liabilities:		
Accounts receivable	73,537	(23,006)
Grant reimbursement from Commonwealth	2,126,456	(1,603,016)
Interest receivable	(65,078)	721,912
Convertible note interest receivable	16,861	(47,086)
Prepaid expenses and other current assets	(175,199)	5,843
Accounts payable and accrued expenses	110,673	(43,647)
Grants payable and accrued grant expense	(13,461,367)	168,233
Unearned revenues	(101,000)	89,000
Total adjustments	(10,241,129)	13,785
Net cash used in operating activities	\$ (18,371,835)	\$ (8,926,116)

See notes to financial statements.

**Massachusetts Life Sciences Center
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Fiduciary Activities—Neuroscience Consortium Custodial Fund

**Statements of Fiduciary Net Position
June 30, 2023 and 2022**

	2023	2022
Assets		
Cash and cash equivalents	<u>\$ 2,570,826</u>	<u>\$ 2,274,915</u>
Total assets	<u><u>\$ 2,570,826</u></u>	<u><u>\$ 2,274,915</u></u>
Net Position		
Restricted for the Center's obligations to the Neuroscience Consortium	<u>\$ 2,570,826</u>	<u>\$ 2,274,915</u>
Total net position	<u><u>\$ 2,570,826</u></u>	<u><u>\$ 2,274,915</u></u>

**Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2023 and 2022**

	2023	2022
Additions:		
Neuroscience Consortium member contributions	<u>\$ 250,000</u>	<u>\$ 1,000,000</u>
Interest income	<u>45,911</u>	<u>1,820</u>
Total additions	<u><u>295,911</u></u>	<u><u>1,001,820</u></u>
Deductions:		
Payments	<u>-</u>	<u>600,000</u>
Total deductions	<u><u>-</u></u>	<u><u>600,000</u></u>
Net increase in fiduciary net position	<u>295,911</u>	<u>401,820</u>
Restricted net position, beginning of year	<u>2,274,915</u>	<u>1,873,095</u>
Restricted net position, end of year	<u><u>\$ 2,570,826</u></u>	<u><u>\$ 2,274,915</u></u>

See notes to financial statements.

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

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 10-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 the Commonwealth. 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).

On June 15, 2018, Governor Charlie Baker signed Chapter 112 of the Acts of 2018, *An Act Providing Continued Investment in the Life Sciences Industry in the Commonwealth*, to further invest up to \$623 million in bond authorization and tax credits over five years in education, research and development and workforce training. The reauthorization funding will continue to be managed by the Center.

The Center is governed by a seven member Board consisting of: the Secretary of Administration and Finance or her/his designee, the Secretary of 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 the 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 No. 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 Policies

Accounting and reporting standards: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by GASB Codification Section 2100, which establishes standards for defining and reporting on the financial reporting entity.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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.

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, right-to-use leased asset, and SBITAs asset, 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 years 2023 and 2022, there were no deferred outflows or inflows of resources.

Restricted: Restricted net position represents the portion of net position that is reported as restricted when there are external third-party limitations (statutory, contractual or bond covenant) on its use. At June 30, 2023 and 2022, the Neuroscience Consortium Custodial Fund's net position is restricted for the Neuroscience Consortium in the statements of fiduciary 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 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 (Investment and Capital Program) 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 U.S. 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Investments: Pursuant to GASB 79, *Certain External Investment Pools and Pool Participants*, the Center's investments are in 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, 2023 and 2022, meet the definition to be reported as cash equivalents.

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. In fiscal year 2018, the Center created a five-year public-private initiative for the Center's MassNextGen program. The sponsorships received from private sources are recorded as unearned revenue and recognized as sponsorship revenue once the grants are awarded under the program and agreements are executed. If the Center cancels or terminates the program prior to completion, any unused sponsorship funds received will be returned to the sponsors.

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

Capital program revenues are amounts 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 recognizes the capital program revenue when related capital expenses are incurred.

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 five 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, 2023 and 2022, \$22.4 million had been authorized and disbursed from the Investment Fund. During fiscal year 2023, three borrowers partially repaid their loans with a repayment of principal of \$34,145. During fiscal year 2022, four borrowers partially repaid their loans with a repayment of principal of \$114,744. There were no new loans awarded or disbursed in fiscal year 2023 and 2022.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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, 2023, \$621,836 of loans receivable were outstanding and \$574,149 had been reserved for losses, resulting in net loans receivable of \$47,688. As of June 30, 2022, \$665,981 of loans receivable were outstanding and \$499,965 had been reserved for losses, resulting in net loans receivable of \$156,016.

