

Massachusetts Convention Center Authority

(A Component Unit of the Commonwealth
of Massachusetts)

**Financial, Required Supplementary Information
and Other Supplementary Information**

Fiscal Years June 30, 2021 and 2020

Table of Contents

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (unaudited) | 3 |
| Financial Statements | |
| Statements of Net Position | 16 |
| Statements of Revenues, Expenses and Changes in Net Position | 17 |
| Statements of Cash Flows | 18 |
| Statements of Fiduciary Net Position | 20 |
| Statements of Changes in Fiduciary Net Position | 21 |
| Notes to the Basic Financial Statements | 22 |
| Required Supplementary Information (Unaudited) | |
| Pension Plan – Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited) | 54 |
| Pension Plan – Schedule of the Authority's Contributions (Unaudited) | 55 |
| OPEB Plan – Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios (Unaudited) | 56 |
| OPEB Plan – Notes to the OPEB Schedule (Unaudited) | 57 |
| OPEB Plan – Schedule of the Authority's Contributions (Unaudited) | 59 |
| OPEB Plan – Schedule of Investment Returns (Unaudited) | 60 |
| Other Supplementary Information (Unaudited) | |
| Schedules of Revenues, Expenses and Changes in Net Position – Budget and Actual – Budgetary Basis (Unaudited) | 61 |
| Reconciliation of GAAP Operating Gain/(Loss) to Statutory Net Cost of Operations and Operating Reimbursement Requests from the Convention Center Fund (Unaudited) | 63 |
| Schedule of Consolidated Financial Statements by Operating Segment (Unaudited) | 64 |
| Schedule of Salary and Other Compensation of Highly Compensated Employees (Unaudited) | 66 |
| Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 67 |



Independent Auditor's Report

Board Members
Massachusetts Convention Center Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2021 and 2020, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America (GAAP) require that the management's discussion and analysis (located on pages 3 through 15), and certain pension and other postemployment benefits information (located on pages 54 through 60) 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of revenues, expenses, and changes in net position – budget and actual – budgetary basis, the reconciliation of GAAP operating gain/(loss) to statutory net cost of operations, and operating reimbursement requests from the Convention Center Fund, the schedule of consolidated financial statements by operating segment and the schedule of salary and other compensation of highly compensated employees (hereinafter referred to as supplementary and other information), for the years ended June 30, 2021 and 2020, located on pages 61 through 66, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021 on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
October 21, 2021

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis (MD&A) of the financial condition and results of operations comments on the Massachusetts Convention Center Authority's (the MCCA or the Authority) operations, performance, and financial condition for the fiscal years ended June 30, 2021 and 2020.

The MD&A is presented in four sections:

Background describes the Authority's legislative history and enabling authority.

About our Business describes the Authority's mission, business, objectives, and strategies for success.

Summary of Financial Performance reviews the key measures used to assess the Authority's performance and how those results in fiscal year 2021 compare to the results in fiscal year 2020, and how those results in fiscal year 2020 compare to the results in fiscal year 2019. It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our four facilities.

Risk Assessment provides an overview of the key risks that could affect our business.

Please refer to the audited *Financial Statements* when reading the MD&A.

About the Financial Statements

The Authority maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements of the Authority are maintained on the full accrual basis of accounting and report business-type activities and fiduciary activities. The Authority's financial report includes five basic financial statements: the Statements of Net Position, the Statements of Revenues, Expenses, and Change in Net Position, the Statements of Cash Flows, the Statements of Fiduciary Net Position, and the Statements of Changes in Fiduciary Net Position.

While the financial statements provided herein conform to GAAP, a separate schedule is provided as other supplementary information to provide the reader with a reconciliation between the annual GAAP basis operating gain or loss and the Authority's Net Cost of Operations as it is defined under Massachusetts General Law (MGL) and is used to support annual operating funding draws from the Massachusetts Convention and Exhibition Center Fund (CCF). The Net Cost of Operations is commonly used by the Commonwealth of Massachusetts (Commonwealth) and the Authority to report on the Authority's annual financial operating performance and budget.

BACKGROUND

The Authority is an independent public authority of the Commonwealth that owns and operates public assembly facilities primarily for the convention, tradeshow, and meetings industry. It was established by Chapter 190 of the Acts of 1982 (Chapter 190), which was subsequently amended by Chapter 629 of the Acts of 1982; Chapter 400 of the Acts of 1983; Chapter 637 of the Acts of 1983; Chapter 78 of the Acts of 1988; Chapter 138 of the Acts of 1991; Chapter 307 of the Acts of 1991; Chapter 110 of the Acts of 1993; Chapter 152 of the Acts of 1997 (Chapter 152); Chapter 23 of the Acts of 1998; Chapter 45 and Chapter 256 of the Acts of 2001; Chapter 139, section 211 of the Acts of 2012; and Chapter 195 of the Acts of 2014 (Chapter 195).

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Under Chapter 190, the Commonwealth acquired the John B. Hynes Veterans Memorial Auditorium and the Boston Common Garage (the BCG or Garage) from the City of Boston. To manage these newly acquired assets, the legislation created the Authority, which was governed by a seven-member Board of Directors (Board) chaired by the Treasurer of the Commonwealth. The MCCA remodeled and expanded the auditorium building, creating the John B. Hynes Veterans Memorial Convention Center (the Hynes), which was opened in 1988.

In 1997, the Commonwealth passed Chapter 152, which authorized the Authority to construct and manage a new convention facility on the South Boston waterfront, the Boston Convention & Exhibition Center (the BCEC), and provided the MCCA with control over and responsibility for the Springfield Civic Center, its renovation and expansion. Chapter 152 also expanded the Authority's board membership from seven to thirteen, to be chaired by an appointee of the Governor (approved by the Mayor) with a six-year term.

In the fiscal year 2003 budget for the Commonwealth, several provisions were enacted affecting the operations, marketing and financial activities of the MCCA. Most significantly, it suspended the Authority's funding for its net operating costs from the State Tourism Fund. This funding mechanism was replaced in fiscal year 2004 by disbursements from the CCF, created by the 1997 Convention Center Act, which authorized the Commonwealth to provide the Authority with up to \$17 million from the CCF to defray the Authority's net cost of annual operations as defined in Chapter 190. This use requires that the State Treasurer and Secretary of Administration and Finance annually certify the availability of funds within the \$17 million cap after payment of debt service which is required to be made first. The funding cap was increased to \$23 million in fiscal year 2005. Chapter 195 increased funding caps for fiscal years 2016, 2017, and 2018 (and subsequent years thereafter, subject to future legislation) to \$25 million, \$26 million, and \$28 million, respectively.

In July 2014, Chapter 195 was adopted, authorizing the Commonwealth to issue an additional \$1 billion in special obligation bonds to finance an expansion of the BCEC. The new law authorized a 1.3 million square foot expansion of the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. Under Chapter 195, funding for the \$1 billion expansion would be supported by the existing CCF, which was created in 1997 to pay for the development and construction of the BCEC, the MassMutual Center (MMC) in Springfield, and the Worcester Convention Center as well as to fund the operations and capital improvements of the MCCA. The BCEC expansion project is currently on hold. Following a feasibility study that began in 2018 to assess the potential to expand the BCEC, in September 2019 the Authority's Board voted to approve a plan to sell the Hynes and use the proceeds of the transaction to fund the costs of expanding the BCEC. Further, any unused land owned by the Authority south of the BCEC would be conveyed to the City of Boston following the completion of the BCEC expansion. The board's proposal for the sale of the Hynes and expansion of the BCEC is subject to final approval by the State Legislature. At this time the Authority is evaluating how it may be impacted from the sale of the Hynes including any negotiations, mitigation, including possible migration of contracted Hynes events to the BCEC.

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Retiree Pension Trust (Pension Trust) was established for the advance accumulation of funding for future pension contributions. The Pension Trust is presented using the accrual basis of accounting and is reported as a blended component unit in the Authority's financial statements.

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Other Post-Employment Benefit (OPEB) Trust (OPEB Trust) was established to administer the single-employer defined benefit OPEB plan that is used to provide postemployment benefits to the Authority's retirees. The OPEB Trust is presented using the accrual basis of accounting and is reported as an OPEB trust fund in the fiduciary funds financial statements.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

The Pension Trust and OPEB Trust and corresponding policies were adopted by the Authority in order to accumulate resources, for the first time, to fund the Authority's long-term retiree liabilities. Until fiscal year 2017 no funds had been set aside by the Authority for this purpose despite the large and growing measured liabilities.

On October 21, 2019 the Governor of Massachusetts filed legislation that would provide for the sale of the John B. Hynes Veterans Memorial Convention Center and allow the proceeds to be used to fund a portion of the cost of an expanded Boston Convention & Exhibition Center, among other things (see directly below). This legislation had not been adopted by the State legislature as of the date of these financial statements.

On November 23, 2020 the Authority purchased the Springfield Civic Center Garage (SCCG) from the Springfield Parking Authority (SPA). The SCCG, which is adjacent to the Authority's MassMutual Center, is deemed essential by the Authority's Board and management for the marketing and operation of the MMC. It is the Authority's aim to demolish the existing SCCG and develop and construct in its place a new parking structure that can offer modern parking amenities and other features while supporting the business of the MMC and its customers.

The Authority is considered a discretely presented component unit of the Commonwealth for financial statement reporting purposes and its annual financial statements are included by the Massachusetts State Comptroller's Office within its Annual Comprehensive Financial Report (ACFR) for the Commonwealth.

ABOUT OUR BUSINESS

WHAT WE DO

The MCCA operates three world-class public assembly facilities that generate significant regional economic activity by attracting conventions, tradeshow, and other events to the Commonwealth. Two of these facilities - the BCEC and the Hynes - generate event-related revenue primarily from the sale and use of meeting and exhibition space, the sale of services that support the use of that space, such as electricity, internet, security, rigging and audio/visual services (together such services are referred to herein as Support Services), and income from food and beverage sales at the facilities. The third facility, the MMC, generates both arena event revenue, from hosting full seasons of minor league and college hockey games and other arena events, and convention event revenue from the attached convention center, which opened in October 2005. Through these facilities, the MCCA attracts hundreds of thousands of people to the Commonwealth annually, enriching the local economy with hotel and retail spending, and other direct spending on goods and services.

In late summer of 2014, the MCCA opened an outdoor venue named "The Lawn on D," (the Lawn) consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn was operated during 2014 and 2015 as an "experimental" project, in which various sales and operating models were evaluated for consideration for a more permanent outdoor venue in the future. The pilot phase's expenses of the Lawn were funded from the Authority's annual capital projects budget. Following deliberations in the fall and winter of 2015 and 2016, the Authority elected to re-open the Lawn in 2016 as a full business segment.

The MCCA also operates a 1,367-space underground public parking garage, the BCG, located in the Back Bay/Beacon Hill neighborhood of Boston. The BCG is a top-tier parking facility in the heart of Boston, providing secure and accessible parking for commuters, nearby residents, and tourists alike. The garage generates revenue almost exclusively as a result of parking fees. Currently, the BCG is managed by agreement with a garage management company that also manages a number of other parking facilities in the Greater Boston area.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Effective December 1, 2020, the Authority assumed operations of the existing Springfield Civic Center Garage. The SCCG appears as a separate full business segment, as reported in the Other Supplementary Information section of these financial statements.

MANAGEMENT'S OBJECTIVES AND STRATEGY

The Authority's mission is to generate significant regional economic activity by attracting conventions, tradeshow, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth. To accomplish this, the Authority's management operates the business consistent with strategic business principles for success in the short term and over longer periods of time. Unifying the management team and the Authority's dedicated employees and contractors in achieving its priorities is part of the Authority's over-arching goal, and management believes it is critical to Boston remaining competitive in the meetings industry.

SUMMARY OF FINANCIAL PERFORMANCE

Condensed Financial Information

Summary of Net Position

| | 2021 | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|
| Cash and investments..... | \$ 75,322,322 | \$ 55,267,203 | \$ 59,216,218 |
| Receivables and other assets..... | 644,103,786 | 662,937,700 | 703,653,445 |
| Total assets..... | 719,426,108 | 718,204,903 | 762,869,663 |
| Deferred outflows of resources..... | 11,379,971 | 7,452,904 | 6,187,719 |
| Total assets and deferred outflows of resources..... | 730,806,079 | 725,657,807 | 769,057,382 |
| Current liabilities..... | 22,031,805 | 18,213,636 | 37,482,941 |
| Noncurrent liabilities..... | 51,761,059 | 45,123,552 | 44,692,290 |
| Total liabilities..... | 73,792,864 | 63,337,188 | 82,175,231 |
| Deferred inflows of resources..... | 5,315,355 | 5,285,084 | 7,423,002 |
| Total liabilities and deferred inflows of resources..... | 79,108,219 | 68,622,272 | 89,598,233 |
| Net position..... | <u>\$ 651,697,860</u> | <u>\$ 657,035,535</u> | <u>\$ 679,459,149</u> |

2021

With government restrictions on large gatherings in place for the bulk of the year, fiscal year 2021 witnessed a reduction in operating activity and revenues to the lowest level the Authority has experienced since the opening of the BCEC. The Authority relied on approximately \$21.6 million in funding from the Convention Center Fund (CCF) to support the cost of its operations, even after receiving approximately \$2.9 million in federal grant funding from the Federal Emergency Management Agency (FEMA) for the operation of the Boston Hope COVID-19 hospital in the Spring and Summer of 2020. In lieu of the drop in revenues, the Authority saw its coverage ratio (see later discussion on this metric) fall to 0.39 or a 40.9% drop from the fiscal year 2020 level of 0.66. As recent as fiscal year 2019, the coverage ratio was measured at 0.90.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

2020

The impact of the COVID-19 pandemic on the Authority's business (see later discussion) resulted in a substantial reduction in operating revenues in fiscal year 2020 in comparison to the previous fiscal year and recent trends. Where the Authority had achieved a record-high level of operating revenue in fiscal year 2019, revenues fell by 28.4% in fiscal year 2020. The corresponding reduction in operating expenses, while meaningful, did not offset the lost revenue, with the result being a substantially greater operating loss in fiscal year 2020 than in fiscal year 2019. In fiscal year 2020, the Authority drew approximately \$20.9 million from the CCF to support its operations, up substantially from the fiscal year 2019 draw of approximately \$3.5 million. Finally, the Authority's coverage ratio (more discussion on this statistic follows) fell to 0.66 or a 25.9% decline from the previous fiscal year.

RESULTS OF OPERATIONS

Condensed Financial Information

Summary of Activities

| | 2021 | 2020 | 2019 |
|--|-----------------------|-----------------------|-----------------------|
| Operating revenues..... | \$ 18,730,623 | \$ 56,628,599 | \$ 79,057,183 |
| Operating expenses..... | 93,384,493 | 143,152,978 | 145,932,603 |
| Operating loss..... | (74,653,870) | (86,524,379) | (66,875,420) |
| Nonoperating revenues/(expenses), net..... | 42,635,280 | 45,132,556 | 30,125,947 |
| Loss before capital contributions..... | (32,018,590) | (41,391,823) | (36,749,473) |
| Capital contributions: | | | |
| Massachusetts CCF - capital contributions..... | 26,680,915 | 18,968,209 | 22,836,153 |
| Change in net position..... | (5,337,675) | (22,423,614) | (13,913,320) |
| Net position, beginning of year..... | 657,035,535 | 679,459,149 | 693,372,469 |
| Net position, end of year..... | <u>\$ 651,697,860</u> | <u>\$ 657,035,535</u> | <u>\$ 679,459,149</u> |

Operating Revenues – 2021

Fiscal year 2021 operating revenues were approximately \$18.7 million, or a 66.9% reduction from the fiscal year 2020 total of approximately \$56.6 million. Since the BCEC opened in June of 2004, the Authority has never earned less in operating revenues than approximately \$26.8 million, or the level it achieved in fiscal year 2005. However, with Governor Baker's COVID-19 emergency restrictions in place for the majority of fiscal year 2021, the Authority only generated a small amount of event-related revenue for the fiscal year.

Convention services income fell from approximately \$14.0 million in fiscal year 2020, to approximately \$2.1 million in fiscal year 2021, or an 85.1% reduction. Convention rental revenues fell by 78.9%, from approximately \$13.8 million in fiscal year 2020 to approximately \$2.9 million in fiscal year 2021, with most rental revenue earned associated with licenses with non-traditional tenancies, most notably the COVID-19 vaccination site at the Hynes, where the Authority leased the use of its venue or venues for long duration of time for purposes beyond conventions and meetings.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Additionally, the Authority's food and beverage operations resulted in a total cost of approximately \$1.6 million, compared to fiscal year 2020, when food and beverage earnings were approximately \$8.0 million across its Boston and Springfield operations. For fiscal year 2021 these costs are reported as contracted services expenses. Unlike a typical year for the Authority, where its food and beverage sales generates several million dollars in annual revenues, in fiscal year 2021 the Authority experienced a loss due to food and beverage costs far outstripping what revenues it was able to generate over the course of the year.

