

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

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

June 30, 2019

Contents

Independent auditor's report	1-2
Management's discussion and analysis (unaudited)	3-17
Financial statements	
Statements of net position	18
Statements of revenues, expenses and changes in net position	19
Statements of cash flows	20-21
Statement of fiduciary net position	22
Statement of changes in fiduciary net position	23
Notes to financial statements	24-51
Required supplementary information (unaudited)	
Pension plan – schedule of the Authority's proportionate share of the net pension liability (unaudited)	52
Pension plan – schedule of Authority contributions (unaudited)	53
OPEB plan – schedule of changes in the Authority's net OPEB liability and related ratios (unaudited)	54
OPEB plan – schedule of Authority's contributions (unaudited)	55
OPEB plan – schedule of investment returns (unaudited)	56
Other information (unaudited)	
Schedules of revenues, expenses and changes in net position - budget and actual – budgetary basis (unaudited)	57-58
Schedule of salary and other compensation of highly compensated employees (unaudited)	59
Reconciliation of GAAP operating loss to statutory net cost of operations and operating reimbursement requests from the convention center fund (unaudited)	60
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	61-62



RSM US LLP

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 year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

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, 2019, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Authority, as of and for the year ended June 30, 2018, were audited by other auditors, whose report, dated October 18, 2018, expressed an unmodified opinion on those statements.

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 17), and certain pension and other postemployment benefits information (located on pages 52 through 56) 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 Information

Our audit was conducted for the purpose of forming an opinion 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 – for the years ended June 30, 2019 and 2018, schedule of salary and other compensation of highly compensated employees and the reconciliation of GAAP operating loss to statutory net cost of operations, and operating reimbursement requests from the Convention Center Fund (hereinafter referred to as other information), located on pages 57 through 60, are presented for purposes of additional analysis and is not a required part of the financial statements.

The other information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the 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 17, 2019 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 the Authority's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
October 17, 2019

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

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on the Massachusetts Convention Center Authority's (MCCA or the Authority) operations, performance, and financial condition for the fiscal years ended June 30, 2019 and 2018.

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 we use to assess our performance and how our results in 2019 compare to our results in 2018, and how our results in 2018 compare to our results in 2017. 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 financials statements of the Authority are maintained on the 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 Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position. The Authority is a component unit of the Commonwealth of Massachusetts (the Commonwealth).

While the Financial Statements provided herein conform to GAAP, a separate schedule is provided as additional information to provide the reader with a reconciliation between the annual GAAP operating loss and the Authority's Net Cost of Operations as it is defined under Massachusetts General Law and is used to support annual operating funding draws from the Massachusetts Convention Center Fund (CCF). The Net Cost of Operations is commonly used by the 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 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.

Under Chapter 190, the Commonwealth acquired the John B. Hynes Veterans Memorial Auditorium (the Hynes) 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 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.

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

Management's Discussion and Analysis (Unaudited)

BACKGROUND (CONTINUED)

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 Fund 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 of the Acts of 2014 increased funding caps for fiscal years 2016, 2017, and 2018 (and subsequent years) to \$25 million, \$26 million, and \$28 million, respectively.

In July 2014, Chapter 195 of the Acts of 2014 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), 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 of directors voted to approve a plan to sell the Hynes Convention Center 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 pension benefits. The Pension Trust is presented using the accrual basis of accounting and is reported as a blended component unit in the Authority's financial statement.

On November 15, 2017, the Massachusetts Convention Center Authority Irrevocable OPEB Trust (OPEB Trust) was established for the advance accumulation of funding for postemployment health care and other benefits provided by the Authority. 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 Authority is considered a component unit of the Commonwealth for financial statement reporting purposes. The Authority's annual financial statements are included by the Massachusetts State Comptroller's Office within its annual Comprehensive Annual Financial Report (CAFR) for the Commonwealth.

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

Management's Discussion and Analysis (Unaudited)

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 phone (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 in Springfield, 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", consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn on D 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 Garage 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.

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 becoming a true leader in the meetings industry.