The gross interest receivable balance was \$1,369,055 and \$1,303,977 as of June 30, 2023 and 2022, respectively. Periodically, the Center assesses the collectability of the interest receivable and establishes a loss reserve in a manner consistent with loss reserves for loans receivable. The Center reserved \$1,298,250 and \$1,039,034, resulting in a net interest receivable of \$70,805 and \$264,943 as of June 30, 2023 and 2022, respectively. Interest is due at the end of the loan term or upon repayment of the loan due to a qualified financing of greater than \$5,000,000.

Convertible notes receivable: Convertible notes receivable consists of loans issued by the Center through the Seed Fund to advance innovative and promising life science companies in targeted geographies throughout the Commonwealth by working with partners to leverage resources and promote economic development.

These loan agreements include conversion options that qualify as reportable derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The value of these conversion options ultimately depends upon the fair value of the companies that have issued the option. These loans are generally issued to pre-seed 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 Seed Fund to promote economic development in the Commonwealth. Given the nature of these entities, the uncertainties associated with the ultimate viability of these companies preclude the Center from developing reliable estimates of the fair value of the related conversion options. As such, it is the policy of the Center to recognize the face value of the note associated with these conversion options until the conversion is 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.

No new loan was awarded or disbursed in fiscal year 2023, and one was issued in fiscal year 2022. None of the loans had been repaid as of June 30, 2023. One loan was converted to equity during fiscal year 2022. No reserves for convertible loans were outstanding as of June 30, 2023 and 2022.

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 \$30,148 and \$42,887 for the years ended June 30, 2023 and 2022, 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

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

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 \$35,856,108 and \$42,337,747 for fiscal year 2023 and 2022, respectively. As of June 30, 2023 and 2022, \$18,893,254 and \$32,354,621, 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 No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, 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 \$1,236,779 and \$407,056 as of June 30, 2023 and 2022, respectively, is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The total expense paid by the Center under the defined benefit plan were \$69,463 and \$69,163 as of June 30, 2023 and 2022, respectively. The State Plan's net pension liability and net position are disclosed in the footnotes and other required supplementary information of the Annual Comprehensive Financial Report of the Commonwealth as there are no liabilities to be recorded in the Center's statements.

Defined contribution plan: In fiscal year 2010, as provided by the 2008 Life Sciences Act, 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, 2023 and 2022, was \$112,308 and \$106,479, 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.

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. The financial burden and administrative control do 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, and the Center does not receive any fees for custodial services provided. In fiscal years 2023 and 2022, the Consortium received \$250,000 and \$1,000,000, respectively. These balances, plus interest from membership contributions to date, are held within a segregated bank account of the Center. The Center issued \$0 and \$600,000 of payments to the Consortium during fiscal years 2023 and 2022, respectively. The asset and corresponding net position balances of the Consortium are accounted for as a fiduciary activity—custodial fund included in the statements of fiduciary net position and statements of changes in fiduciary net position of the Center as of June 30, 2023 and 2022. If the Consortium was to terminate, all remaining funds would be due back to the contributing members on a pro-rata basis.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

Recent accounting pronouncements: In May 2020, GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement: (1) defines a SBITA, (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of GASB 96.

The Center adopted GASB 96 for the year ended July 1, 2021. The adoption of the Statement is applied retroactively for the years ended June 30, 2022. The implementation resulted in the Center recording for a noncancellable arrangement under GASB Statement 96. The Center recognizes a (SBITA) liability and a related asset in the financial statement.

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

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 2. Significant Accounting Policies (Continued)

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for: (1) leave that has not been used and, (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if: (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave and jury duty leave—not be recognized until the leave commences.

This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, all reporting periods thereafter. Earlier application is encouraged. The Center is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events: Management has evaluated subsequent events through September 29, 2023.

Note 3. Related-Party Transactions

Certain of the Center's board 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.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

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 2023 and 2022, 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, 2023, bank deposits were \$27,319,626 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 the 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, 2023 at MMDT was solely in the cash portfolio. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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, Massachusetts 02110.