Parking fees, earned primarily at the Boston Common Garage, fell by 24.2% in fiscal year 2021, from approximately \$10.8 million to approximately \$8.2 million. Parking revenues have also seen lower performance since the COVID-19 pandemic has resulted in lower monthly and daily commuter parkers and restrictions on Boston destinations, such as restaurants and nightlife, have been in place for the bulk of fiscal year 2021.

Commercial revenues, earned from hotel tenants next to the BCEC and restaurant tenants located within the Hynes, were approximately \$2.3 million during fiscal year 2021. This represents a decline of 23.4%, from fiscal year 2020 levels of approximately \$3.0 million. While all commercial tenancies remained in place over the course of the year, the Authority experienced drops in revenues in cases where all or a portion of the tenant's rent was tied to a percentage of actual monthly sales. In general, hotels and restaurants in Boston have experienced steep declines in sales during fiscal year 2021, as a result of COVID-19 impacts on demand for their services.

Other revenues, which can include a variety of sources, most notably waterfront transportation services, but also one-time insurance claims and proceeds from short-term leases, fell in fiscal year 2021 to approximately \$3.3 million. This represents a 53.6% reduction from 2020 levels of approximately \$7.1 million. The Authority saw a substantial drop in its waterfront transportation revenues in 2021, when the operation of its ferry services was suspended for the bulk of the fiscal year. With COVID-19 restrictions in place many participating employers saw limited need for daily commuter transportation services and consequently worked with the Authority to suspend service and, correspondingly, reduced funding obligations to the Authority until service could be restored consistent with pre-COVID-19 requirements for their employees' transportation.

Operating Revenues – 2020

Fiscal year 2020 operating revenue equaled approximately \$56.6 million, which represents a 28.4% decline compared to the previous fiscal year.

As part of the emergency measures announced by the Governor of Massachusetts in response to the COVID-19 pandemic all large gatherings of individuals were prohibited beginning in mid-March 2020. This resulted in all events contracted at the BCEC, Hynes, Lawn on D and the MMC being cancelled through the remainder of the fiscal year. Where revenues had been pacing above budget through February 2020, operating revenues dropped precipitously for the remainder of year. The Authority generated only approximately \$8.3 million in revenue in the remaining four months of the fiscal year; compared to approximately \$31.1 million over the same four months in fiscal year 2019.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

With limited exceptions, operating revenues in fiscal year 2020 were lower than corresponding fiscal year 2019 revenue at each of the Authority's venues and across all major operating revenue categories. At the BCEC, revenues earned fell by 30.6% to approximately \$29.5 million, from an all-time high of approximately \$42.5 million in fiscal year 2019. In addition to the event cancellations, the BCEC's revenues were also impacted by the drop in commercial revenue earned from hotel tenants, which were similarly impacted by COVID-19 closures. Operating revenue at the Hynes fell by 32.8%, from approximately \$17.1 million in 2019 to approximately \$11.5 million in fiscal year 2020. Similar to the BCEC, the bulk of the year-over-year drop was related to the loss of business due to the COVID-19 pandemic. The Hynes' performance was also affected by the loss of rental income from commercial (restaurant) tenants of the building, which decreased from approximately \$1.6 million in fiscal year 2019 to approximately \$1.4 million in fiscal year 2020. Revenues at the Lawn on D fell to approximately \$1.3 million in fiscal year 2020, from approximately \$1.8 million, a decline of 26.2%. At the MMC, total revenue earned was approximately \$4.2 million, which represents a 19.3% decline from the fiscal year 2019 amount of approximately \$5.3 million. Finally, the BCG was also affected substantially by COVID-19, experiencing a year-over-year decline in revenue of approximately \$2.3 million or 18.6%, from approximately \$12.3 million in fiscal year 2019 to approximately \$10.0 million in fiscal year 2020.

With the exception of other revenues, all major revenue categories decreased at the Authority, including convention support services, food and beverage, rental, parking fees and commercial revenue. The most dramatic decline occurred in food and beverage in which revenues earned in fiscal year 2020 totaled approximately \$8.0 million, or 39.9% below the fiscal year 2019 amount of approximately \$13.4 million. The impact was the most substantial at the BCEC, which experienced a year-over-year decline of 54.3% in food and beverage revenue, falling from approximately \$7.0 million in fiscal year 2019 to approximately \$3.2 million in fiscal year 2020. While the Authority had budgeted for a year-over-year decline in food and beverage revenues, through February they had been out-performing these projections substantially. COVID-19 impacts curtailed a substantial quarter for projected food and beverage revenues. The Authority did earn a limited amount of revenue from the food and beverage services provided to the Boston Hope COVID-19 Alternate Care Site (ACS), these were more than outweighed by the fixed costs of the food and beverage operations during the same period.

Convention services revenues fell by 38.9% in fiscal year 2020, for a total of approximately \$14.0 million compared to approximately \$22.9 million in fiscal year 2019. The loss of earnings is directly attributable to the impact of COVID-19 cancellations, most notably at the BCEC. Similarly, rental revenue fell to approximately \$13.8 million in fiscal year 2020 from approximately \$20.7 million, or a 33.3% decline.

Parking fees, primarily earned at the BCG, totaled \$10.8 million in 2020, which compares to \$13.2 million in 2019. This 18.2% drop from the previous year resulted from the dramatic decline in daily and monthly parkers occurring over the last quarter of the fiscal year. Commercial revenues earned from hotel and restaurant tenants at the BCEC and Hynes, respectively, fell to approximately \$3.0 million from approximately \$3.4 million, or 11.8%. This is attributable to a lack of hotel sales, which directly results in lower percentage rent earned by the Authority as well as rental concessions provided by the Authority to restaurant tenants.

Other revenues, which include insurance claim proceeds and the fees earned by the Authority in providing transportation services (ferry and shuttle buses) to employers that are located in Boston's waterfront, increased by 31.5%, from approximately \$5.4 million in fiscal year 2019 to approximately \$7.1 million in fiscal year 2020. In fiscal year 2020, the Authority received \$625,000 for an insurance claim related to flooding at the Hynes. Additionally, the Authority has seen an increase in the demand for transportation services, including a full year of operating the waterfront ferry service for employees travelling from Boston's North Station to waterfront locations. Total revenues for waterfront transportation services performed in fiscal year 2020 were approximately \$5.0 million, a 25.0% increase from the fiscal year 2019 total of approximately \$4.0 million.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Operating Expenses – 2021

Similar to its operating revenues, the Authority saw a substantial drop in fiscal year 2021 operating expenses. Total expenses were approximately \$93.4 million, which was a 34.8% decline from fiscal year 2020 expenses of approximately \$143.2 million. Expenses fell in all spending categories, as the Authority put into place cost controls and spending reductions in several areas as well as saw event-related expenditures and costs fall substantially.

Total salaries and benefits expenses in 2021 totaled approximately \$28.7 million, which compares to approximately \$45.9 million in fiscal year 2020, or a 37.4% annual reduction. In fiscal year 2020 the Authority incurred approximately \$10.3 million in annual costs associated with funding and administrative costs of its retiree pensions and other post employment benefits (OPEB), while the corresponding fiscal year 2021 level was only \$1.8 million. In addition to this year over year reduction, the Authority also generated annual savings through hiring freezes for all vacancies, substantial reductions and cuts in its overtime spending, and limited use of its part-time/casual workforce, which is typically required to support the Authority's operations in direct support of events.

Other operating expenses, which include a range of cost items such as supplies and equipment, software licenses, sales and marketing activities and credit card and other fiscal fees, fell by 51.1%, from approximately \$18.1 million in fiscal year 2020 to approximately \$8.9 million in fiscal year 2021. The Authority's sales and marketing costs were curtailed substantially in line with limited opportunities for the Authority to sign new business in the face of the ongoing COVID-19 pandemic. Additionally, the Authority saw a drop in its annual use of equipment and supplies with limited event activity and lower repair and replacement costs. Finally, fees paid by the Authority for credit card and related transactions fell in line with the lower revenue/sales activity over the year.

Contracted services of the Authority fell by 67.2% in fiscal year 2021, from approximately \$26.6 million in fiscal year 2020 to approximately \$8.7 million. Event-related services typically funded through contracts with its providers, such as event security, show cleaning and labor, and parking services, were reduced substantially in fiscal year 2021. Additionally, the Authority worked to negotiate temporary reductions in large building maintenance contracts which were bid based on a full year's event schedule at each of its venues. Additionally, unlike fiscal year 2020 when the Authority hosted the Boston Hope COVID-19 field hospital at the BCEC and funded food and beverage costs for patients and staff, the Authority did not have a comparable type of expense during fiscal year 2021. As noted above, in fiscal year 2021 the Authority has reported food and beverage services within its contracted services. Typically, food and beverage activities generate income for the Authority, and are reported as operating revenues. During fiscal year 2021, however, Authority food and beverage expenditures far surpassed what revenues it earned, resulting in the activities being reported as expenses.

Overall, utility expenses of the Authority were approximately \$6.4 million in fiscal year 2021, which represents a 25% decline from 2020, when total utility expenses were approximately \$8.5 million. Similar to fiscal year 2020, the Authority incurred lower costs with event activity largely restricted for the bulk of its fiscal year. Additionally, the Authority continued enhanced conservation initiatives it put in place beginning in March 2020 to limit the cost of lighting and heating the costs of its venue given the lack of customer occupancy.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Operating Expenses – 2020

In fiscal year 2020 total operating expenses fell to approximately \$143.2 million from approximately \$145.9 million, a reduction of 1.9%. With the impacts of the COVID-19 pandemic beginning in March 2020, the Authority experienced lower costs or reduced spending across most major categories. However, the operation of the ACS at the BCEC increased spending by the Authority to support this purpose.

Total salaries and benefits expenses in fiscal year 2020 amounted to approximately \$45.9 million, compared to approximately \$41.1 million, an increase of 11.6%. The year over year increase is attributable to the increased pension and OPEB expenses, in accordance with GAAP, which grew by approximately \$1.8 million in fiscal year 2020 from the previous fiscal year. In fiscal year 2020, the Authority faced cost increases associated with collective bargaining agreements with union employees and modest increases in employee benefits associated with health insurance premiums and the first year of implementation of the Massachusetts Paid Family and Medical Leave (PFML) tax program.

The Authority's other operating expense category totaled approximately \$18.1 million in fiscal year 2020, up slightly from the fiscal year 2019 total of approximately \$18.0 million. However, this expense category includes the cost of capital projects that are "abandoned" or determined to no longer be feasible or advantageous for the Authority to pursue. In fiscal year 2020 these totaled approximately \$1.9 million up from \$471,000. After accounting for this change, total category expenses dropped year over year, primarily from lower spending on supplies and equipment, lower fees for credit card processing, and lower sales and marketing expenses.

Contracted services expenses in fiscal year 2020 totaled approximately \$26.6 million, which compares to fiscal year 2019's total of approximately \$28.3 million. The fiscal year 2020 spending includes over \$3 million in direct expenses incurred by the Authority to support the operations of the ASC at the BCEC. The Authority's spending on event support services, (e.g., show cleaning and labor, event security, event parking) were all substantially reduced as a result of the lack of event business in the fourth quarter.

Utility expenses decreased by 19.7% in fiscal year 2020 compared to the prior year, from approximately \$10.6 million in fiscal year 2019 to approximately \$8.5 million in fiscal year 2020. With the shutdown of event business in March 2020, the Authority saw reduced consumption of electrical, water and heating utilities through the remainder of the fiscal year.

Non-operating Revenues (Expenses), Net – 2021

Total fiscal year 2021 non-operating revenues fell by 5.5%, from approximately \$45.1 million in fiscal year 2020 to approximately \$42.6 million in fiscal year 2021. The Authority's draw from the CCF fell to approximately \$23.4 million, from approximately \$31.2 million, corresponding to a substantial drop in its request for funding for its retiree pension and OPEB trusts. This reduction in non-operating revenues was offset partially by the approximate \$2.9 million in funding the Authority received from the FEMA related to its operation of the Boston Hope COVID-19 Hospital.

Investment Income and Interest on Loans

Total investment income in 2021 was \$782,437, or \$63,579 less than 2020's level of \$846,016. The Authority recognized \$762,195 in interest earnings related to its \$18 million loan to the Boston Tea Party Ships and Museums. While the Authority agreed to allow the borrower to discontinue monthly repayments for the bulk of fiscal year 2021, all unpaid interest was ultimately recognized and added to the balance of the outstanding loan principal. Further discussion follows in a later section addressing this event and the loan.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

Non-operating Revenues/(Expenses), Net – 2020

Total fiscal year 2020 non-operating revenues grew by 49.8%, from approximately \$30.1 million in fiscal year 2019 to approximately \$45.1 million in fiscal year 2020. This year over year change reflects the substantial increase in funding that the Authority requested from the CCF in lieu of the substantial losses the Authority occurred over the last four months of the fiscal year. In total, the Authority drew approximately \$31.2 million in fiscal year 2020, approximately \$10.3 million of which was used to make additional contributions to the Authority's long-term retiree pension and health care liabilities. This compares to an amount of approximately \$17.5 million in fiscal year 2019.

Investment Income and Interest on Loans

Total investment income in 2020 was \$846,016, or \$132,864 less than 2019's level of \$978,880. The Authority in fiscal year 2020 received and ultimately granted a request from the Boston Tea Party Ships and Museums for forbearance on the repayment of its loan beginning with the payment due on April 1, 2020. Further discussion follows in a later section addressing this event and the loan.

COMPARISON TO BUDGET

Operating Revenues – 2021

Operating revenues in fiscal year 2021 were approximately \$4.7 million less than the Authority's adopted budget, or 19.6% below budget. The Authority's adopted budget assumed that restrictions on large gatherings would be lifted by February 2021, allowing for show customers to begin to hold their events in its Boston and Springfield venues immediately. In reality, nearly all scheduled show activity was cancelled at the Authority's venues during fiscal year 2021. The reduction in show activity was partially offset by the non-budgeted revenues associated with the Hynes Vaccination site, beginning in spring of 2021 and lasting through June 2021.

Operating Revenues – 2020

Operating revenues in fiscal year 2020 fell substantially below the Authority's original budget, totaling approximately \$56.6 million (including investment and interest income) compared to a budget of approximately \$73.6 million. This 23.1% drop was experienced consistently across all the Authority's venues, including the BCG, as the Authority lost all its events and much of its parking business from mid-March through June.

Operating Expenses – 2021

After excluding depreciation and other related items not typically included in the Authority's calculation of its net cost of operations, total budgeted expenses in fiscal year 2021 were approximately \$52.1 million. Actual expenses in fiscal year 2021 were approximately \$44.0 million, or 15.7% below budget. The Authority spent less than budgeted on show related costs, especially contracted services, as well as implemented reductions in sales and marketing and other operating expenses.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management’s Discussion and Analysis (Unaudited)

Operating Expenses – 2020

After excluding depreciation and other related items not typically included in the Authority’s calculation of its net cost of operations, total budgeted expenses in fiscal year 2020 were approximately \$86.3 million. Actual expenses in 2020 were approximately \$78.7 million, or 8.8% below budget. As noted earlier, the Authority was able to reduce its expenses, primarily in activity-driven (events) cost categories, helping to curtail its spending. The Authority also experienced approximately \$3 million in direct expensed costs associated with the operation of the ASC.

Non-operating Revenues/(Expenses), Net – 2021

In fiscal year 2021, non-operating revenues totaled \$973,448, compared to the original budget of non-operating expenses of approximately \$1.8 million. The variance of approximately \$2.8 million resulted from the receipt of funding from the FEMA related to the Authority’s support of the Boston Hope field hospital located at the BCEC.

Non-operating Revenues/(Expenses), Net – 2020

In fiscal year 2020, non-operating revenues totaled approximately \$17.4 million, compared to the original budget of approximately \$9.3 million. The variance of approximately \$8.1 million resulted from the additional distribution of funding that was originally drawn at the conclusion of fiscal year 2019 to provide for additional contributions by the Authority to its retiree liability trusts. Originally, only approximately \$10.3 million was budgeted for this purpose.