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

Management's Discussion and Analysis (Unaudited)

SUMMARY OF FINANCIAL PERFORMANCE

Condensed Financial Information

Summary of Net Position (Deficit)

	2019	2018	2017
Cash and investments	\$ 59,216,218	\$ 50,298,896	\$ 37,147,027
Receivables and other assets	703,653,445	717,438,077	775,067,475
Total assets	762,869,663	767,736,973	812,214,502
Deferred outflows of resources	6,187,719	6,938,043	11,667,515
Total assets and deferred outflows of resources	769,057,382	774,675,016	823,882,017
Current liabilities	37,482,941	27,946,350	33,224,069
Noncurrent liabilities	44,692,290	49,919,184	60,485,215
Total liabilities	82,175,231	77,865,534	93,709,284
Deferred inflows of resources	7,423,002	3,437,013	477,448
Total liabilities and deferred inflows	89,598,233	81,302,547	94,186,732
Net position (deficit)	\$ 679,459,149	\$ 693,372,469	\$ 729,695,285

2019

In its fiscal year 2019, the Authority generated \$79.1 million in operating revenues, an all-time high. This result was driven by strong results across of the Authority's business units, most notably the BCEC which generated \$42.5 million in 2019. With the exception of the MMC in Springfield, MA, all Authority facilities operated profitably, after excluding depreciation and other expenses not traditionally used to measure the Authority's net cost of operations. Additionally, the Authority performed at an operating coverage ratio of 0.90 (more discussion on this statistic follows), remaining at a historical high, achieved in 2018, for the Authority since the BCEC opened for business in 2004. Overall, the Authority drew \$3.5 million in funding from the Massachusetts Convention Center Fund to support its operations, which compares to a draw of \$2.2 million in 2018.

The Authority continues to experience strong demand in its core events and meetings business, including that of its building customers and exhibitors for meetings and exhibition space, as well as corresponding convention support and food and beverage services. Fiscal year 2019 marked the first year the Authority began operating a waterfront ferry service for employers and large property managers in the district, helping to increase revenues outside of its core business. Finally, the Authority saw an improvement in parking demand at the BCG, reversing a more recent trend of declining activity.

2018

In its fiscal year 2018, the Authority reported new all-time highs in overall operating revenues and revenues earned at the BCEC. All Boston facilities operated profitably, after excluding depreciation and other expenses not traditionally used to measure the Authority's net cost of operations. Additionally, the Authority performed at an operating coverage ratio of 0.90 (more discussion on this statistic follows), a historical high for the Authority since the BCEC opened for business in 2004. As a result of this performance, the Authority only was required to draw \$2.2 million in funding from the CCF, up only slightly from the historical low in 2017 of \$1.7 million.

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

Management's Discussion and Analysis (Unaudited)

SUMMARY OF FINANCIAL PERFORMANCE (CONTINUED)

The strong performance is linked to the strong demand by building customers and exhibitors for meetings and exhibition space, as well as corresponding convention support and food and beverage services. The Authority has also benefited from commercial revenues, such as lease revenue from hotel and restaurant tenants, and other nonevent revenue streams, including a waterfront shuttle service for employers and large property managers in the district. Regarding the former, the Authority received a one-time \$1 million payment pursuant to the transaction rental terms of its lease with the D Street mid-priced hotel developer triggered by the refinancing of its development loan.

Please refer to page 60 for the 2019 and 2018 calculation of the Authority's net cost of operations and operating reimbursement requests from the CCF.