The following summarizes the cash and cash equivalents of the Center at June 30, 2023 and 2022:

	2023	2022
Cash deposits	\$ 27,319,626	\$ 33,305,947
MMDT Cash Portfolio	22,706,502	21,821,089
	<u>\$ 50,026,128</u>	<u>\$ 55,127,036</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 5. Capital Asset, Net

Property and equipment, net, at June 30, 2023 and 2022, consisted of the following:

	2023	2022 as restated
Computer equipment	\$ 215,434	\$ 183,109
Office furniture	284,799	244,943
Leasehold improvements	12,380	12,380
Right-to-use leased and SBITA assets	2,831,153	2,831,153
	<u>3,343,766</u>	<u>3,271,585</u>
Accumulated depreciation and amortization	(1,401,067)	(1,039,136)
Capital asset, net	<u>\$ 1,942,699</u>	<u>\$ 2,232,449</u>

Note 6. Accounts Payable and Accrued Expenses

As of June 30, 2023 and 2022, accounts payable and accrued expenses totaled \$392,011 and \$281,338, 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:

Workforce training grants: The Center runs a year-round Internship Challenge Program which provides summer and academic year internships for students predominately studying sciences, technology, engineering, and mathematics at various life sciences companies. On an annual basis, the Board authorizes the amount that the Center uses to fund these internships. For the years ended June 30, 2023 and 2022, the Center incurred the following expenses relating to the Internship Challenge Program:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
FY20 Internship	\$ 2,903,510	\$ 2,894,802	\$ 8,708	\$ -	\$ -	\$ -
FY21 Internship	2,963,709	952,464	2,679,097	(667,852)	-	-
FY22 Internship	3,700,000	-	940,846	1,450,992	774,074	2,082,236
FY22 Internship	3,700,000	-	-	613,608	613,608	3,700,000
FY20 Data Science Internship	275,563	260,560	15,003	-	-	-
FY21 Data Science Internship	500,000	-	-	419,085	-	80,915
FY23 Data Science Internship	500,000	-	-	92,680	92,680	500,000
	<u>\$ 14,542,782</u>	<u>\$ 4,107,826</u>	<u>\$ 3,643,654</u>	<u>\$ 1,908,513</u>	<u>\$ 1,480,362</u>	<u>\$ 6,363,151</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

The Center runs programs for High School Apprenticeship Challenge which offers apprenticeships to high school students at life sciences companies and research institutions. On an annual basis, the Board authorizes the amount that the Center uses to fund the apprenticeship program. For the years ended June 30, 2023 and 2022, the Center incurred the following expense relating to the High School Apprenticeship Challenge Program:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
2021 HS Apprenticeship	\$ 331,998	\$ 279,355	\$ 53,327	\$ (684)	\$ -	\$ -
2022 HS Apprenticeship	627,433	-	395,766	203,801	69,458	97,324
2023 HS Apprenticeship	650,000	-	-	516,127	116,043	249,916
	<u>\$ 1,609,431</u>	<u>\$ 279,355</u>	<u>\$ 449,093</u>	<u>\$ 719,244</u>	<u>\$ 185,501</u>	<u>\$ 347,240</u>

Industry and innovation grants: The Center runs a variety of programs on an annual basis to support early-stage companies or researchers to ensure a thriving life sciences ecosystem in the Commonwealth. Currently the Center has two programs to support these companies or researchers, including the First Look Awards, which aims to support translational research at Massachusetts research institutions that furthers our understanding of sex and gender differences, especially for diseases or conditions that affect women solely, disproportionately, or differentially, and the MassNextGen Program, which aims to support women entrepreneurs engaged in the advancement of early-stage life sciences companies. The Center also has one program aimed at attracting companies to relocate to Massachusetts, called the MassTAG program. For the years ended June 30, 2023 and 2022, the Center incurred the following expenses relating to the early-stage grant programs:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining payments as of June 30, 2023
FY21 MassNextGen	\$ 442,500	\$ 350,000	\$ 92,500	\$ -	\$ -	\$ -
FY23 MassNextGen	537,500	-	468,750	-	38,750	107,500
First Look Awards	345,000	45,000	5,000	95,000	55,000	255,000
MassTAG	1,545,000	1,010,000	175,000	45,000	45,000	360,000
	<u>\$ 2,870,000</u>	<u>\$ 1,405,000</u>	<u>\$ 741,250</u>	<u>\$ 140,000</u>	<u>\$ 138,750</u>	<u>\$ 722,500</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