KEY PERFORMANCE METRICS

| | 2021 | 2020 | 2019 |
|--|---------------|---------------|---------------|
| Operating Coverage Ratio Calculation: | | | |
| Operating revenue (including investment income and interest on loans)..... | \$ 19,513,060 | \$ 57,474,615 | \$ 80,036,063 |
| Operating expense (excluding depreciation, certain amounts paid for restricted net position and amounts paid from the capital budget)..... | \$ 50,626,910 | \$ 86,456,165 | \$ 89,234,284 |
| MCCA operating coverage ratio..... | <u>0.39</u> | <u>0.66</u> | <u>0.90</u> |
| Rev. PGSF (BCEC)..... | \$ 8.91 | \$ 41.51 | \$ 59.77 |
| Rev. PGSF (Hynes), excluding commercial space..... | \$ 12.12 | \$ 40.20 | \$ 59.83 |
| Rev. PGSF (MMC)..... | \$ 6.10 | \$ 23.86 | \$ 32.25 |
| Revenue per attendee (MMC) - Arena..... | \$ 26.34 | \$ 18.32 | \$ 12.12 |
| Avg. revenue per space per day (BCG)..... | \$ 14.29 | \$ 20.04 | \$ 24.62 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

The MCCA's management believes one important measure of the Authority's financial performance is its operating coverage ratio, which reveals the degree to which gross revenues from operations (including investment income and interest on loans) cover gross operating expenses (excluding depreciation, amounts paid from restricted net position and the capital budget). Use of this ratio reveals, in part, the degree to which the Authority must rely on non-operating revenue (largely the annual subsidy from the CCF) to offset its net cost of operations. The greater the ratio the more successful the Authority has been in generating resources independently and in meeting its goal to increase its financial self-sufficiency. Historically, management believes during a typical business year this ratio will fluctuate between 0.65 and 0.75 (or +/- 7% from the 0.70 mid-point) depending on event activities in any specific year. However, as diversification of revenue streams and efforts to minimize expense increases, management continues to work to increase the annual coverage ratio to well above the historical target.

In fiscal years 2021, 2020, and 2019, the Authority's operating coverage ratios (defined above) were 0.39, 0.66, and 0.90, respectively. The fiscal year 2021 result marks a precipitous fall from the prior fiscal years as well as a reversal of a multi-year trend during which the Authority has increased this ratio meaningfully. The result reflects a 40.9% decline from the previous year and explains the corresponding increase in the funds requested by the Authority from the CCF to support its operations. Prior to fiscal year 2021, the Authority had experienced meaningful increases from historical levels, helped by improving performance across the Authority's facilities, most notably the BCEC. Continued strong show quality, particularly with respect to consumption of food and beverage and event support services, offset by net pension and net OPEB liabilities, helped make the MCCA's fiscal year 2020 coverage ratio the highest level achieved by the Authority since the BCEC opened in fiscal year 2004. While this metric had seen a notable decline in fiscal year 2021, the Authority expects that it will remain a critical measure by which to assess the Authority's financial performance for comparison to prior year as well as historical results generally.

The convention centers' revenue-generating performance can also be measured by their Revenue Per Gross Square Feet (Rev. PGSF), which is the total event related revenue achieved in the fiscal year divided by the facility's gross square feet available for rental. This measures the amount of revenue the Authority was able to generate from the facility, assuming that all saleable square feet are equally capable of generating revenue from customers. Management believes this metric is a good reflection of both the number and quality of events leasing convention center space. It is also a helpful -albeit not perfect- measure with which to compare the Authority's performance to other large venues in the U.S. with whom the Authority competes. Generally, but not in all cases, as Rev. PGSF increases so does the venue's profitability since incremental revenues typically more than cover variable expenses.

In fiscal year 2021, the BCEC's Rev. PGSF decreased from \$41.51/sq. ft. to \$7.30/sq. ft., or 82%. This decrease reflects the impacts of COVID-19 and associated show cancellations that resulted from the restrictions on large gatherings through the majority of the fiscal year. The Hynes experienced revenue of \$12.18 sq. ft., a 70% fall from the previous year's total of \$40.20 sq. ft. Similar to the BCEC, the Hynes result also reflects the loss of business for the bulk of fiscal year 2021. However, in the case of the Hynes, the Authority was able to generate revenues through non-traditional licenses, most notably the COVID-19 vaccination site that operated from March 2021 through June 2021.

In fiscal year 2021, the MMC's arena top-line performance, as measured by revenue per attendee, increased to \$32.76 from \$18.32 in fiscal year 2020, as arena events restarted during fiscal year 2021. Using Rev. PGSF as the measurement, performance on the convention center side decreased by 74.4% from \$23.86 in fiscal year 2020 to \$6.10 in fiscal year 2021.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Management's Discussion and Analysis (Unaudited)

The BCG performance is measured by its Revenue per Space per Day, which is the total parking revenue achieved in the fiscal year divided by the facility's total number of available spaces per year (1,367 spaces times 365 days). Management believes this metric is a good reflection of our ability to "turn" the space during the day to maximize daily occupancy. In fiscal year 2021, BCG Revenue per Space was \$14.29 falling from fiscal year 2020's total of \$20.04, a 29% decline, due to the substantial fall in daily and monthly parkers following the COVID-19 closures of offices and other attractions beginning in March 2020.

CONSTRUCTION ACTIVITIES

During fiscal year 2017, the Authority reviewed and revised its existing capital projects planning program to ensure the efficient and effective future investment of resources in the technology and infrastructure needs across all four of its facilities. The program provides the Authority with the projected future capital requirements necessary to keep the Authority's assets in excellent working condition. During fiscal year 2021, the Authority added approximately \$13.7 million assets in service and had capital asset disposals of \$619,199. The net construction in process balance for fiscal year 2021 is approximately \$38.9 million. Total net capital assets totaled approximately \$617.8 million (see Note 4, page 36). In addition, the Authority has a number of on-going capital projects representing \$148.8 million in restricted projects of which \$38.9 million has been spent to date (see Note 12, page 51).

Chapter 195 authorized the expansion of the BCEC, which calls for development and construction of approximately 1.3 million additional square feet to the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. The funding authorized for the construction totals \$1 billion. Initial design, construction, and related activities by the Authority began in fiscal year 2015 but are currently on hold subject to further review by the Authority.

RISK ASSESSMENT

The Authority's financial performance and the value of its facilities are subject to a variety of risks normally associated with governmental authorities, and with the ownership and operation of real estate properties including, but not limited to, overall economic conditions as well as conditions specific to the convention and trade show industry. Operating risk, development risk, and environmental risk are among the general risks the Authority faces, and the Authority is also subject to fluctuations in the travel and tourism industry and the exhibit and trade show industry.

The Authority has hands-on management teams for each of the facilities it operates. Although the Authority believes that its real estate portfolio and revenue sources are significantly diversified, a material reduction in demand for space at any of its facilities or a material decrease in the support and food and beverage consumption by show customers could have a material impact on its annual operating revenues which would consequently impact its cash flows and operating results adversely.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 415 Summer Street, Boston, Massachusetts 02210.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2021 and 2020

| | Business-Type Activities | |
|--|---------------------------------|-----------------------|
| | 2021 | 2020 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents..... | \$ 26,300,212 | \$ 18,597,524 |
| Restricted cash and cash equivalents..... | 587,277 | 587,277 |
| Restricted investments..... | 48,434,833 | 36,082,402 |
| Receivables, net of allowance for uncollectible amounts: | | |
| Grants from the Commonwealth..... | 4,207,776 | 10,261,354 |
| Convention..... | 3,453,131 | 2,434,757 |
| Loans..... | 279,024 | 450,539 |
| Prepaid expenses..... | 2,305,458 | 1,920,200 |
| Other current assets..... | 48,437 | - |
| Total current assets..... | 85,616,148 | 70,334,053 |
| Noncurrent assets: | | |
| Loan receivable, net of allowance for uncollectible amounts..... | 16,002,959 | 15,130,306 |
| Capital assets not being depreciated..... | 220,382,097 | 208,403,301 |
| Capital assets, net of accumulated depreciation..... | 397,424,904 | 424,337,243 |
| Total noncurrent assets..... | 633,809,960 | 647,870,850 |
| Total assets..... | 719,426,108 | 718,204,903 |
| Deferred outflows of resources: | | |
| Pension related..... | 8,847,492 | 6,346,105 |
| OPEB related..... | 2,532,479 | 1,106,799 |
| Total deferred outflows of resources..... | 11,379,971 | 7,452,904 |
| Total assets and deferred outflows of resources..... | 730,806,079 | 725,657,807 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses..... | 10,546,492 | 5,747,480 |
| Unearned revenue..... | 10,434,023 | 11,301,648 |
| Accrued compensated absences..... | 1,051,290 | 1,164,508 |
| Total current liabilities..... | 22,031,805 | 18,213,636 |
| Noncurrent liabilities: | | |
| Accrued compensated absences..... | 1,269,339 | 1,360,483 |
| Net pension liability..... | 50,043,618 | 42,836,764 |
| Net OPEB liability..... | 448,102 | 926,305 |
| Total noncurrent liabilities..... | 51,761,059 | 45,123,552 |
| Total liabilities..... | 73,792,864 | 63,337,188 |
| Deferred inflows of resources: | | |
| Pension related..... | 2,108,967 | 3,810,251 |
| OPEB related..... | 3,206,388 | 1,474,833 |
| Total deferred inflows of resources..... | 5,315,355 | 5,285,084 |
| Total liabilities and deferred inflows of resources..... | 79,108,219 | 68,622,272 |
| Net position: | | |
| Net investment in capital assets..... | 617,807,001 | 632,740,544 |
| Restricted for: | | |
| Future pension contributions..... | 48,415,291 | 36,063,698 |
| Transportation planning/roadway improvements..... | 587,277 | 587,277 |
| Unrestricted (deficit)..... | (15,111,709) | (12,355,984) |
| Total net position..... | \$ 651,697,860 | \$ 657,035,535 |

See notes to financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021 and 2020

| | Business-Type Activities | |
|---|---------------------------------|-----------------------|
| | 2021 | 2020 |
| Operating revenues: | | |
| Convention services income..... | \$ 2,083,517 | \$ 14,006,691 |
| Convention rental income..... | 2,907,048 | 13,752,217 |
| Food and beverage..... | - | 8,026,170 |
| Parking fees..... | 8,155,864 | 10,761,718 |
| Commercial revenue..... | 2,294,724 | 2,995,071 |
| Other..... | 3,289,470 | 7,086,732 |
| Total operating revenues..... | 18,730,623 | 56,628,599 |
| Operating expenses: | | |
| Salaries and benefits - operating..... | 15,435,962 | 21,193,632 |
| Salaries and benefits - administrative..... | 13,271,361 | 24,697,381 |
| Other operating expenses..... | 8,851,664 | 18,095,708 |
| Contracted services..... | 8,782,592 | 26,639,109 |
| Utilities..... | 6,385,173 | 8,502,258 |
| Depreciation..... | 40,657,741 | 44,024,890 |
| Total operating expenses..... | 93,384,493 | 143,152,978 |
| Operating loss..... | (74,653,870) | (86,524,379) |
| Nonoperating revenues/(expenses): | | |
| Massachusetts Convention Center Fund - operating subsidy..... | 23,371,339 | 31,227,826 |
| Federal grants..... | 2,877,307 | - |
| Nonemployer contribution to pension plan..... | 2,032,348 | 2,039,608 |
| Interest received on loans receivable..... | 762,195 | 640,021 |
| Investment income..... | 20,242 | 205,995 |
| Investment income, net - pension trust (restricted)..... | 13,571,849 | 11,019,106 |
| Total nonoperating net revenues/(expenses)..... | 42,635,280 | 45,132,556 |
| Loss before capital contributions..... | (32,018,590) | (41,391,823) |
| Capital contributions: | | |
| Massachusetts Convention Center Fund - capital contributions..... | 26,680,915 | 18,968,209 |
| Change in net position..... | (5,337,675) | (22,423,614) |
| Net position - beginning of year..... | 657,035,535 | 679,459,149 |
| Net position - end of year..... | \$ 651,697,860 | \$ 657,035,535 |

See notes to financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

| | Business-Type Activities | |
|---|---------------------------------|----------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Receipts from customers and users..... | \$ 15,293,435 | \$ 56,556,750 |
| Payments to vendors..... | (17,216,625) | (62,477,606) |
| Payments to employees..... | (24,047,481) | (46,589,128) |
| Net cash used in operating activities..... | (25,970,671) | (52,509,984) |
| Cash flows from noncapital financing activities: | | |
| Massachusetts Convention Center Fund - operating subsidy..... | 28,731,034 | 27,817,638 |
| Federal grants..... | 2,877,307 | - |
| Net cash provided by noncapital financing activities..... | 31,608,341 | 27,817,638 |
| Cash flows from capital and related financing activities: | | |
| Massachusetts Convention Center Fund - capital contributions..... | 27,374,798 | 27,741,894 |
| Acquisition and construction of capital assets..... | (26,610,494) | (18,953,570) |
| Net cash provided by capital and related financing activities..... | 764,304 | 8,788,324 |
| Cash flows from investing activities: | | |
| Purchases of investments..... | (1,305,703) | (11,947,711) |
| Sale of investments..... | 1,272,926 | 1,192,440 |
| Loan repayments..... | - | 263,219 |
| Interest received on loans receivable..... | 61,058 | 466,687 |
| Investment income..... | 1,272,433 | 12,103,758 |
| Net cash provided by investing activities..... | 1,300,714 | 2,078,393 |
| Net change in cash and cash equivalents..... | 7,702,688 | (13,825,629) |
| Cash and cash equivalents - beginning of year (includes \$587,277 as restricted cash)..... | 19,184,801 | 33,010,430 |
| Cash and cash equivalents - end of year (includes \$587,277 as restricted cash)..... | \$ 26,887,489 | \$ 19,184,801 |

(Continued)

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Cash Flows (Continued)
Years Ended June 30, 2021 and 2020

| | Business-Type Activities | |
|--|---------------------------------|------------------------|
| | 2021 | 2020 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss..... | \$ (74,653,870) | \$ (86,524,379) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Cash from operating activities: | | |
| Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources not requiring current cash flows: | | |
| Depreciation..... | 40,657,741 | 44,024,890 |
| Discontinued capital projects..... | 886,296 | 1,887,148 |
| Change in net pension liability..... | 9,239,202 | 6,994,130 |
| Change in deferred outflows - pension..... | (2,501,387) | (282,216) |
| Change in deferred inflows - pension..... | (1,701,284) | (1,863,981) |
| Change in net OPEB liability..... | (478,203) | (4,438,921) |
| Change in deferred outflows - OPEB..... | (1,425,680) | (982,969) |
| Change in deferred inflows - OPEB | 1,731,555 | (273,937) |
| Effect of changes in operating assets and liabilities: | | |
| Convention receivables, net..... | (1,018,374) | 7,234,900 |
| Prepaid expenses..... | (385,257) | 1,068,995 |
| Other current assets..... | (48,437) | - |
| Accounts payable and accrued expenses..... | 4,799,013 | (12,196,674) |
| Unearned revenue..... | (867,625) | (7,306,749) |
| Accrued compensated absences..... | (204,361) | 149,779 |
| Total adjustments..... | 48,683,199 | 34,014,395 |
| Net cash used in operating activities..... | \$ (25,970,671) | \$ (52,509,984) |

See notes to financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Fiduciary Net Position
June 30, 2021 and 2020

| | OPEB Trust Fund | |
|--|------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Assets | | |
| Investments: | | |
| Common collective trusts..... | \$ 15,212,943 | \$ 11,158,796 |
| Fixed income mutual funds..... | 616,016 | 571,095 |
| Equity mutual funds..... | 505,505 | 366,548 |
| Total investments..... | <u>16,334,464</u> | <u>12,096,439</u> |
| Total assets..... | <u>16,334,464</u> | <u>12,096,439</u> |
| Liabilities | | |
| Accrued expenses..... | 14,412 | 7,578 |
| Net Position | | |
| Restricted for: | | |
| Postemployment benefits other than pensions..... | 16,320,052 | 12,088,861 |
| Total net position..... | <u>\$ 16,320,052</u> | <u>\$ 12,088,861</u> |

See notes to financial statements.

Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2021 and 2020

| | OPEB Trust Fund | |
|---|------------------------|----------------------|
| | 2021 | 2020 |
| Additions | | |
| Employer contributions..... | \$ 600,000 | \$ 6,445,316 |
| Investment income: | | |
| Net appreciation/(depreciation) of investments..... | 4,131,547 | (460,761) |
| Interest and dividends..... | 34,597 | 35,184 |
| Less investment expenses..... | (21,412) | (24,858) |
| Net investment income/(loss)..... | 4,144,732 | (450,435) |
| Total additions..... | 4,744,732 | 5,994,881 |
| Deductions | | |
| Benefits payments..... | 497,014 | 426,633 |
| Administrative expenses..... | 16,527 | 6,377 |
| Total deductions..... | 513,541 | 433,010 |
| Change in net position..... | 4,231,191 | 5,561,871 |
| Restricted net position - beginning of year..... | 12,088,861 | 6,526,990 |
| Restricted net position - end of year..... | \$ 16,320,052 | \$ 12,088,861 |

See notes to financial statements.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting entity

Establishment and Background

The Massachusetts Convention Center Authority (the Authority) is a public authority created by act of the Legislature of the Commonwealth with the original purpose of acquiring and operating a portfolio of assets, specifically, the John B. Hynes Veterans Memorial Convention Center (the Hynes or the Hynes Convention Center) and the Boston Common Garage (BCG). The Authority's purpose is to generate significant regional economic activity by attracting conventions, trade shows, and other events to its facilities while maximizing investment return for the Commonwealth of Massachusetts (Commonwealth).