RESULTS OF OPERATIONS

Summary of Activities

	2019	2018	2017
Operating revenues	\$ 79,057,183	\$ 76,487,307	\$ 73,702,482
Operating expenses	137,200,325	138,151,583	143,530,466
Operating loss	(58,143,142)	(61,664,276)	(69,827,984)
Nonoperating revenues, net	21,393,669	17,296,510	22,206,384
Loss before capital contributions	(36,749,473)	(44,367,766)	(47,621,600)
Capital contributions:			
Massachusetts CCF – capital contribution	22,836,153	8,409,272	18,520,492
Change in net position (deficit)	(13,913,320)	(35,958,494)	(29,101,108)
Net position (deficit), beginning of year	693,372,469	729,330,963	758,796,393
Net position (deficit), end of year	\$ 679,459,149	\$ 693,372,469	\$ 729,695,285

Operating Revenues – 2019

In fiscal year 2019, the Authority's operating revenues equaled \$79.1 million, a 3% increase from 2018. For the eighth consecutive year, the Authority has experienced an increase in its operating receipts and has again reached an all-time high in revenue since the BCEC opened in 2004. Unlike 2018, fiscal year 2019 did not feature any substantial one-time or non-recurring sources. Overall, core business revenue sources, including rental income, convention services, food and beverage, and parking services all improved from the previous year. Commercial revenues fell by 26%, from \$4.6 million to \$3.4 million, however, this result was largely on account of one-time transaction rent being collected from a hotel tenant that was not repeated in 2019.

Total rental income was \$20.7 million in fiscal year 2019, or a 3% increase year over year from 2018's \$20.1 million. Rental revenue fell at the BCEC by 7%, while increasing at the Hynes and MMC by 24% and 6%, respectively. Similarly, rental income at the Lawn on D was up 14% from previous year's levels.

Convention services income, which include a variety of categories such as electrical, internet, phone, rigging, setup fees, digital sponsorships, and event security services equaled \$22.9 million in fiscal year 2019. This corresponds to a 4% increase from the previous year's level of \$22.1 million, for an increase of \$785,000. It should be noted that the level of demand for MCCA services varies from year to year given the unique nature of the demand for them by each individual event. The Authority typically tracks this revenue category's performance as a benchmark of event demand quality annually.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

In comparison to fiscal year 2018, the Authority's food and beverage revenues increased by 23% in 2019, totaling \$13.4 million from \$10.9 million. The BCEC, Lawn on D and MMC saw increases of 79%, 7% and 36%, respectively, while the Hynes experienced a drop of 21%. Similar to convention services, food and beverage revenues are strong bell weather of customer demand and the corresponding quality of event activity in the venue during any given year. The 2019 result indicates that large event customers continue to see great value and return on catering and related services as part of their event programs.

In contrast to the previous year, fiscal year 2019 parking revenues at the BCG increased, equaling \$12.3 million up from \$11.9 million – or 3%. Overall, parking revenues of the Authority, which also include the Danby Street Lot in South Boston, totaled \$13.2 million, 3% more than 2018 totals of \$12.9 million. Transient or daily parker revenues at the BCG led this increase, with the Garage experiencing greater demand from customers throughout the year.

As noted previously, commercial revenues declined for the Authority falling from \$4.6 million to \$3.4 million, or 26%. Over \$1 million of this year over year decrease was attributed to the one-time transaction rent paid to the Authority by the owner of the Element and Aloft hotels, following the refinancing of the hotels' underlying mortgage. In addition, the Authority received lower percentage rent payments from its hotel tenants than the previous year. Finally, in fiscal year 2019 Hynes restaurant tenant rent was lower resulting from a negotiated rent abatement period for one of its tenants while it underwent construction and related improvements.

During fiscal year 2019 other revenue sources totaled \$5.4 million, an 8% decrease from 2018 levels of \$5.9 million. This revenue category includes a variety of sources, some of which can vary from year to year, such as insurance claim payments or commissions paid for pour rights. Fiscal year 2019 represented the first year that the Authority began to operate a waterfront ferry program, transporting Boston commuters between points in the waterfront and Boston's Fan Pier. The program is under a one-year pilot through December 2019. Revenues associated with the ferry and the Authority's waterfront shuttle program are reported under other revenues.