Women's Health Innovation Program:

The Center runs a Women's Health Innovation program to provide grants for capital and non-capital projects in Massachusetts that aim to support translational research in women's health and gender biology that will ultimately lead to commercial opportunities that address the lack of innovative technologies. For the years ended June 30, 2023, and 2022, the Center incurred the following expenses in the non-capital part of this grant:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
2021 Women's Health Innovation	\$ 982,516	\$ -	\$ 504,915	\$ 477,561	\$ 232,600	\$ 232,640
2023 Women's Health Innovation	894,758	-	-	-	-	894,758
	<u>\$ 1,877,274</u>	<u>\$ -</u>	<u>\$ 504,915</u>	<u>\$ 477,561</u>	<u>\$ 232,600</u>	<u>\$ 1,127,398</u>

Other grants: The Center has made grants to various sciences, technology, engineering and math (STEM) related education grants, diversity, equity, and inclusion workforce grants, and business plan competitions. For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
STEM and Workforce						
Development Grants	\$ 1,461,026	\$ 505,740	\$ 117,501	\$ 294,716	\$ 160,524	\$ 703,593
Other Discretionary Grants	2,880,309	2,021,182	435,780	389,186	156,567	190,728
Competitions & Challenges	1,405,000	930,000	25,000	150,000	25,000	325,000
	<u>\$ 5,746,335</u>	<u>\$ 3,456,922</u>	<u>\$ 578,281</u>	<u>\$ 833,902</u>	<u>\$ 342,091</u>	<u>\$ 1,219,321</u>

COVID-19 pandemic response grants: In April 2020, the Board authorized the Center to deploy up to \$5 million from the Center's investment funds for projects designed to combat the COVID-19 pandemic. The Center committed \$851,309 of awards through the Manufacturing Emergency Response Team (M-ERT) program and \$2,334,690 to support projects through the Massachusetts Consortium for Pathogen Readiness (MassCPR) and \$1,813,731 to support projects through the Accelerating Coronavirus Testing Solutions (A.C.T.S.) program. For the fiscal year ended June 30, 2023, the Center expensed \$602,972. For the fiscal year ended June 30, 2022, the Center expensed \$2,864,498. There are no remaining payments and commitments under the authorized grants as of June 30, 2023.

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

Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

Capital fund: The following grants were made of the Capital Fund:

Biomanufacturing capital programs: The Center is a member of the National Institute for Innovation in Manufacturing Biopharmaceuticals (NIIMBL), which is a national initiative designed to accelerate biopharmaceutical manufacturing innovation in the United States, support the development of standards that enable more efficient and rapid manufacturing capabilities, and educate and train a world-leading biopharmaceutical manufacturing workforce, fundamentally advancing U.S. competitiveness in this industry. The Center committed to providing cost-share for NIIMBL projects in Massachusetts provided that each project presented for funding be vetted by the Center’s Scientific Advisory Board, submitted to the Center’s Investment Committee for review, and approved by the Board prior to funding.

In fiscal year 2019, the Center launched The Building Breakthroughs program to provide grants for capital projects in Massachusetts thereby enabling and supporting biomanufacturing innovation, including improvements to upstream/downstream processing, production of cell and gene therapies, monoclonal antibodies, and small molecules, quality and safety and storage/stability in the Commonwealth. The program is aimed to address biomanufacturing bottlenecks that keep therapies from patients, and potentially reduce costs and avoid drug shortages.

For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses for its biomanufacturing programs:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
Building Breakthroughs FY19 Authorization	\$ 2,687,090	\$ 2,462,090	\$ 225,000	\$ -	\$ -	\$ -
NIIMBL FY20 Authorization	49,928	28,876	21,052	-	-	-
NIIMBL FY21 Authorization	854,645	-	854,645	-	-	-
NIIMBL FY23 Authorization	1,925,245	-	-	1,758,942	1,709,837	1,876,139
	<u>\$ 5,516,908</u>	<u>\$ 2,490,966</u>	<u>\$ 1,100,697</u>	<u>\$ 1,758,942</u>	<u>\$ 1,709,837</u>	<u>\$ 1,876,139</u>