In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 30, *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 Authority, itself, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

Pursuant to Chapter 152 of the Acts of 1997, effective November 17, 1997 (the Act), the Authority was empowered to expand its portfolio of assets as follows:

- Design, construct, and operate a new Boston Convention & Exhibition Center (the BCEC) subject to appropriation of funds and financing by the Commonwealth.
- Receive, transfer, ownership, and control of the Springfield Civic Center, and subsequently expand and renovate the facility subject to appropriation of funds and financing by the Commonwealth.

In addition to these provisions, the Act also enlarged the Authority's Board of Directors (Board) from 7 to 13 members. The BCEC officially opened for business in the summer of 2004, and the Springfield Civic Center project was completed in the fall of 2005 (see Note 5, now designated as the MassMutual Center (MMC)).

As part of the BCEC project, the Authority also ground leased a portion of the project site to the Boston Convention Center Hotel, LLC (the Hotel) for the purpose of the design, construction, ownership, and operation of a 790-room hotel adjacent and connected to the BCEC. The Authority was responsible for site preparations and construction of infrastructure associated with the Hotel construction. The Hotel officially opened for business in June of 2006. Subsequent acquisitions by the Authority of property adjacent to the BCEC have occurred since 2006, most notably the acquisition of properties on D and E street in South Boston. Such acquisitions have allowed the Authority to spur the design and construction of two additional hotels for a total of 510 rooms, which are subject to the terms of a ground lease between the Authority and the hotel developer.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

In late summer of 2014, the MCCA opened an outdoor venue named "The Lawn on D," (the Lawn) consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn was operated during 2014 and 2015 as an "experimental" project, in which various sales and operating models were evaluated for consideration for a more permanent outdoor venue in the future. The pilot phase's expenses of the Lawn were funded from the Authority's annual capital projects budget. Following deliberations in the fall and winter of 2015 and 2016, the Authority elected to re-open the Lawn in 2016 as a full business segment. The Lawn is open each year from May to October.

On November 23, 2020, the Authority purchased the Springfield Civic Center Garage (SCCG), adjacent to the Authority's MassMutual Center, from the City of Springfield Parking Authority. The Authority purchased the garage with the intention of demolishing the existing structure and replacing it with a new state of the art garage, which will be owned and operated by the Authority.

Funding

The Act, as amended by Section 439 of Chapter 26 of the Acts of 2003, created the Convention Center Fund (CCF or the Fund). The purpose of the Fund is to provide funding for the activities of the Authority. Section 439 amended Section 10(c) of the Act, which authorized up to \$23 million annually to defray the Authority's net cost of operations from its activities as well as providing for reserves for capital and current expenses of the Authority as defined on page 63. Chapter 195 of Acts of 2014 increased the fiscal years 2016, 2017, 2018, 2019 and 2020 (and on) caps to \$25 million, \$26 million, \$28 million, \$28 million and \$28 million, respectively. During fiscal year 2021, the Authority requested reimbursements from the Fund totaling \$50,052,254 for the net cost of operations (\$21,571,339), Other Postemployment Benefit (OPEB) Trust funding (\$600,000), Pension Trust funding (\$1,200,000) and the pay-go capital program (\$26,680,915). During fiscal year 2020, the Authority requested reimbursements from the Fund totaling \$50,196,035 for the net cost of operations (\$20,934,826), OPEB Trust funding (\$5,035,345), Pension Trust funding (\$5,257,655) and the pay-go capital program (\$18,968,209).

Blended Component Unit

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable Retiree Pension Trust (Pension Trust) was established for the advance accumulation of future pension contributions. The Pension Trust is governed by six trustees, which are to be comprised of the individuals holding selected positions of the Authority. The Pension Trust is presented using the accrual basis of accounting and is reported as a blended component unit in the Authority's business-type activities financial statement. The Authority has determined that the Pension Trust should be reported as a blended component unit because the Pension Trust does not accumulate funds to pay benefits to Authority retirees. Rather, the purpose of the Pension Trust is to accumulate resources to stabilize the amount of future operating funds that the Authority will need to use to meet its contribution requirements under the Massachusetts State Employees' Retirement System (MSERS). The balances and activities of the Pension Trust are not part of the MSERS. Additionally, the purpose of the Pension Trust is to defray the Authority's future costs of the payments associated with the Authority's retiree pension benefits. The Pension Trust did not issue a separate audited financial statement.

Fiduciary Fund Component Unit

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable OPEB Trust (OPEB Trust) was established to administer the single-employer defined benefit OPEB plan that is used to provide postemployment benefits to the Authority's retirees. The OPEB Trust assets are solely dedicated for the purpose of providing Other Postemployment Benefits (OPEB) to retirees in accordance with the OPEB Plan's benefit terms. The OPEB Trust is governed by six trustees, which are to be held by the individuals holding selected positions of the Authority. In accordance with the requirements of GASB Statement No. 84, *Fiduciary Activities*, the OPEB Trust is presented using the accrual basis of accounting and is reported as an OPEB Trust Fund in the fiduciary funds financial statement. The OPEB Trust did not issue a separate audited financial statement.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Measurement focus, basis of accounting, and basis of presentation

The Authority's financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Operating revenues and expenses are segregated from non-operating items. Operating revenues and expenses consist of those revenues and expenses that result from the principal operations of the Authority. Operating revenues consist primarily of convention center services and rental revenues and parking fees charged to users of the BCG. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from non-exchange transactions or ancillary activities.

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are measured at fair value, with the exception of money market mutual funds (presented as cash and cash equivalents) which are held at amortized cost, which approximates fair value.

Pension and OPEB Trust investments are reported at fair value using quoted market prices or the best available estimate thereof. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value GAAP hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted assets

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, agreements with or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted cash was received from the prior sale of air rights and has been restricted for transportation planning/roadway improvements pursuant to an agreement with the City of Boston. Restricted investments have been restricted for future pension contributions, in accordance with the purpose of the Pension Trust.

Accounts receivable

Grants from the Commonwealth

The Authority is reimbursed by the Commonwealth to defray its net cost of operations from activities as well as providing reserves for capital, pension, and OPEB trusts, and current expenses of the Authority. These amounts are considered 100% collectible.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Convention

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 2021 and 2020, the allowance for doubtful accounts amounted to \$241,150 and \$163,664, respectively.

Loans

The Authority authorized an \$18 million loan to the Boston Tea Party Ship and Museum, Inc. (BTPSM) for the construction of the Boston Tea Party Museum and historical replica ships. Loan amounts were distributed based on reimbursement requests submitted during the period of construction. On April 1, 2020, the Authority and the BTPSM entered into a Deferment Agreement and Amendment to the Loan Agreement (the Deferment). The Deferment granted relief and postponement of loan repayments from April 1, 2020 through June 30, 2020 (the Deferment Period) and extended the maturity date to October 1, 2042. In connection with the Deferment, the Authority capitalized accrued interest amounts of \$173,334 as principal during FY2020 over the deferment period. The post deferment period monthly payments increased to \$92,261 from \$91,238.

On January 12, 2021, the Authority and the BTPSM entered into a Second Deferment Agreement and Amendment to Loan Agreement (the Second Deferment). Among other things, the Second Deferment granted relief and postponed loan repayments from July 1, 2020 to June 30, 2021 (the Second Deferment Period). As a result of the Second Deferment, the Authority capitalized additional accrued interest amounts of \$701,138 as principal over the Second Deferment Period. The new repayment amount as of July 1, 2021 is \$61,057 a month until January 1, 2022 at which time the monthly payment increases to \$100,472 until final maturity.

The outstanding loan principal at June 30, 2021 and 2020 totaled \$16,281,983 and \$15,580,845, respectively. As of June 30, 2021 and 2020, no allowance for doubtful accounts on outstanding loans was deemed necessary.

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital assets

The Authority's capital assets consist of land, construction in progress, intangible assets, land improvements, buildings and improvements (BCEC, Lawn on D, Hynes Convention Center, MMC, and BCG), and equipment and fixtures.

Capital assets are recorded at cost. Donated capital assets are recorded at the acquisition fair market value at the date of donation.

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Capital assets (excluding land, intangible assets, and construction in progress) are depreciated on a straight-line basis. Depreciation expense is charged to the function of the capital asset being depreciated, as an operating expense. The estimated useful lives and capitalization thresholds are as follows:

| Capital Asset Type | Estimated Useful Life (in Years) | Capitalization Threshold |
|---------------------------------|----------------------------------|--------------------------|
| Land..... | N/A | \$50,000 |
| Land improvements..... | 10 | \$50,000 |
| Buildings and improvements..... | 5 - 30 | \$50,000 - \$250,000 |
| Equipment and fixtures..... | 3 - 5 | \$5,000 |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

The Authority assesses the carrying value of capital assets whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impaired capital assets that will no longer be used by the Authority are reported using GASB Statement No 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The Authority did not record any impairment charges related to its property as of June 30, 2021 and 2020 as there were no indicators of impairment.

Revenue recognition

Revenues are recognized on the accrual basis of accounting. The BCEC, Lawn on D, Hynes Convention Center, and MMC revenues consist primarily of rental income and income for services such as electricity, commercial revenue, air, water, telephone, cleaning, rigging, security, internet access, equipment, and food and beverage revenues. These revenues are recognized upon the completion of the event. BCG revenue consists of parking fees and are recognized at the time of sale for transient parkers and each monthly when earned for monthly parkers. Proceeds from insurance claims awarded to the Authority are recognized as current revenues when there is a high degree of certainty of each individual claim's eligibility for insurance reimbursement and the corresponding award amount.

Grants from the Commonwealth reflect revenues and receivables due from the Commonwealth (from the CCF) to offset the Authority's net cost of operations, pay-as-you-go capital programming, and set funding aside to defray the costs of its retiree pension and OPEB liabilities. Funds are disbursed by the Commonwealth to the Authority in accordance with an annual funding agreement executed between the Executive Office for Administration and Finance and the Authority.

Federal grants represent amounts received from FEMA to reimburse the Authority for certain costs of operating the Boston Hope COVID-19 hospital and are recognized as revenues as soon as all eligibility requirements have been met.

Amounts received in advance of services rendered or revenue earned are recorded as unearned revenue.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Nonemployer contributions from the Commonwealth are contributions made to pension plan on the Authority's behalf by the Commonwealth. MSERS developed an effective contribution methodology, which allocates total actual contributions amongst participating employers. The nonemployer contributions result from differences between the effective contribution of the Authority and the Authority's actual contributions to the plan during the fiscal year.

Pension benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MSERS and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other postemployment benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

Compensated absences (vacation pay and sick leave benefits)

All union employees are contractually entitled to receive vacation pay benefits and, upon retirement, sick leave benefits which are capped at varying amounts based upon the applicable contract. In addition, the Authority has extended a similar, but more limited, benefit to all other eligible employees. Vacation pay and sick leave benefits accrued for employees at June 30, 2021 and 2020, totaled approximately \$2,321,000 and \$2,525,000, respectively, and is reflected in the accompanying statements of net position as accrued compensated absences.

Deferred inflows/outflows of resources

Deferred outflows of resources a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expenses) until that time. These items are reported as a category below the assets on the statements of net position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below the liabilities on the statements of net position.

The Authority has reported as deferred outflows of resources or deferred inflows of resources amounts not recognized in pension or OPEB expense due to the difference between the measurement date and the fiscal year end date and are noted as deferred inflows and/or outflows from pensions and OPEB.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Net position

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is reported in the following categories:

- *Net investment in capital assets* represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to asset acquisitions, construction, and improvements.
- *Restricted net position* is reported when amounts are restricted by outside parties for a specific future use. Net position has been restricted for future pension contributions, which represents the net position of the Pension Trust, and transportation planning, which represents amounts related to the previous sale of air rights pursuant to an agreement with the City of Boston.
- *Unrestricted net position* represents the remaining net position not considered invested in capital assets, or restricted.

Use of estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. The reclassifications had no effect on the previously reported change in net position or net position.

Coronavirus (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Subsequent actions taken in the United States and Massachusetts, including the March 10, 2020 declaration of public emergency, to slow the spread of COVID-19 restricted indoor gathering sizes dramatically, effectively prohibiting nearly all events contracted to take place at the Authority's venues. Such restrictions remained largely in place for over a year, until fully rescinded by the Governor on May 28, 2021. Since that date the Authority has hosted numerous large events at its facilities. Late this summer, however, with the resurgence of COVID-19, most notably the highly-communicable "Delta" variant, the Authority has again experienced cancellations of several events contracted to take place at one or more of the Authority's venues. With the ongoing presence of COVID-19 effecting the ability of show planners to market their events, particularly to international attendees, the timeframe and pace of recovery of the meetings and conventions industry to pre-COVID levels remains uncertain. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 2. DEPOSITS AND INVESTMENTS

Authority (Excluding the Pension and OPEB Trusts)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority's custodial bank has collateralized all deposits over \$250,000 by establishing a restricted pool of investments separate from the bank's other assets in amounts sufficient to cover the Authority's deposits. At June 30, 2021 and 2020, bank deposits totaling \$27,535,791 and \$26,021,722, respectively, were not exposed to custodial credit risk. The carrying amounts of deposits totaled \$26,887,489 and \$19,184,801 at June 30, 2021 and 2020, respectively.

Pension Trust (Blended Component Unit)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The Pension Trust does not have a policy for custodial credit risk of deposits. At June 30, 2021 and 2020, there were no bank deposits on hand and no exposure to custodial credit risk.

The Trustees have adopted a formal investment policy. It is the policy of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Investment Summary

The Pension Trust's investments at June 30, 2021 are presented below. All investments are presented by investment type.

| Investment Type | Fair Value |
|--------------------------------|---------------|
| Fixed income mutual funds..... | \$ 1,892,508 |
| Equity mutual funds..... | 1,511,707 |
| Common collective trusts..... | 45,030,618 |
| Total investments..... | \$ 48,434,833 |

The Pension Trust's investments at June 30, 2020 are presented below. All investments are presented by investment type.

| Investment Type | Fair Value |
|--------------------------------|---------------|
| Fixed income mutual funds..... | \$ 1,754,504 |
| Equity mutual funds..... | 1,096,166 |
| Common collective trusts..... | 33,231,732 |
| Total investments..... | \$ 36,082,402 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Pension Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Trust does not have a policy for custodial credit risk of investments. As of June 30, 2021 and 2020, the Pension Trust's investments were held in the name of the Authority by the custodian and were not exposed to custodial credit risk.

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Pension Trust does not have a policy for credit risk of debt securities. As of June 30, 2021 and 2020, the Pension Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The Pension Trust does not have a policy for concentration of credit risk. As of June 30, 2021 and 2020, the Pension Trust's investments were exclusively in mutual funds and common/collective trusts and therefore were not exposed to concentration risk.

Investments – interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Pension Trust manages its exposure to interest rate risk by investing in fixed income mutual funds.

Investments – foreign currency risk

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

Investments – fair value measurements

The Pension Trust and the OPEB Trust categorize their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

GAAP provides for the Authority to utilize a practical expedient to estimate fair value for certain investments funds that are not publicly traded. The Authority uses the net asset value (NAV) per share of the investment (or its equivalent) without further adjustment, if the NAV of the investment is determined in accordance with the specializing accounting guidance of investment companies, as of the measurement date and the Authority has no plan to sell the investment at a different value.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

The Pension Trust categorization of recurring fair value measurements at June 30, was as follows:

| | | Assets at Fair Value as of June 30, 2021 | | |
|--|----------------------|--|---|--|
| Investment Type | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Fixed income mutual funds..... | \$ 1,892,508 | \$ 1,892,508 | \$ - | \$ - |
| Equity mutual funds..... | 1,511,707 | 1,511,707 | - | - |
| Total investments by fair value level..... | <u>3,404,215</u> | <u>\$ 3,404,215</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV): | | | | |
| Common/collective trust funds..... | <u>45,030,618</u> | | | |
| Total investments..... | <u>\$ 48,434,833</u> | | | |

| | | Assets at Fair Value as of June 30, 2020 | | |
|--|----------------------|--|---|--|
| Investment Type | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Fixed income mutual funds..... | \$ 1,754,504 | \$ 1,754,504 | \$ - | \$ - |
| Equity mutual funds..... | 1,096,166 | 1,096,166 | - | - |
| Total investments by fair value level..... | <u>2,850,670</u> | <u>\$ 2,850,670</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV): | | | | |
| Common/collective trust funds..... | <u>33,231,732</u> | | | |
| Total investments..... | <u>\$ 36,082,402</u> | | | |

The valuation method for investments measured at the NAV per share (or its equivalent) is presented for the year-end June 30, was as follows:

| As of June 30, 2021 | | | | |
|--|----------------------|------------------------|--|-----------------------------|
| Investment measured at the NAV | Fair Value | Unfunded Commitment | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
| Common/collective trust funds ⁽¹⁾ | <u>\$ 45,030,618</u> | N/A | Daily | N/A |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

| As of June 30, 2020 | | | | |
|--|----------------------|------------------------|--|-----------------------------|
| Investment measured at the NAV | Fair Value | Unfunded Commitment | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
| Common/collective trust funds ⁽¹⁾ | <u>\$ 33,231,732</u> | N/A | Daily | N/A |

⁽¹⁾ *Common/collective trust funds*: Investments are stated at NAV based on the fair value of its underlying assets. The estimated fair value is based on information provided by the fund managers and included in the fund's audited financial statements.

OPEB Trust Fund (OPEB Trust)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The OPEB Trust does not have a policy for custodial credit risk of deposits. At June 30, 2021 and 2020, there were no bank deposits on hand and therefore no exposure to custodial credit risk.

The Trustees have adopted a formal investment policy. It is the policy of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Investment summary

The OPEB Trust's investments at June 30, 2021 are presented below. All investments are presented by investment type.

| Investment Type | Fair Value |
|--------------------------------|--------------------------|
| Fixed income mutual funds..... | \$ 616,016 |
| Equity mutual funds..... | 505,505 |
| Commonw/collective trusts..... | <u>15,212,943</u> |
| Total investments..... | <u>\$ 16,334,464</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

The OPEB Trust's investments at June 30, 2020 are presented below. All investments are presented by investment type.

| Investment Type | Fair Value |
|--------------------------------|---------------|
| Fixed income mutual funds..... | \$ 571,095 |
| Equity mutual funds..... | 366,548 |
| Commonw/collective trusts..... | 11,158,796 |
| | <hr/> |
| Total investments..... | \$ 12,096,439 |
| | <hr/> <hr/> |

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the OPEB Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The OPEB Trust does not have a policy for custodial credit risk of investments. As of June 30, 2021 and 2020, the OPEB Trust's investments were held in the name of the Authority by the custodian and were not exposed to custodial credit risk.

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The OPEB Trust does not have a policy for credit risk of debt securities. As of June 30, 2021 and 2020, the OPEB Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The OPEB Trust does not have a policy for concentration of credit risk. As of June 30, 2021 and 2020, the OPEB Trust's investments were exclusively in mutual funds and common/collective trusts and therefore were not exposed to concentration risk.

Investments – interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The OPEB Trust manages its exposure to interest rate risk by investing in fixed income mutual funds.

Investments – foreign currency risk

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

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Investments – fair value measurements

The OPEB Trust categorization of recurring fair value measurements at June 30, was as follows:

| | | Assets at Fair Value as of June 30, 2021 | | |
|--|----------------------|--|---|--|
| Investment Type | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Fixed income mutual funds..... | \$ 616,016 | \$ 616,016 | \$ - | \$ - |
| Equity mutual funds..... | 505,505 | 505,505 | - | - |
| Total investments by fair value level..... | 1,121,521 | <u>\$ 1,121,521</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV): | | | | |
| Common/collective trust funds..... | 15,212,943 | | | |
| Total investments..... | <u>\$ 16,334,464</u> | | | |

| | | Assets at Fair Value as of June 30, 2020 | | |
|--|----------------------|--|---|--|
| Investment Type | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Fixed income mutual funds..... | \$ 571,095 | \$ 571,095 | \$ - | \$ - |
| Equity mutual funds..... | 366,548 | 366,548 | - | - |
| Total investments by fair value level..... | 937,643 | <u>\$ 937,643</u> | <u>\$ -</u> | <u>\$ -</u> |
| Investments measured at the net asset value (NAV): | | | | |
| Common/collective trust funds..... | 11,158,796 | | | |
| Total investments..... | <u>\$ 12,096,439</u> | | | |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

The valuation method for investments measured at the NAV per share (or its equivalent) is presented for the year-end June 30, was as follows:

| As of June 30, 2021 | | | | |
|--|----------------------|---------------------|--|--------------------------|
| Investment measured at the NAV | Fair Value | Unfunded Commitment | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
| Common/collective trust funds ⁽¹⁾ | <u>\$ 15,212,943</u> | N/A | Daily | N/A |

| As of June 30, 2020 | | | | |
|--|----------------------|---------------------|--|--------------------------|
| Investment measured at the NAV | Fair Value | Unfunded Commitment | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
| Common/collective trust funds ⁽¹⁾ | <u>\$ 11,158,796</u> | N/A | Daily | N/A |

(1) *Common/collective trust funds*: Investments are stated at NAV based on the fair value of its underlying assets. The estimated fair value is based on information provided by the fund managers and included in the fund's audited financial statements.

Note 3. ACCOUNTS RECEIVABLE

At June 30, 2021, receivables consist of the following:

| Receivable Type | Gross Receivable | Allowance for Uncollectibles | Net Receivable |
|---|----------------------|------------------------------|----------------------|
| Grant receivable from the Commonwealth..... | \$ 4,207,776 | \$ - | \$ 4,207,776 |
| Convention receivables..... | 3,694,281 | (241,150) | 3,453,131 |
| Loan receivables..... | 16,281,983 | - | 16,281,983 |
| Total receivables..... | <u>\$ 24,184,040</u> | <u>\$ (241,150)</u> | <u>\$ 23,942,890</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

At June 30, 2020, receivables consist of the following:

| Receivable Type | Gross Receivable | Allowance for Uncollectibles | Net Receivable |
|---|----------------------|---------------------------------|----------------------|
| Grant receivable from the Commonwealth..... | \$ 10,261,354 | \$ - | \$ 10,261,354 |
| Convention receivables..... | 2,598,421 | (163,664) | 2,434,757 |
| Loan receivables..... | 15,580,845 | - | 15,580,845 |
| Total receivables..... | \$ 28,440,620 | \$ (163,664) | \$ 28,276,956 |

Note 4. CAPITAL ASSETS

Capital asset activity for the years ended June 30, was as follows:

| | 2021 | | | | |
|--|-----------------------|------------------------|---------------------|---------------------|-----------------------|
| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
| Capital assets not being depreciated | | | | | |
| Land..... | \$ 169,404,269 | \$ 3,500,000 | \$ - | \$ - | \$ 172,904,269 |
| Construction in progress..... | 30,390,673 | 23,180,915 | (956,717) | (13,745,402) | 38,869,469 |
| Intangible assets..... | 8,608,359 | - | - | - | 8,608,359 |
| Total capital assets not being depreciated..... | 208,403,301 | 26,680,915 | (956,717) | (13,745,402) | 220,382,097 |
| Capital assets being depreciated: | | | | | |
| Land improvements..... | 3,961,663 | - | - | - | 3,961,663 |
| Buildings and improvements: | | | | | |
| Boston Convention and Exhibition Center..... | 716,073,183 | - | - | 5,684,411 | 721,757,594 |
| Hynes Convention Center..... | 249,835,825 | - | - | 178,544 | 250,014,369 |
| MassMutual Center..... | 74,617,031 | - | - | 3,096,193 | 77,713,224 |
| Boston Common Garage..... | 41,201,055 | - | - | 2,965,619 | 44,166,674 |
| Equipment and fixtures..... | 83,948,758 | - | (619,199) | 1,820,635 | 85,150,194 |
| Total capital being depreciated..... | 1,169,637,515 | - | (619,199) | 13,745,402 | 1,182,763,718 |
| Less accumulated depreciation for: | | | | | |
| Land improvements..... | (1,782,732) | (396,166) | - | - | (2,178,898) |
| Buildings and improvements: | | | | | |
| Boston Convention and Exhibition Center..... | (377,840,124) | (26,267,207) | - | - | (404,107,331) |
| Hynes Convention Center..... | (223,043,866) | (4,653,229) | - | - | (227,697,095) |
| MassMutual Center..... | (36,175,572) | (2,865,226) | - | - | (39,040,798) |
| Boston Common Garage..... | (32,500,751) | (1,660,714) | - | - | (34,161,465) |
| Equipment and fixtures..... | (73,957,227) | (4,815,199) | 619,199 | - | (78,153,227) |
| Total accumulated depreciation..... | (745,300,272) | (40,657,741) | 619,199 | - | (785,338,814) |
| Total capital assets being depreciated..... | 424,337,243 | (40,657,741) | - | 13,745,402 | 397,424,904 |
| Total capital assets, net..... | \$ 632,740,544 | \$ (13,976,826) | \$ (956,717) | \$ - | \$ 617,807,001 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

| | 2020 | | | | |
|--|-------------------|-----------------|----------------|-------------|----------------|
| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
| Capital assets not being depreciated | | | | | |
| Land..... | \$ 169,404,269 | \$ - | \$ - | \$ - | \$ 169,404,269 |
| Construction in progress..... | 19,715,430 | 18,968,209 | (1,901,785) | (6,391,181) | 30,390,673 |
| Intangible assets..... | 8,608,359 | - | - | - | 8,608,359 |
| Total capital assets not being depreciated.... | 197,728,058 | 18,968,209 | (1,901,785) | (6,391,181) | 208,403,301 |
| Capital assets being depreciated: | | | | | |
| Land improvements..... | 3,961,663 | - | - | - | 3,961,663 |
| Buildings and improvements: | | | | | |
| Boston Convention and Exhibition Center..... | 713,360,629 | - | - | 2,712,554 | 716,073,183 |
| Hynes Convention Center..... | 248,176,793 | - | - | 1,659,032 | 249,835,825 |
| MassMutual Center..... | 74,452,432 | - | - | 164,599 | 74,617,031 |
| Boston Common Garage..... | 40,954,160 | - | - | 246,895 | 41,201,055 |
| Equipment and fixtures..... | 86,890,136 | - | (4,549,479) | 1,608,101 | 83,948,758 |
| Total capital being depreciated..... | 1,167,795,813 | - | (4,549,479) | 6,391,181 | 1,169,637,515 |
| Less accumulated depreciation for: | | | | | |
| Land improvements..... | (1,386,566) | (396,166) | - | - | (1,782,732) |
| Buildings and improvements: | | | | | |
| Boston Convention and Exhibition Center..... | (351,438,463) | (26,401,661) | - | - | (377,840,124) |
| Hynes Convention Center..... | (216,611,092) | (6,432,774) | - | - | (223,043,866) |
| MassMutual Center..... | (33,438,354) | (2,737,218) | - | - | (36,175,572) |
| Boston Common Garage..... | (30,817,163) | (1,683,588) | - | - | (32,500,751) |
| Equipment and fixtures..... | (72,133,223) | (6,373,483) | 4,549,479 | - | (73,957,227) |
| Total accumulated depreciation..... | (705,824,861) | (44,024,890) | 4,549,479 | - | (745,300,272) |
| Total capital assets being depreciated..... | 461,970,952 | (44,024,890) | - | 6,391,181 | 424,337,243 |
| Total capital assets, net..... | \$ 659,699,010 | \$ (25,056,681) | \$ (1,901,785) | \$ - | \$ 632,740,544 |

Note 5. NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company (MassMutual) for provision of naming rights at the new Springfield Civic Center. In consideration for \$5,000,000, the Springfield Civic Center was designated as the MassMutual Center. MassMutual in turn granted the Authority a license to use the intellectual property for limited use. Upon termination of the agreement, the name of the facility shall revert to the Springfield Civic Center. The term of the agreement commenced on September 29, 2005 (the opening date of the new center) and will end on the 15th year anniversary unless terminated earlier. Included in other revenue is the amortization of the naming rights amounting to \$83,333 and \$333,333 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the unamortized balance reported as a component of unearned revenue totals approximately \$0 and \$83,333, respectively. The name of the center will remain as the MMC until either a new naming rights agreement is entered into or until the Authority is notified and the name revoked.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 6. LEASES (RENTAL INCOME)

The Authority leases various properties to third parties. For the years ended June 30, 2021 and 2020, the Authority earned approximately \$2,295,000 and \$2,995,000, respectively, in rental income and is included as commercial revenue in the statements of revenues, expenses, and changes in net position. The following represents the future minimum lease payments to be received under non-cancelable operating leases:

| Fiscal Year | Amount |
|--------------------------|-----------------------|
| 2022..... | \$ 2,725,462 |
| 2023..... | 2,726,713 |
| 2024..... | 2,793,903 |
| 2025..... | 2,797,068 |
| 2026..... | 2,881,483 |
| 2027 - 2031..... | 17,313,742 |
| 2032 - 2036..... | 19,649,523 |
| 2037 - 2041..... | 10,752,354 |
| 2042 - 2046..... | 3,777,654 |
| 2047 - 2051..... | 2,002,790 |
| 2052 - 2056..... | 2,170,600 |
| 2057 - 2061..... | 2,352,472 |
| 2062 - 2066..... | 2,549,582 |
| 2067 - 2071..... | 2,763,207 |
| 2072 - 2076..... | 2,994,732 |
| 2077 - 2081..... | 3,245,656 |
| 2082 - 2086..... | 3,517,605 |
| 2087 - 2091..... | 3,812,340 |
| 2092 - 2096..... | 4,131,770 |
| 2097 - 2101..... | 4,477,965 |
| 2102 - 2106..... | 2,914,770 |
| 2107 - 2111..... | 3,158,995 |
| 2112 - 2113..... | 1,336,508 |
| | <hr/> |
| Total rental income..... | <u>\$ 106,846,894</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 7. LONG-TERM OBLIGATIONS

During the fiscal years ended June 30, the following changes occurred in long-term liabilities:

| | Beginning Balance July 1, 2020 | Additions | Deletions | Ending Balance June 30, 2021 | Current Portion |
|----------------------------------|--------------------------------------|----------------------|-----------------------|------------------------------------|---------------------|
| Net pension liability..... | \$ 42,836,764 | \$ 10,358,773 | \$ (3,151,919) | \$ 50,043,618 | \$ - |
| Net OPEB liability..... | 926,305 | 1,533,931 | (2,012,134) | 448,102 | - |
| Compensated absences..... | 2,524,991 | - | (204,362) | 2,320,629 | 1,051,290 |
| Total long-term liabilities..... | <u>\$ 46,288,060</u> | <u>\$ 11,892,704</u> | <u>\$ (5,368,415)</u> | <u>\$ 52,812,349</u> | <u>\$ 1,051,290</u> |

| | Beginning Balance July 1, 2019 | Additions | Deletions | Ending Balance June 30, 2020 | Current Portion |
|----------------------------------|--------------------------------------|---------------------|-----------------------|------------------------------------|---------------------|
| Net pension liability..... | \$ 37,882,242 | \$ 5,967,509 | \$ (1,012,987) | \$ 42,836,764 | \$ - |
| Net OPEB liability..... | 5,365,226 | 2,471,300 | (6,910,221) | 926,305 | - |
| Compensated absences..... | 2,375,212 | 149,779 | - | 2,524,991 | 1,164,508 |
| Total long-term liabilities..... | <u>\$ 45,622,680</u> | <u>\$ 8,588,588</u> | <u>\$ (7,923,208)</u> | <u>\$ 46,288,060</u> | <u>\$ 1,164,508</u> |

Note 8. ENVIROMENTAL REMEDIATION

The Massachusetts Department of Environmental Protection (MassDEP) issued a policy in February 2016 entitled "Light Nonaqueous Phase Liquid (LNAPL) and the Massachusetts Contingency Plan (MCP): Guidance for Site Assessment and Closure." This policy indicates that total petroleum hydrocarbon (TPH) data greater than 1,000 mg/kg should be considered for evaluation of the potential presence of mobile LNAPL (separate phase petroleum product that is lighter than water). Based on its review of the MassDEP Guidance, the Authority's contracted licensed site professional (LSP) recommended further evaluation of elevated concentrations of TPH located at discrete areas of the Authority's property south of the BCEC. A subsurface exploration program to evaluate the potential presence of NAPL (if any) was conducted from late September through November of 2016. Based on a review of test boring logs, it appears that the majority of the petroleum impacts on the Authority's property are localized to the areas towards the Authority's property line with an adjacent property owner. During fiscal year 2020 the Authority's LSP developed a plan for additional assessments to evaluate the extent of remediation that will be required on the Authority's property. When performed, tentatively scheduled for 2nd quarter of FY2022, the results of the assessments will be presented to the Authority for its consideration for future remediation steps. The cost of such remediation steps although not presently known however, they are not anticipated to have a material impact on the Authority's operations.