Workforce Development Capital Grant Program: The Workforce Development Capital Grant Program is a program designed to further the development and expansion of life sciences education and training programs offered by post-secondary academic institutions and non-profit organizations through capital investment in industry-aligned certificate and degree programs. For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses for this program:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
Workforce Capital FY22 Authorization	\$ 12,596,672	\$ -	\$ -	\$ 8,479,283	\$ 3,762,404	\$ 7,879,793
Workforce Capital FY23 Authorization	10,305,302	-	-	-	-	10,305,302
	<u>\$ 22,901,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,479,283</u>	<u>\$ 3,762,404</u>	<u>\$ 18,185,095</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

Big Data Capital Program: Bits to Bytes is a program designed to provide grants for capital projects in Massachusetts thereby enabling and supporting the generation and analysis of large datasets to answer pressing life sciences questions, and to attract and train data scientists in the Commonwealth. For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
Bits to Bytes FY19 Authorization	\$ 5,917,667	\$ 5,302,523	\$ 615,160	\$ (16)	\$ -	\$ -
Bits to Bytes FY20 Authorization	4,633,567	3,482,848	758,027	392,692	122,899	122,899
Bits to Bytes FY21 Authorization	-	-	1,837,279	1,221,704	295,195	(2,763,788)
Bits to Bytes FY22 Authorization	2,530,083	-	-	1,912,976	333,105	950,212
Bits to Bytes FY23 Authorization	4,021,720	-	-	-	-	4,021,720
	<u>\$ 17,103,037</u>	<u>\$ 8,785,371</u>	<u>\$ 3,210,466</u>	<u>\$ 3,527,356</u>	<u>\$ 751,199</u>	<u>\$ 2,331,043</u>

Women's Health Programs: The Center currently runs two capital programs to support women's health research and innovation. The program aims to improve the discovery, technical innovation and/or analysis of datasets to answer pressing life sciences questions around women's health. The Center also runs the Women's Health Innovation grant program to provide grants for capital projects in Massachusetts that aim to support translational research in women's health and gender biology that will ultimately lead to commercial opportunities that address the lack of innovative technologies. For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses for its women's health programs:

Program	Award Amount	Expensed Prior to FY22	Expensed FY23	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
Women's Health FY20 Authorization	\$ 3,854,697	\$ 2,270,628	\$ 978,524	\$ 605,545	\$ 337,813	\$ 337,813
Women's Health FY21 Authorization	2,399,582	-	1,477,108	601,272	382,077	703,279
Women's Health FY22 Authorization	748,114	-	-	316,418	113,470	545,166
Women's Health FY23 Authorization	2,763,919	-	-	-	-	2,763,919
Women's Health Innovation FY21 Authorization	1,833,918	-	865,325	831,887	692,570	829,277
Women's Health Innovation FY23 Authorization	1,602,104	-	-	-	-	1,602,104
	<u>\$ 13,202,334</u>	<u>\$ 2,270,628</u>	<u>\$ 3,320,957</u>	<u>\$ 2,355,122</u>	<u>\$ 1,525,930</u>	<u>\$ 6,781,558</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

Novel Therapeutics Delivery Capital Program: The Novel Therapeutics Delivery Capital Program is designed to provide grants for capital projects in Massachusetts that aim to foster the development of novel technologies and techniques for the delivery of existing or innovative therapies by working at the intersection of engineering, biology, chemistry, and medicine. For the fiscal years ended June 30, 2023 and 2022, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
Novel Therapeutics Delivery FY 20 Authorization	\$ 3,265,362	\$ 2,724,354	\$ 394,344	\$ 146,664	\$ 41,984	\$ 41,984
Novel Therapeutics Delivery FY 21 Authorization	1,976,628	327,928	1,299,581	338,358	335,058	345,820
Novel Therapeutics Delivery FY22 Authorization	2,249,357	-	-	1,501,574	309,491	1,057,274
Novel Therapeutics Delivery FY23 Authorization	2,030,446	-	-	-	-	2,030,446
	<u>\$ 9,521,793</u>	<u>\$ 3,052,282</u>	<u>\$ 1,693,925</u>	<u>\$ 1,986,596</u>	<u>\$ 686,533</u>	<u>\$ 3,475,524</u>

Research Infrastructure program: The Research Infrastructure program (formerly known as the Open or Competitive Capital Program) is to provide grants for capital projects that support the life sciences ecosystem in Massachusetts by enabling and supporting life sciences research and development in the Commonwealth.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