The Authority is seeking a permanent solution status designation from MassDEP for certain properties it owns on D Street that have not yet been closed. Testing to support this application was conducted through fiscal year 2020 and was concluded in early 2021. Remediation is not required and a Permanent Solution Statement and Notice of Activity and Use Limitation was prepared in FY2021 and was submitted to MassDEP during FY2022.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 9. OTHER POSTEMPLOYMENT BENEFITS

Plan description

On November 15, 2017, the OPEB Trust was established to administer the single-employer defined benefit OPEB plan that is used to provide postemployment benefits. The Authority's net OPEB liability was measured as of June 30, 2021 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Plan membership – At June 30, membership consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|---------------|-------------------|-------------------|
| Actives..... | 252 | 258 |
| Retirees..... | <u>82</u> | <u>61</u> |
| Totals..... | <u><u>334</u></u> | <u><u>319</u></u> |

Benefits provided – The Authority provides health and life insurance coverage for its retirees and their survivors as a single-employer defined benefit OPEB plan. Chapter 328 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process (for union employees) or Board of Trustees (the Trustees) policy decisions (for nonunion employees).

Contributions – The contribution requirements of plan members and the Authority are established and may be amended by the Authority. The required contribution rates of firemen and oilers union employees hired on or before December 1, 2010 and after December 1, 2010 are 20% and 25%, respectively. For all other employees hired after June 30, 2008, the required contribution rate is 25%. For nonunion employees hired between July 1, 2003 and July 31, 2008, the required contribution rate is 25%. All other employees hired before July 1, 2003, the required contribution rate is 20%. The Authority pays the remaining required contribution for each type of employee. The Authority also reimburses firemen and oilers, and local three union retired employees for the employee portion (10% for retirees who retired on or before July 1, 1994; 15% for retirees who retired after July 1, 1994; 20% for retirees who retired after October 1, 2009; and 100% for additional catastrophic illness coverage) of the insurance benefits if they have five years of continuous service with the Authority at the time of retirement. Those employees who have less than five years of continuous service do not receive this benefit. There are currently 13 union retired employees who receive this benefit. In addition, the Authority used to cover these costs for nonunion retirees but has discontinued that practice. There are currently eight nonunion retired employees who were grandfathered in under the old policy. The funding policy established by the OPEB Trust is to fund annually, at a minimum, the projected annual cost of the plan. In addition, the Authority may contribute up to 50% of any operating surpluses to the trust.

For the fiscal year ended June 30, 2021 and 2020, the employer contributions totaled \$600,000 and \$6,445,316, respectively. The Trust did not receive contributions from any other sources.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Net OPEB Liability (Plan Reporting) – GASB Statement No. 75

Investment Policy – The OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote. It is the policy of the Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following was the Trustees' adopted asset allocation policy as of June 30, 2021 and 2020:

| | Target Allocation | |
|--|-------------------|----------------|
| | 2021 | 2020 |
| Domestic equity - large cap..... | 16.50% | 17.00% |
| Domestic equity - small/mid-cap..... | 36.50% | 35.00% |
| International equity - developed market..... | 14.00% | 14.00% |
| International equity - emerging market..... | 3.00% | 3.00% |
| Domestic fixed income..... | 29.00% | 30.00% |
| Cash and cash equivalents..... | 1.00% | 1.00% |
| Totals..... | <u>100.00%</u> | <u>100.00%</u> |

Rate of Return – For the year ended June 30, 2021 and 2020, the annual money-weighted rate of return on investments, net of investment expense, was 34.09% and (4.54%), respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the Authority at June 30, were as follows:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Total OPEB liability..... | \$ 16,768,154 | \$ 13,015,166 |
| Plan fiduciary net position..... | <u>16,320,052</u> | <u>12,088,861</u> |
| Authority's net OPEB liability..... | <u>\$ 448,102</u> | <u>\$ 926,305</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 97.33% | 92.89% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Assumptions – The total OPEB liability was determined by performing update procedures to roll the liability forward from the actuarial valuation as of July 1, 2020 to the June 30, 2021 measurement date. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------------------|--|
| Actuarial cost method: | Individual entry age normal |
| Investment rate of return: | 6.37% |
| Healthcare/medical cost trend rate: | 4.50% in FY2021 and changing by various amounts until an ultimate rate of 3.60% in FY2061 |
| Inflationary rate: | 2.50% annually |
| Pre-retirement mortality: | RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 for females |
| Post-retirement mortality: | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females |
| Disability mortality: | RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females |

The total OPEB liability was determined by performing update procedures to roll the liability forward from the actuarial valuation as of July 1, 2018 to the June 30, 2020 measurement date. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------------------|---|
| Actuarial cost method: | Individual entry age normal |
| Investment rate of return: | 6.49% |
| Healthcare/medical cost trend rate: | 4.50% |
| Inflationary rate: | 2.50% annually |
| Pre-retirement mortality: | RP-2014 employees mortality table projected generationally with scale BB and a based year of 2016 for males and females |
| Post-retirement mortality: | RP-2014 healthy annuitant mortality table projected generationally with scale BB and a based year of 2016 for males and females |
| Disability mortality: | RP-2014 healthy annuitant mortality table projected generationally with scale BB and a based year of 2016 for males and females |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 and 2020, are summarized in the following table:

| | Target Allocation | | Long-Term Expected Real Rate of Return | |
|--|-------------------|----------------|--|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Domestic equity - large cap..... | 16.50% | 17.00% | 4.90% | 4.80% |
| Domestic equity - small/mid-cap..... | 36.50% | 35.00% | 5.40% | 5.29% |
| International equity - developed market..... | 14.00% | 14.00% | 5.32% | 5.45% |
| International equity - emerging market..... | 3.00% | 3.00% | 6.26% | 6.42% |
| Domestic fixed income..... | 29.00% | 30.00% | 1.40% | 2.05% |
| Cash and cash equivalents..... | 1.00% | 1.00% | 0.00% | 0.00% |
| Totals..... | <u>100.00%</u> | <u>100.00%</u> | | |

Discount Rate – The discount rate used to measure the total OPEB liability was 6.37% and 6.49% at June 30, 2021 and 2020, respectively. The discount rate was selected using a blend of the Municipal Bond Index Rate (2.18% and 2.66% at June 30, 2021 and 2020, respectively) for unfunded periods and the Investment Rate of Return (6.37% and 6.49% at June 30, 2021 and 2020, respectively) for funded periods.

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | As of June 30, 2021 | | |
|-------------------------|------------------------|--------------------------|------------------------|
| | Current | | |
| | 1% Decrease (5.37%) | Discount Rate (6.37%) | 1% Increase (7.37%) |
| Net OPEB liability..... | <u>\$ 2,543,173</u> | <u>\$ 448,102</u> | <u>\$ (1,726,128)</u> |

| | As of June 30, 2020 | | |
|-------------------------|------------------------|--------------------------|------------------------|
| | Current | | |
| | 1% Decrease (5.49%) | Discount Rate (6.49%) | 1% Increase (7.49%) |
| Net OPEB liability..... | <u>\$ 2,933,703</u> | <u>\$ 926,305</u> | <u>\$ (844,604)</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | As of June 30, 2021 | | |
|--|-------------------------|-------------------------------------|------------------------|
| | 1% Decrease (3.50%) | Current Discount Rate (4.50%) | 1% Increase (5.50%) |
| | Net OPEB liability..... | \$ (1,982,828) | \$ 448,102 |

| | As of June 30, 2020 | | |
|--|-------------------------|-------------------------------------|------------------------|
| | 1% Decrease (3.50%) | Current Discount Rate (4.50%) | 1% Increase (5.50%) |
| | Net OPEB liability..... | \$ (906,358) | \$ 926,305 |

Net OPEB Liability (Employer Reporting) – GASB Statement No. 75

The Authority's net OPEB liability was measured as of June 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020 and 2018, respectively, which through update procedures was rolled forward to the June 30, 2021 and 2020 measurement dates.

Changes in the Net OPEB Liability

| | 2021 | | |
|--|--------------------------------|--|------------------------------------|
| | Increase/(Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2020..... | \$ 13,015,166 | \$ 12,088,861 | \$ 926,305 |
| Changes for the fiscal year: | | | |
| Service cost..... | 583,721 | - | 583,721 |
| Interest..... | 867,618 | - | 867,618 |
| Changes in assumptions..... | 1,339,283 | - | 1,339,283 |
| Differences between expected and actual experience | 1,438,256 | - | 1,438,256 |
| Contributions - employer..... | - | 600,000 | (600,000) |
| Net investment income..... | - | 4,144,732 | (4,144,732) |
| Benefit payments..... | (483,468) | (497,014) | 13,546 |
| Administrative expense..... | - | (16,527) | 16,527 |
| Other adjustments..... | 7,578 | - | 7,578 |
| Net changes..... | 3,752,988 | 4,231,191 | (478,203) |
| Balance at June 30, 2021..... | \$ 16,768,154 | \$ 16,320,052 | \$ 448,102 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

| | 2020 | | |
|---|--------------------------------|----------------------------------|------------------------------------|
| | Increase/(Decrease) | | |
| | Plan | | |
| | Total OPEB Liability (a) | Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2019..... | \$ 11,892,216 | \$ 6,526,990 | \$ 5,365,226 |
| Changes for the fiscal year: | | | |
| Service cost..... | 570,143 | - | 570,143 |
| Interest..... | 809,306 | - | 809,306 |
| Changes in assumptions..... | 212,423 | - | 212,423 |
| Differences between expected and actual experience..... | (20,445) | - | (20,445) |
| Contributions - employer..... | - | 6,445,316 | (6,445,316) |
| Net investment income..... | - | (450,435) | 450,435 |
| Benefit payments..... | (444,460) | (426,633) | (17,827) |
| Administrative expense..... | - | (6,377) | 6,377 |
| Other adjustments..... | (4,017) | - | (4,017) |
| Net changes..... | 1,122,950 | 5,561,871 | (4,438,921) |
| Balance at June 30, 2020..... | <u>\$ 13,015,166</u> | <u>\$ 12,088,861</u> | <u>\$ 926,305</u> |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB**

For the year ended June 30, 2021, the Authority recognized OPEB expense of \$414,126. At June 30, 2021, the Authority reported deferred outflows of resources related to OPEB from the following source:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on OPEB plan investments..... | \$ - | \$ 2,025,937 |
| Differences between expected and actual experience..... | 1,232,791 | 332,352 |
| Changes in assumptions..... | 1,299,688 | 848,099 |
| Totals..... | <u>\$ 2,532,479</u> | <u>\$ 3,206,388</u> |

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$742,025. At June 30, 2020, the Authority reported deferred outflows of resources related to OPEB from the following source:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on OPEB plan investments..... | \$ 924,722 | \$ - |
| Differences between expected and actual experience..... | - | 414,710 |
| Changes in assumptions..... | 182,077 | 1,060,123 |
| Totals..... | <u>\$ 1,106,799</u> | <u>\$ 1,474,833</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Amounts reported as deferred outflows and inflows of resources related to OPEB at June 30, 2021 will be recognized in OPEB expense as follows:

| Year Ending June 30 | Amount |
|------------------------|---------------------|
| 2022..... | \$ (302,568) |
| 2023..... | (312,020) |
| 2024..... | (335,889) |
| 2025..... | (544,444) |
| 2026..... | 424,219 |
| Thereafter..... | <u>396,793</u> |
| Total..... | <u>\$ (673,909)</u> |

Note 10. PENSION PLAN

General Information about the Pension Plan

Plan Description – Pensions are provided to eligible Authority employees through the MSERS, a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans*. The MSERS is governed by the Massachusetts State Retirement Board (MSRB), which consists of five members—two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB. Membership in the MSERS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 18.5 hours per week. MSERS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

Benefits Provided – The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. MGL establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The Legislature has the authority to amend these provisions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Contributions – Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Active plan members contribute between 5% and 11% of their gross regular compensation. The contribution rate is based on the date plan membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000.

The MGLs governing employer contribution requirements to MSERS vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology, which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a non-employer contribution from the Commonwealth. The Authority's contributions to the pension plan for the years ended June 30, 2021 and 2020 totaled \$1,187,874 and \$1,119,571, respectively. Non-employer contributions from the Commonwealth for the years ended June 30, 2021 and 2020, measurement date one year behind, totaled \$2,032,348 and \$2,039,608, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2021 and 2020, the Authority reported a liability of \$50,043,618 and \$42,836,764, respectively, for its proportionate share of the net pension liability. The June 30, 2021 net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2020). The June 30, 2020 net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2019). The Authority's proportion of the net pension liability is based on actual contributions adjusted for non-employer contributions (as described previously). At June 30, 2021, the Authority's proportion was 0.29167%, which compared to a proportion of 0.29272% at June 30, 2020.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$6,224,401 and \$5,967,509, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

| | June 30, 2021 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Net difference between projected and actual earnings on pension plan investments..... | \$ 2,750,919 | \$ - |
| Differences between expected and actual experience..... | 1,592,314 | 323,820 |
| Changes in assumptions..... | 2,837,399 | - |
| Changes in proportions..... | 478,986 | 1,785,147 |
| Contributions made subsequent to the measurement date..... | 1,187,874 | - |
| Totals..... | <u>\$ 8,847,492</u> | <u>\$ 2,108,967</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

| | June 30, 2020 | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Net difference between projected and actual earnings on pension plan investments..... | \$ - | \$ 638,968 |
| Differences between expected and actual experience..... | 1,422,618 | 557,114 |
| Changes in assumptions..... | 3,175,247 | - |
| Changes in proportions..... | 628,669 | 2,614,169 |
| Contributions made subsequent to the measurement date..... | 1,119,571 | - |
| Totals..... | <u>\$ 6,346,105</u> | <u>\$ 3,810,251</u> |

The \$1,187,874 and \$1,119,571 reported as deferred outflows of resources for June 30, 2021 and 2020, respectively, related to pension resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability during fiscal year 2022 and 2021, respectively. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized in pension expense as follows:

| Year Ending June 30 | Amount |
|------------------------|---------------------|
| 2022..... | \$ 1,035,965 |
| 2023..... | 1,668,287 |
| 2024..... | 1,752,933 |
| 2025..... | 1,068,369 |
| 2026..... | 25,097 |
| Total..... | <u>\$ 5,550,651</u> |

Actuarial Assumptions – The June 30, 2020 total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020, using the following actuarial assumptions:

1. (a) 7.15% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 of allowance each year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with MP-2016, set forward year for females
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with scale MP-2016, set forward 1 year for females
 - Disability – the mortality rate reflects the post-retirement mortality described above, set forward 1 year.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

The actuarial assumptions used in the January 1, 2020 valuation was based on the results of an actuarial experience study dated February 27, 2014 for the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality and applied to all periods included in the measurement.

The June 30, 2020 total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020, using the following actuarial assumptions:

1. (a) 7.25% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 of allowance each year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females
 - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females
 - Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.

The actuarial assumptions used in the January 1, 2019 valuation was based on the results of an actuarial experience study dated February 27, 2014 for the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality and applied to all periods included in the measurement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the target asset allocation are summarized in the following table:

| | Target Allocation | | Long-Term Expected Real Rate of Return | |
|--------------------------------------|-------------------|----------------|--|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Global equity..... | 39.00% | 39.00% | 4.80% | 4.90% |
| Core fixed income..... | 15.00% | 15.00% | 0.70% | 1.30% |
| Private equity..... | 13.00% | 13.00% | 8.20% | 8.20% |
| Portfolio completion strategies..... | 11.00% | 11.00% | 3.20% | 3.90% |
| Real estate..... | 10.00% | 10.00% | 3.50% | 3.60% |
| Value added fixed income..... | 8.00% | 8.00% | 4.20% | 4.70% |
| Timber/natural resources..... | 4.00% | 4.00% | 4.10% | 4.10% |
| Totals..... | <u>100.00%</u> | <u>100.00%</u> | | |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Discount Rate – The discount rate used to measure the total pension liability was 7.15% and 7.25% for the actuarial valuations at January 1, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | As of June 30, 2021 | | |
|---|------------------------|------------------------------------|------------------------|
| | 1% Decrease (6.15%) | Current Discount Rate (7.15) | 1% Increase (8.15%) |
| Authority's proportionate share of the net pension liability..... | \$ 65,935,886 | \$ 50,043,618 | \$ 36,981,863 |

| | As of June 30, 2020 | | |
|---|------------------------|-------------------------------------|-----------------------|
| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.5%) |
| Authority's proportionate share of the net pension liability..... | \$ 57,017,758 | \$ 42,836,764 | \$ 30,720,671 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's Annual Comprehensive Financial Report.

Note 11. RISK FINANCING

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Group Insurance Commission administers health care and other insurance for the Authority's employees and retirees.

The Authority participates in a premium based workers' compensation plan. Claims have not exceeded insurance coverage for the past three years.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 12. COMMITMENTS

The following represents the Authority's ongoing projects at June 30, 2021:

| Project | Total Committed Amount | Spent Through June 30, 2021 | FY22 Commitment | Future Year Commitments |
|---|------------------------|-----------------------------|----------------------|-------------------------|
| Admin Access Control Feasibility & Design..... | \$ 61,003 | \$ 61,003 | \$ - | \$ - |
| BCEC LVLO Pedestrian Passageway..... | 4,936,298 | 2,836,298 | 2,100,000 | - |
| BCEC Access Control Feasibility & Design..... | 118,111 | 118,111 | - | - |
| BCEC Campus Master Planning/Feasibility..... | 2,540,765 | 2,290,765 | 250,000 | - |
| BCEC Crash Barrier Design (North Plaza)..... | 3,105,342 | 605,342 | - | 2,500,000 |
| BCEC Fire Alarms | 5,100,000 | 359,314 | 3,156,935 | 1,583,751 |
| BCEC Hall A Escalator Addition..... | 3,575,521 | 3,575,521 | - | - |
| BCEC High Roof Reseaming..... | 565,520 | 65,520 | - | 500,000 |
| BCEC Interior Expansion Joints | 2,000,000 | 18,641 | 300,000 | 1,681,359 |
| BCEC Level 1 Roadway Assessment..... | 77,706 | 77,706 | - | - |
| BCEC Loading Dock Project - Study Only | 167,008 | 167,008 | - | - |
| BCEC MEP Upgrade | 6,496,724 | 3,906,724 | 2,590,000 | - |
| BCEC North Tunnel/Walkway - Vertical Core/Atrium Project | 70,924 | 70,924 | - | - |
| BCEC Physical Security Barriers..... | 710,000 | 23,315 | 425,000 | 261,685 |
| BCEC Physical Security Gates..... | 435,685 | 35,685 | 400,000 | - |
| BCEC Sidewalk Improvement..... | 3,064,528 | 564,528 | - | 2,500,000 |
| BCEC Summer Street Expansion Joint | 342,605 | 342,605 | - | - |
| BCEC Vertical Core Renovation..... | 7,523,603 | 748,603 | 3,841,000 | 2,934,000 |
| BCEC Water Stations..... | 300,000 | 1,839 | 200,000 | 98,161 |
| BCEC WTC Avenue Pedestrian Walkway..... | 3,158,395 | 2,880,395 | 278,000 | - |
| BCG Assisted Parking Technology..... | 969,479 | 914,479 | 55,000 | - |
| BCG High Roof Replacement..... | 25,000,000 | 99,884 | 50,000 | 24,850,116 |
| BCG Lighting Upgrade..... | 195,018 | 105,018 | - | 90,000 |
| BCG Traffic Membrane..... | 4,210,069 | 4,010,069 | 200,000 | - |
| BCG Upper Level/Park Roof Replacement | 4,694,314 | 4,694,314 | - | - |
| Hynes Air Handling Systems..... | 5,000,000 | 302,015 | 1,100,414 | 3,597,571 |
| Hynes Electrical - Switchgear Retrofit..... | 2,320,798 | 174,613 | 673,920 | 1,472,265 |
| Hynes Escalator Improvements..... | 7,531,431 | 7,531,431 | - | - |
| Hynes Mass Pike Tunnel Ceiling Repair..... | 1,500,000 | 591,328 | 50,000 | 858,672 |
| Hynes Mass Pike Tunnel Ceiling Utility Enclosures Monitoring..... | 1,051,032 | 901,032 | 150,000 | - |
| Hynes Mechanical Repair - Loading Dock..... | 175,000 | 34,553 | 131,000 | 9,447 |
| MMC Arena AHU Replacement..... | 4,900,000 | 493,384 | 3,000,000 | 1,406,616 |
| MMC Convention Center Carpet Replacement..... | 408,363 | 98,363 | 310,000 | - |
| MMC Digital Display..... | 2,089,442 | 642 | 2,088,800 | - |
| MMC Garage..... | 45,000,000 | 105,507 | 2,000,000 | 42,894,493 |
| MMC Network Infrastructure..... | 15,396 | 15,396 | - | - |
| MMC Radios | 95,963 | 20,963 | 75,000 | - |
| MMC Roof Repairs | 6,000,000 | 19,693 | 150,000 | 5,830,307 |
| MMC Stair 7..... | 6,938 | 6,938 | - | - |
| Total Commitments..... | <u>\$ 155,512,981</u> | <u>\$ 38,869,469</u> | <u>\$ 23,575,069</u> | <u>\$ 93,068,443</u> |

Note 13. CONTINGENCIES

Various legal actions and claims are pending against the Authority. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2021.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 14. FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

GASB has issued the following pronouncements that may affect future financial presentation or fiscal practices of the Authority upon implementation:

| GASB Statement No. | GASB Statement | Fiscal Year of Implementation |
|--------------------------|--|----------------------------------|
| 87 | <i>Leases</i> | 2022* |
| 89 | <i>Accounting for Interest Cost Incurred before the End of a Construction Period</i> | 2022* |
| 91 | <i>Conduit Debt Obligations</i> | 2023* |
| 92 | <i>Omnibus 2020</i> | 2022* |
| 93 | <i>Replacement of Interbank Offered Rates</i> | 2022* |
| 94 | <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i> | 2023 |
| 96 | <i>Subscription-Based Information Technology Arrangements</i> | 2023 |
| 97 | <i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i> | 2022 |

* Adoption year adjusted due to implementation of GASB Statement No. 95

GASB statements with required adoption in fiscal year 2022:

- **GASB Statement No. 87, *Leases*:** This Statement redefines a lease as an agreement that conveys control of the right to use another entity's nonfinancial asset. The Statement eliminates the concept of operating leases and establishes a single financial reporting model for leases.
- **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*:** This Statement clarifies when incurred interest costs related to construction projects are to be capitalized.
- **GASB Statement No. 92, *Omnibus 2020*:** This Statement addresses and clarifies specific provisions of previously issued GASB Statements.
- **GASB Statement No. 93, *Replacement of Interbank Offered Rates*:** This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. Paragraph 11B of this Statement, which discusses appropriate benchmark interest rates for a derivative instrument that hedges the interest rate risk of taxable debt is effective for reporting periods beginning after December 31, 2021. The remaining Statement is effective for reporting periods beginning after June 15, 2021.
- **GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*:** This Statement clarifies criteria for reporting certain OPEB and 457 deferred compensation plans as fiduciary component units in a primary government's financial statements.

The Authority is currently evaluating the applicability and impact of GASB Statements which have required adoption periods during fiscal year 2022 and after.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

Notes to the Basic Financial Statements

Note 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2021, the date the financial statements were available for issuance, noting that there have been no events that have occurred that would require recognition or disclosures in the financial statements except those noted below:

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
Pension Plan – Schedule of the Authority’s Proportionate Shares of the Net Pension Liability ⁽¹⁾
Last Ten Fiscal Years**

| Fiscal year end | Authority's proportion of the net pension liability | Authority's proportionate share of the net pension liability | Authority's covered payroll | Authority's proportionate share of the net pension liability as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension |
|-----------------|--|---|--------------------------------|--|---|
| June 30, 2021 | 0.29167% | \$ 50,043,618 | \$ 17,245,575 | 290.18% | 62.48% |
| June 30, 2020 | 0.29272% | 42,836,764 | 17,872,718 | 239.68% | 66.28% |
| June 30, 2019 | 0.28634% | 37,882,242 | 17,440,857 | 217.20% | 67.91% |
| June 30, 2018 | 0.30959% | 39,703,950 | 16,460,292 | 241.21% | 67.21% |
| June 30, 2017 | 0.32771% | 45,107,233 | 17,677,269 | 255.17% | 63.48% |
| June 30, 2016 | 0.33074% | 37,647,760 | 18,217,216 | 205.50% | 67.87% |
| June 30, 2015 | 0.33437% | 24,824,160 | 18,319,823 | 140.14% | 76.32% |

⁽¹⁾ Data is being accumulated annually to present 10 years of the reported information.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
Pension Plan – Schedule of the Authority’s Contributions ⁽¹⁾
Last Ten Fiscal Years**

| Fiscal year end | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Authority's covered payroll | Contributions as a percentage of covered payroll |
|-----------------|---|---|--|--------------------------------|---|
| June 30, 2021 | \$ 1,187,874 | \$ 1,187,874 | \$ - | \$ 17,245,575 | 6.89% |
| June 30, 2020 | 1,119,571 | 1,119,571 | - | 17,872,718 | 6.26% |
| June 30, 2019 | 875,322 | 875,322 | - | 17,440,857 | 5.02% |
| June 30, 2018 | 788,925 | 788,925 | - | 16,460,292 | 4.79% |
| June 30, 2017 | 754,322 | 754,322 | - | 17,677,269 | 4.27% |
| June 30, 2016 | 596,735 | 596,735 | - | 18,217,216 | 3.28% |
| June 30, 2015 | 540,096 | 540,096 | - | 18,319,823 | 2.95% |

⁽¹⁾ Data is being accumulated annually to present 10 years of the reported information.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
OPEB Plan – Schedule of Changes in the Authority’s Net OPEB Liability and Related Ratios ⁽¹⁾
Last Ten Fiscal Years**

| | 2021 | 2020 | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability | | | | |
| Total OPEB liability - beginning of period..... | \$ 13,015,166 | \$ 11,892,216 | \$ 12,972,576 | \$ 11,700,165 |
| Service cost..... | 583,721 | 570,143 | 541,348 | 733,395 |
| Interest on total OPEB liability, service cost and benefit payments..... | 867,618 | 809,306 | 832,004 | 769,989 |
| Benefit payments..... | (483,468) | (444,460) | (409,920) | (230,973) |
| Difference between expected and actual plan experience... | 1,438,256 | (20,445) | (556,060) | - |
| Change in assumptions | 1,339,283 | 212,423 | (1,484,171) | - |
| Other adjustments..... | 7,478 | (4,017) | (3,561) | - |
| Net change in OPEB liability..... | 3,752,888 | 1,122,950 | (1,080,360) | 1,272,411 |
| Total OPEB liability - end of period..... | <u>\$ 16,768,054</u> | <u>\$ 13,015,166</u> | <u>\$ 11,892,216</u> | <u>\$ 12,972,576</u> |
| Plan Fiduciary Net Position | | | | |
| Plan fiduciary net position - beginning of period..... | \$ 12,088,861 | \$ 6,526,990 | \$ 4,447,104 | \$ - |
| Earnings from plan investments..... | 4,144,732 | (450,435) | 190,122 | 100,622 |
| Employer contributions to Trust..... | 600,000 | 6,445,316 | 2,171,741 | 4,594,569 |
| Benefit payments..... | (497,014) | (426,633) | (277,070) | (230,973) |
| Administrative expenses..... | (16,527) | (6,377) | (4,907) | (17,114) |
| Net change in Plan fiduciary net position..... | 4,231,191 | 5,561,871 | 2,079,886 | 4,447,104 |
| Plan fiduciary net position - end of period..... | <u>\$ 16,320,052</u> | <u>\$ 12,088,861</u> | <u>\$ 6,526,990</u> | <u>\$ 4,447,104</u> |
| Net OPEB liability..... | \$ 448,002 | \$ 926,305 | \$ 5,365,226 | \$ 8,525,472 |
| Plan fiduciary net position as a percentage of total OPEB liability..... | 97.33% | 92.88% | 54.88% | 34.28% |
| Covered-employee payroll..... | <u>\$ 17,245,575</u> | <u>\$ 18,103,966</u> | <u>\$ 17,576,666</u> | <u>\$ 21,608,853</u> |
| Net OPEB liability as a percentage of covered employee payroll..... | 2.60% | 5.12% | 30.52% | 39.45% |

(1) Data is being accumulated annually to present 10 years of the reported information.

See notes to the schedule.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
OPEB Plan – Notes to the OPEB Schedules**

FY2021 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.37% from 6.49%. This change resulted in an increase in the total OPEB liability of approximately \$280,000.

Change in expected claims costs

Due to updated guidance related to the implementation of Actuarial Standard of Practice 6, the methodology used for calculating expected claims was updated. This change resulted in an increase in the total OPEB liability of approximately \$1,100,000.

Change in projected healthcare costs

The projected healthcare costs were updated based on the Getzen model for future projected health care costs. This change did not have a material change on the total OPEB liability.

FY2020 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.49% from 6.61%. This change resulted in an increase in the total OPEB liability of approximately \$210,000.

Other

Other immaterial assumption changes resulted in an increase in the total OPEB liability of approximately \$2,000.

FY2019 Changes in actuarial assumptions

Change in discount rate

The Authority revised its interest rate to 6.61% from 6.25%. This change resulted in a decrease in the total OPEB liability of approximately \$590,000.

Change in medical trend rate

The expected long-term medical trend has been updated to 4.5% decreasing the total OPEB liability by approximately \$1,100,000.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
OPEB Plan – Notes to the OPEB Schedules**

Change in mortality

The mortality tables have been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females. This change resulted in an increase in the total OPEB liability of approximately \$210,000.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
OPEB Plan – Schedule of the Authority’s Contributions ⁽¹⁾
Last Ten Fiscal Years**

| Fiscal year end | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Authority's covered- employee payroll | Contributions as a percent of covered- employee payroll |
|-----------------|---|--|--|---|--|
| June 30, 2021 | \$ 606,643 | \$ 600,000 | \$ 6,643 | \$ 17,245,575 | 3.48% |
| June 30, 2020 | 636,685 | 6,445,316 | (5,808,631) | 18,103,966 | 35.60% |
| June 30, 2019 | 931,064 | 2,258,881 | (1,327,817) | 17,576,666 | 12.85% |
| June 30, 2018 | 1,332,006 | 4,594,569 | (3,262,563) | 21,608,853 | 21.26% |

⁽¹⁾ Data is being accumulated annually to present 10 years of the reported information.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Required Supplementary Information (Unaudited)
OPEB Plan – Schedule of Investment Returns ⁽¹⁾
Last Ten Fiscal Years**

| | 2021 | 2020 | 2019 | 2018 |
|---|--------|---------|-------|-------|
| Money-weighted rate of return, net of investment expense..... | 34.09% | (4.54)% | 4.80% | 5.65% |

⁽¹⁾ Data is being accumulated annually to present 10 years of the reported information.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Budgetary Basis
Year Ended June 30, 2021**