The following table summarizes active grants in fiscal years 2023 and 2022, under the Research Infrastructure program:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining payments as of June 30, 2023
BioBuilder	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ 500,000
Baystate Health	3,949,912	2,531,827	1,418,085	-	-	-
Brigham & Women's Hospital	5,000,000	4,946,138	53,862	-	-	-
Boston Children's Hospital	1,523,992	985,717	538,275	-	-	-
Northeastern University	4,271,867	4,251,386	20,481	-	-	-
Quincy College	725,739	549,007	176,732	-	-	-
MassBay Community College	500,000	494,155	5,845	-	-	-
Beth Israel Deaconess Medical Center	1,705,472	1,592,993	111,017	1,462	1,462	1,462
The Mansfield Bio-Incubator, Inc.	2,000,000	200,781	1,799,219	-	-	-
Beth Israel Deaconess Medical Center	3,307,756	2,530,356	767,957	9,443	9,443	9,443
Dana-Farber Cancer Institute, Inc.	1,824,017	1,289,599	534,418	-	-	-
Museum of Science	1,512,062	1,430,477	81,585	-	-	-
Beth Israel Deaconess Medical Center	1,401,046	-	1,368,178	32,868	32,868	32,869
Brigham & Women's Hospital	3,026,942	-	1,552,975	22,647	-	1,451,320
Massachusetts General Hospital	4,000,000	-	2,465,553	1,034,447	1,034,447	1,534,447
Massachusetts Biomedical Initiatives	3,000,000	-	1,000,603	1,999,397	352,947	352,947
University of Massachusetts Medical School	2,017,040	-	1,936,174	80,866	80,866	80,865
North Shore Innoventures	3,100,000	-	539,180	810,985	96,282	1,846,117
Dana-Farber Cancer Institute, Inc.	2,811,397	-	2,476,039	335,358	335,358	335,358
Lahey	3,143,016	-	3,143,016	-	-	-
University of Massachusetts Boston	1,647,200	-	1,634,118	13,082	-	-
Brigham & Women's Hospital	3,346,155	-	3,053,211	292,944	292,944	292,943
University of Massachusetts Amherst	1,655,774	-	-	-	-	1,655,774
Brigham & Women's Hospital	2,402,909	-	-	2,402,909	2,402,909	2,402,909
University of Massachusetts Amherst	1,555,276	-	-	-	-	1,555,276
Dana-Farber Cancer Institute, Inc.	2,715,438	-	-	1,277,214	1,339,904	2,778,128
Harvard School of Public Health	1,850,084	-	-	-	-	1,850,084
University of Massachusetts Boston	1,288,464	-	-	182,018	182,018	1,288,464
University of Massachusetts Medical School	2,331,635	-	-	2,147,072	-	184,563
Marine Biological Laboratory	4,352,819	-	-	734,000	734,000	4,352,818
	<u>\$ 72,466,011</u>	<u>\$ 20,802,436</u>	<u>\$ 24,676,523</u>	<u>\$ 11,376,712</u>	<u>\$ 6,895,448</u>	<u>\$ 22,505,787</u>

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 7. Grants and Commitments (Continued)

STEM Equipment and Supplies Program: The STEM Equipment and Supplies Grant Program enables the purchase of equipment and supplies for high schools and middle schools in the Commonwealth in order to train students in life sciences technology and research, as well as addresses a funding gap in capital dollars for public and not-for-profit workforce training and educational institutions. The program also seeks to increase student achievement and student interest in STEM as well as support the implementation of state STEM standards. The following table summarizes active grants in fiscal year 2023 and 2022 under the program:

Program	Award Amount	Expensed Prior to FY22	Expensed FY22	Expensed FY23	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2023	Remaining Payments as of June 30, 2023
FY20 High School Equipment Salem	\$ 61,282	\$ 40,186	\$ 36,746	\$ (15,650)	\$ -	\$ -
FY20 High School Equipment Chelsea	100,439	92,257	8,182	-	-	-
FY20 High School Equipment Randolph	90,567	85,570	6,403	(1,406)	-	-
FY21 High School Equipment Program	2,689,554	-	2,245,729	443,825	-	-
FY22 High School Equipment Program	1,552,453	-	-	1,397,357	1,182,600	1,337,696
FY23 High School Equipment Program	1,662,395	-	-	-	-	1,662,395
	<u>\$ 6,156,690</u>	<u>\$ 218,013</u>	<u>\$ 2,297,060</u>	<u>\$ 1,824,126</u>	<u>\$ 1,182,600</u>	<u>\$ 3,000,091</u>