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|------------------------|------------------------------------|
| Revenues: | | | |
| BCEC..... | \$ 9,302,906 | \$ 6,341,173 | \$ (2,961,733) |
| Lawn on D..... | 749,745 | 317,231 | (432,514) |
| Hynes..... | 3,648,547 | 3,962,827 | 314,280 |
| BCG..... | 8,580,326 | 7,128,778 | (1,451,548) |
| MMC..... | 1,178,154 | 658,513 | (519,641) |
| SCCG..... | - | 268,249 | 268,249 |
| Other income..... | 802,174 | 53,852 | (748,322) |
| Total revenues..... | 24,261,852 | 18,730,623 | (5,531,229) |
| Expenses: | | | |
| BCEC..... | 21,217,794 | 18,108,165 | 3,109,629 |
| Lawn on D..... | 161,812 | 10,704 | 151,108 |
| Hynes..... | 10,037,403 | 8,660,697 | 1,376,706 |
| BCG..... | 2,240,468 | 2,078,345 | 162,123 |
| MMC..... | 6,111,494 | 4,304,808 | 1,806,686 |
| SCCG..... | - | 158,331 | (158,331) |
| Central administrative..... | 8,417,923 | 7,858,539 | 559,384 |
| Marketing and sales..... | 3,943,790 | 2,776,409 | 1,167,381 |
| Total expenses..... | 52,130,684 | 43,955,998 | 8,174,686 |
| Excess/(deficiency) of revenues over expenses..... | (27,868,832) | (25,225,375) | 2,643,457 |
| Nonoperating revenues/(expenses): | | | |
| Federal grants..... | - | 2,877,307 | 2,877,307 |
| Investment and loan income..... | 20,000 | 782,437 | 762,437 |
| Abandoned capital projects reclassified from CIP..... | - | (886,296) | (886,296) |
| Pension/OPEB liability funding..... | (1,800,000) | (1,800,000) | - |
| Total nonoperating revenues/(expenses)..... | (1,780,000) | 973,448 | 2,753,448 |
| Change in net position..... | \$ (29,648,832) | \$ (24,251,927) | \$ 5,396,905 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Budgetary Basis
Year Ended June 30, 2020**

| | Final Budget | Actual | Variance Positive (Negative) |
|---|------------------------|------------------------|------------------------------------|
| Revenues: | | | |
| BCEC..... | \$ 38,696,786 | \$ 29,529,212 | \$ (9,167,574) |
| Lawn on D..... | 1,819,500 | 1,349,056 | (470,444) |
| Hynes..... | 14,813,994 | 11,470,009 | (3,343,985) |
| BCG..... | 12,287,529 | 9,998,231 | (2,289,298) |
| MMC..... | 5,672,676 | 4,244,710 | (1,427,966) |
| Other income..... | 310,000 | 37,381 | (272,619) |
| Total revenues..... | <u>73,600,485</u> | <u>56,628,599</u> | <u>(16,971,886)</u> |
| Expenses: | | | |
| BCEC..... | 36,212,143 | 35,243,715 | 968,428 |
| Lawn on D..... | 1,027,007 | 553,849 | 473,158 |
| Hynes..... | 15,309,810 | 12,885,437 | 2,424,373 |
| BCG..... | 2,554,310 | 2,466,410 | 87,900 |
| MMC..... | 10,104,925 | 7,986,477 | 2,118,448 |
| Central administrative..... | 12,957,852 | 11,848,539 | 1,109,313 |
| Marketing and sales..... | 8,103,880 | 7,688,236 | 415,644 |
| Total expenses..... | <u>86,269,927</u> | <u>78,672,663</u> | <u>7,597,264</u> |
| Excess/(deficiency) of revenues over expenses..... | <u>(12,669,442)</u> | <u>(22,044,064)</u> | <u>(9,374,622)</u> |
| Nonoperating revenues/(expenses): | | | |
| Investment and loan income..... | 947,044 | 846,016 | (101,028) |
| Abandoned capital projects reclassified from CIP..... | - | (1,887,148) | (1,887,148) |
| Pension/OPEB liability funding..... | (10,293,000) | (18,269,345) | (7,976,345) |
| Total nonoperating revenues/(expenses)..... | <u>(9,345,956)</u> | <u>(19,310,477)</u> | <u>(9,964,521)</u> |
| Change in net position..... | <u>\$ (22,015,398)</u> | <u>\$ (41,354,541)</u> | <u>\$ (19,339,143)</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Reconciliation of GAAP Operating Gain/(Loss) to Statutory Net Cost of Operations and
Operating Reimbursement Requests from the Convention Center Fund
Years Ended June 30, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|------------------------|------------------------|
| GAAP operating gain/(loss) as presented in the statements of revenues, expenses and changes in net position (page 19)..... | \$ (74,653,870) | \$ (86,524,379) |
| Adjustments/additions to reconcile to statutory net cost of operations as defined within Chapter 190 of the Acts of 1982: | | |
| Depreciation expense..... | 40,657,741 | 44,024,890 |
| Annual net pension cost calculated in accordance with GAAP..... | 5,036,533 | 4,847,936 |
| Annual net OPEB cost calculated in accordance with GAAP..... | 414,126 | 749,489 |
| Pension trust expenses..... | 1,220,253 | 1,146,826 |
| Expenses from abandoned capital projects..... | 886,296 | 1,887,148 |
| Total adjustments..... | <u>48,214,949</u> | <u>52,656,289</u> |
| Statutory net cost of operations (A)..... | <u>(26,438,921)</u> | <u>(33,868,090)</u> |
| Adjustments/additions to reconcile to operating reimbursement requests from the Convention Center Fund: | | |
| Principal repayments on loans receivable..... | - | 263,219 |
| Federal grants..... | 2,877,307 | - |
| Interest received on loans receivable and investment income..... | 1,995,983 | 12,670,045 |
| Other adjustments..... | (5,708) | - |
| Total adjustments..... | <u>4,867,582</u> | <u>12,933,264</u> |
| Total operating reimbursement requests from the Convention Center Fund..... | <u>\$ (21,571,339)</u> | <u>\$ (20,934,826)</u> |

(A) Chapter 190 of the Acts of 1982 defines the net cost of operations as all current expenses incurred by the Authority less income received by the Authority in its ordinary course of business. Under provisions outlined within Chapter 152 of 1997 (and subsequent amendments), the Authority is eligible to receive up to \$28 million annually from the Massachusetts Convention and Exhibition Center Fund to defray its net cost of operations.

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Schedule of Consolidated Financial Statements by Operating Segment
Years Ended June 30, 2021 and 2020**

Summarized financial information for the year ended June 30, 2021 is presented as follows:

| 2021 | | | | | | | | | | |
|--------------------------------------|-----------------------|-------------------|----------------------|----------------------|----------------------|---------------------|------------------------|---------------------|----------------------|-----------------------|
| | BCEC | Lawn on D | Hynes | MMC | BCG | SCCG | Central Administration | Sales and Marketing | Pension Trust | Total |
| Assets: | | | | | | | | | | |
| Current assets..... | \$ 1,793,871 | \$ 81,566 | \$ 1,114,824 | \$ 1,000,983 | \$ 899,591 | \$ 573 | \$ 31,702,630 | \$ - | \$ - | \$ 36,594,038 |
| Restricted assets..... | - | - | - | - | - | - | 587,277 | - | 48,434,833 | 49,022,110 |
| Noncurrent assets | | | | | | | | | | |
| (excluding capital assets)..... | - | - | - | - | - | - | 16,002,959 | - | - | 16,002,959 |
| Capital assets..... | 465,206,105 | 98,869 | 86,003,549 | 42,491,774 | 20,106,693 | 3,597,950 | 302,061 | - | - | 617,807,001 |
| Total assets..... | \$ 466,999,976 | \$ 180,435 | \$ 87,118,373 | \$ 43,492,757 | \$ 21,006,284 | \$ 3,598,523 | \$ 48,594,927 | \$ - | \$ 48,434,833 | \$ 719,426,108 |
| Deferred outflows..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,379,971 | \$ - | \$ - | \$ 11,379,971 |
| Liabilities: | | | | | | | | | | |
| Current liabilities..... | \$ 11,552,671 | \$ 390,714 | \$ 2,888,911 | \$ 1,364,305 | \$ 1,263,911 | \$ 603,500 | \$ 3,011,167 | \$ 937,084 | \$ 19,542 | \$ 22,031,805 |
| Noncurrent liabilities..... | - | - | - | - | - | - | 51,761,059 | - | - | 51,761,059 |
| Total liabilities..... | \$ 11,552,671 | \$ 390,714 | \$ 2,888,911 | \$ 1,364,305 | \$ 1,263,911 | \$ 603,500 | \$ 54,772,226 | \$ 937,084 | \$ 19,542 | \$ 73,792,864 |
| Deferred inflows..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,315,355 | \$ - | \$ - | \$ 5,315,355 |
| Net position: | | | | | | | | | | |
| Net investment in capital assets.... | | | | | | | | | | 617,807,001 |
| Restricted: | | | | | | | | | | |
| Future pension contributions | | | | | | | | | | 48,415,291 |
| Other | | | | | | | | | | 587,277 |
| Unrestricted | | | | | | | | | | (15,111,709) |
| Total net position | | | | | | | | | | \$ 651,697,860 |

| 2021 | | | | | | | | | | |
|--|------------------------|-------------------|------------------------|-----------------------|---------------------|--------------------|------------------------|-----------------------|----------------------|-----------------------|
| | BCEC | Lawn on D | Hynes | MMC | BCG | Springfield Garage | Central Administration | Sales and Marketing | Pension Trust | Total |
| Operating revenues..... | \$ 6,341,174 | \$ 317,231 | \$ 3,962,828 | \$ 658,513 | \$ 7,128,778 | \$ 268,249 | \$ 53,850 | \$ - | \$ - | \$ 18,730,623 |
| Operating expenses..... | (47,506,068) | (212,266) | (14,466,241) | (7,935,483) | (4,038,626) | (158,331) | (15,070,816) | (2,776,409) | (1,220,253) | (93,384,493) |
| Operating income/(loss)..... | (41,164,894) | 104,965 | (10,503,413) | (7,276,970) | 3,090,152 | 109,918 | (15,016,966) | (2,776,409) | (1,220,253) | (74,653,870) |
| Nonoperating revenues/(expenses): | | | | | | | | | | |
| Federal grants..... | 2,877,307 | - | - | - | - | - | - | - | - | 2,877,307 |
| Interest on loans receivable..... | - | - | - | - | - | - | 762,195 | - | - | 762,195 |
| Investment income..... | - | - | - | - | - | - | 20,245 | - | 13,571,846 | 13,592,091 |
| CCF - operating subsidy..... | - | - | - | - | - | - | 23,371,339 | - | - | 23,371,339 |
| Nonemployer contribution..... | - | - | - | - | - | - | 2,032,348 | - | - | 2,032,348 |
| Loss before capital contributions..... | (38,287,587) | 104,965 | (10,503,413) | (7,276,970) | 3,090,152 | 109,918 | 11,169,161 | (2,776,409) | 12,351,593 | (32,018,590) |
| CCF - capital contributions..... | - | - | - | - | - | - | 26,680,915 | - | - | 26,680,915 |
| Change in net position..... | \$ (38,287,587) | \$ 104,965 | \$ (10,503,413) | \$ (7,276,970) | \$ 3,090,152 | \$ 109,918 | \$ 37,850,076 | \$ (2,776,409) | \$ 12,351,593 | \$ (5,337,675) |
| Net position - beginning of year | | | | | | | | | | 657,035,535 |
| Net position - end of year | | | | | | | | | | \$ 651,697,860 |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Schedule of Consolidated Financial Statements by Operating Segment
Years Ended June 30, 2021 and 2020**

Summarized financial information for the year ended June 30, 2020 is presented as follows:

| | 2020 | | | | | | | | |
|--|------------------------|-------------------|-----------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| | BCEC | Lawn on D | Hynes | MMC | BCG | Central Administration | Sales and Marketing | Pension Trust | Total |
| Assets: | | | | | | | | | |
| Current assets..... | \$ 2,324,418 | \$ 55,765 | \$ (60,379) | \$ 5,094,349 | \$ 54,308 | \$ 26,195,913 | \$ - | \$ - | \$ 33,664,374 |
| Restricted assets..... | - | - | - | - | - | 587,277 | - | 36,082,402 | 36,669,679 |
| Noncurrent assets | | | | | | | | | |
| (excluding capital assets) | - | - | - | - | - | 15,130,306 | - | - | 15,130,306 |
| Capital assets..... | 480,621,042 | 300,432 | 90,862,701 | 45,974,430 | 14,284,005 | 697,934 | - | - | 632,740,544 |
| Total assets..... | \$ 482,945,460 | \$ 356,197 | \$ 90,802,322 | \$ 51,068,779 | \$ 14,338,313 | \$ 42,611,430 | \$ - | \$ 36,082,402 | \$ 718,204,903 |
| Deferred outflows..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,452,904 | \$ - | \$ - | \$ 7,452,904 |
| Liabilities: | | | | | | | | | |
| Current liabilities..... | \$ 8,470,219 | \$ 443,396 | \$ 3,314,589 | \$ 1,859,359 | \$ 252,576 | \$ 3,007,426 | \$ 847,368 | \$ 18,703 | \$ 18,213,636 |
| Noncurrent liabilities..... | - | - | - | - | - | 45,123,552 | - | - | 45,123,552 |
| Total liabilities..... | \$ 8,470,219 | \$ 443,396 | \$ 3,314,589 | \$ 1,859,359 | \$ 252,576 | \$ 48,130,978 | \$ 847,368 | \$ 18,703 | \$ 63,337,188 |
| Deferred inflows..... | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,285,084 | \$ - | \$ - | \$ 5,285,084 |
| Net position: | | | | | | | | | |
| Net investment in capital assets... | | | | | | | | | 632,740,544 |
| Restricted: | | | | | | | | | |
| Future pension contributions | | | | | | | | | 36,063,698 |
| Other | | | | | | | | | 587,277 |
| Unrestricted | | | | | | | | | (12,355,984) |
| Total net position | | | | | | | | | \$ 657,035,535 |
| | 2020 | | | | | | | | |
| | BCEC | Lawn on D | Hynes | MMC | BCG | Central Administration | Sales and Marketing | Pension Trust | Total |
| Operating revenues..... | \$ 29,529,212 | \$ 1,349,056 | \$ 11,470,009 | \$ 4,244,710 | \$ 9,998,231 | \$ 37,381 | \$ - | \$ - | \$ 56,628,599 |
| Operating expenses..... | (65,351,189) | (910,118) | (21,249,015) | (12,121,319) | (4,589,344) | (12,675,480) | (7,688,236) | (18,568,277) | (143,152,978) |
| Operating income/(loss)..... | (35,821,977) | 438,938 | (9,779,006) | (7,876,609) | 5,408,887 | (12,638,099) | (7,688,236) | (18,568,277) | (86,524,379) |
| Nonoperating revenues/(expenses): | | | | | | | | | |
| Interest on loans receivable..... | - | - | - | - | - | 640,021 | - | - | 640,021 |
| Investment income..... | - | - | - | - | - | 205,995 | - | 11,019,106 | 11,225,101 |
| CCF - operating subsidy..... | - | - | - | - | - | 31,227,826 | - | - | 31,227,826 |
| Nonemployer contribution..... | - | - | - | - | - | 2,039,608 | - | - | 2,039,608 |
| Loss before capital contributions..... | (35,821,977) | 438,938 | (9,779,006) | (7,876,609) | 5,408,887 | 21,475,351 | (7,688,236) | (7,549,171) | (41,391,823) |
| CCF - capital contributions..... | 9,103,271 | 72,439 | 3,181,256 | 3,343,805 | 1,600,487 | 1,666,951 | - | - | 18,968,209 |
| Change in net position..... | <u>\$ (26,718,706)</u> | <u>\$ 511,377</u> | <u>\$ (6,597,750)</u> | <u>\$ (4,532,804)</u> | <u>\$ 7,009,374</u> | <u>\$ 23,142,302</u> | <u>\$ (7,688,236)</u> | <u>\$ (7,549,171)</u> | (22,423,614) |
| Net position - beginning of year | | | | | | | | | 679,459,149 |
| Net position - end of year | | | | | | | | | <u>\$ 657,035,535</u> |

**Massachusetts Convention Center Authority
(A Component Unit of the Commonwealth of Massachusetts)**

**Other Supplementary Information (Unaudited)
Schedule of Salary and Other Compensation of Highly Compensated Employees
Years Ended June 30, 2021 and 2020**

| | Amounts Reported in FY21 Financial Statements | | | Base Compensation at June 30, 2021 |
|--|---|-----------------------|-----------------------|--|
| | Base Salary | Other Compensation | Total Compensation | |
| David Gibbons, Executive Director..... | \$ 252,013 | \$ - | \$ 252,013 | \$ 252,013 |
| Dennis Callahan, Deputy Director..... | 188,718 | - | 188,718 | 188,718 |
| Robert Noonan, Chief Information Security Officer..... | 173,701 | - | 173,701 | 173,701 |
| Michael Esmond, Chief Financial Officer..... | 173,430 | - | 173,430 | 173,430 |
| Christopher Donato, General Counsel..... | 173,430 | - | 173,430 | 173,430 |
| Diane DiAntonio, General Manager..... | 173,014 | - | 173,014 | 173,014 |
| John R. Donahue, Chief of Operations and Capital Projects..... | 161,179 | - | 161,179 | 161,179 |
| Christine Pulgini, Associate General Counsel | 160,014 | - | 160,014 | 160,014 |
| Total FY21 Compensation..... | \$ 1,455,499 | \$ - | \$ 1,455,499 | \$ 1,455,499 |

| | Amounts Reported in FY20 Financial Statements | | | Base Compensation at June 30, 2020 |
|--|---|-----------------------|-----------------------|--|
| | Base Salary | Other Compensation | Total Compensation | |
| David Gibbons, Executive Director..... | \$ 252,013 | \$ 25,200 | \$ 277,213 | \$ 252,013 |
| Dennis Callahan, Deputy Director..... | 188,718 | - | 188,718 | 188,718 |
| Robert Noonan, Chief Information Security Officer..... | 173,701 | - | 173,701 | 173,701 |
| Michael Esmond, Chief Financial Officer..... | 173,430 | - | 173,430 | 173,430 |
| Christopher Donato, General Counsel..... | 173,430 | - | 173,430 | 173,430 |
| Diane DiAntonio, General Manager..... | 173,014 | - | 173,014 | 173,014 |
| John R. Donahue, Chief of Operations and Capital Projects..... | 161,179 | - | 161,179 | 161,179 |
| Christine Pulgini, Associate General Counsel | 160,014 | - | 160,014 | 160,014 |
| Total FY20 Compensation..... | \$ 1,455,499 | \$ 25,200 | \$ 1,480,699 | \$ 1,455,499 |

**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 Members
Massachusetts Convention Center Authority

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 fiduciary activities of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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
October 21, 2021