COVID-19 Pandemic Response Grants: In April 2020, the Board authorized the Center to deploy up to \$5 million from the Center's Capital Funds for capital projects designed to combat the COVID-19 pandemic through the Manufacturing Emergency Response Team (M-ERT) and Accelerating Coronavirus Testing Solutions (A.C.T.S) programs. In September 2020, the Center received additional funding of \$3 million from the Executive Office of Housing and Economic Development (EOHED) to further support the M-ERT program. As of June 30, 2022, the Center committed \$6,148,693 of awards through the M-ERT program and \$77,575 of awards through the A.C.T.S. program. For the fiscal year ended June 30, 2022, the Center was refunded \$13,293, no expenses were made. There are no remaining payments or commitments under the authorized grants as of June 30, 2023.

Total remaining payments and commitments for all capital program grants as of June 30, 2023, is \$80,466,122, which is contingent upon the Commonwealth fulfilling their funding obligations to the Center.

Note 8. Lease Payable

As of June 30, 2023 and 2022, the value of the lease was \$1,949,135 and \$2,232,202, respectively. The Center is required to make monthly principal and interest payments. The lease has an incremental borrowing rate of 3.25%.

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 8. Lease Payable (Continued)

The future principal and interest lease payments as of June 30, 2023 and 2022, were as follows:

Fiscal years ending June 30,	Principal	Interest	Total
2024	\$ 299,378	\$ 61,964	\$ 361,342
2025	329,304	51,990	381,294
2026	339,603	41,691	381,294
2027	350,236	31,058	381,294
2028	355,694	25,600	381,294
Thereafter	274,920	8,743	283,663
	\$ 1,949,135	\$ 221,046	\$ 2,170,181

Fiscal years ending June 30,	Principal	Interest	Total
2023	\$ 283,067	\$ 71,625	\$ 354,692
2024	299,378	61,964	361,342
2025	329,304	51,990	381,294
2026	339,603	41,691	381,294
2027	350,236	31,058	381,294
Thereafter	630,614	34,343	664,957
	\$ 2,232,202	\$ 292,671	\$ 2,524,873

Note 9. Subscription-Based Information Technology Arrangements

During the current fiscal year, the Center recorded a non-cancelable Subscription-Based Information Technology Arrangement as part of GASB statement 96 implementations. An initial liability was recorded as of July 1, 2021 in the amount of \$60,591. As of June 30, 2023 and 2022, the value of the arrangement was \$36,200 and \$54,908, respectively. The Center is required to make monthly principal and interest payments. The lease has an incremental borrowing rate of 3.25%.

The future principal and interest of those payments as of June 30, 2023 and 2022, were as follows:

Fiscal years ending June 30,	Principal	Interest	Total
2024	\$ 22,192	\$ 1,016	\$ 23,208
2025	14,008	516	14,524
	\$ 36,200	\$ 1,532	\$ 37,732

Fiscal years ending June 30,	Principal	Interest	Total
2023	\$ 18,708	\$ 1,500	\$ 20,208
2024	22,192	1,016	23,208
2025	14,008	516	14,931
	\$ 54,908	\$ 3,032	\$ 58,347

**Massachusetts Life Sciences Center
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Notes to Financial Statements

Note 10. Restatement—Prior Period Adjustment

The beginning net position of the financial statement as of July 1, 2021, were restated due to the implementation of GASB statement 96. The Center recorded a non-cancellable subscription-based IT arrangement; the effect of the implementation was an increase in asset of \$54,279 and a related liability of \$54,908. This resulted in a net decrease to the fiscal year 2022 net position in the amount of \$629.

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

Independent Auditor's Report

Board of Directors
Massachusetts 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 and the fiduciary activity of the Massachusetts Life Sciences Center (the Center), as of and for the year ended June 30, 2023, and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated September 29, 2023. Our report contained a qualified opinion related to the Center not having recognized or disclosed any values associated with unexercised warrants or conversion feature on associated loans as the financial effect of recognizing and disclosing such information are not reasonably estimable. Our report contained an emphasis of matter paragraph for the adoption of the provision of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion has not been modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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
September 29, 2023