Operating Revenues – 2018

Total operating revenues in fiscal year 2018 were \$76.5 million, or 3% greater than fiscal year 2017 levels. This marks the seventh consecutive year where the Authority achieved year over year revenue growth, dating back to fiscal year 2012. Revenue growth was spurred by two one-time events: a \$1 million payment related to transaction rent by the Authority's mid-priced hotels tenant; and, \$1.9 million in revenue associated with insurance claim payments to pay for repairs made by Authority on the BCEC roof related to the 2014-2015 winter season. The Authority did earn less revenue at its BCG during fiscal year 2018 compared to the previous year. However, this impact was mitigated by increased revenues associated with the expanded service of the waterfront shuttles program as well as increased revenue at the Lawn on D and MMC.

Rental income grew overall by 1.9%, driven by year over year growth at the BCEC and the Lawn on D. Hynes rental income was down modestly from the previous year (1.5%) and the MMC experienced a 3.7% decline in rental revenues. In total, rental revenues totaled \$20.1 million in fiscal year 2018, compared with \$19.8 million in 2017.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

Non-food and beverage service revenues generated by the Authority totaled \$22.1 million in fiscal year 2018, or a 3% decline from the previous year. The year over year decline was primarily a result of lower revenue generated at the Hynes, which saw a 26% reduction. These services constitute a wide array of sources, including electrical, internet and other utility orders, rigging, labor and setup fees, digital sponsorships, and event security services. Total services consumption by show and exhibitors, can vary from year to year given the unique nature of the demand for them by each individual event. The Authority typically tracks this revenue category's performance as a benchmark of event demand quality annually.

Food and beverage (F&B) revenues totaled \$10.9 million in fiscal year 2018 across all Authority facilities, down modestly from \$11.6 million in 2017. This represents a 6% decline from the previous year. The BCEC saw F&B proceeds dropped meaningfully from year, from \$5.8 million to \$3.9 million, or 33%. This was offset by year over year increases at the Hynes, Lawn on D and MMC, which grew by 19%, 20%, and 2%, respectively. Similar to support services revenues, food and beverage revenues can vary dynamically across facilities and from year to year at the same facility. They are heavily influenced by the number of catering or banquet events contracted at each venue during any given year.

Parking revenues totaled \$12.9 million in fiscal year 2018, or a 3% decline from the prior year. At the BCG, which were \$11.8 million in fiscal year 2018, fell for the second consecutive year. The BCG has experienced a multi-year decline in its daily parker demand. While there is likely a number of causes of the decline in usage, the BCG appears to be impacted by a general decline in demand for parking as a result of increased utilization of mobile-based ride-sharing services and more broad declines in car ownership among the general public. Parking receipts generated at the BCEC for its Danby Lot facility increased to \$1.1 million from \$920,000 in fiscal year 2017.

Commercial revenues, generated primarily through leases with hotel and restaurant tenants, totaled \$4.6 million. The Authority received a \$1 million one-time transaction rent payment from its mid-priced hotel tenant. After adjusting for this revenue, year over year growth was 4.2%. In fiscal year 2018 total commercial revenue represented 6% of annual operating revenue of the Authority, up from 4.7% from 2017. This category is one indicator of the Authority's ability to continue to diversify its revenue sources further.

Other and miscellaneous revenue receipts of the Authority can vary from year to year due to nonrecurring receipts, such as payments for insurance claims. In fiscal year 2018, the Authority received \$1.9 million in insurance claim related payments related to corresponding costs for repairing the BCEC's roof which was damaged during the 2014-2015 winter. In total, all Authority revenue in this category totaled \$5.9 million, an increase from \$2.8 million in 2017. The other major driver for the year over year change was the expanded shuttle service operated by the Authority.

Operating Expenses – 2019

Total operating expenses during fiscal year 2019 equaled \$137.2 million, or a 1% reduction from 2018 levels of \$138.2 million. These figures are inclusive of depreciation and discontinued capital projects.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

During 2019, the Authority's total salary and benefits expenses totaled \$32.4 million, roughly equal to the 2018 levels of \$32.3 million. One key driver of increased spending included payroll expenses, which increased \$1.6 million from 2018 to 2019 to a total amount of \$23.9 million. This increase was attributable, in part, to a greater amount of vacancy savings occurring in 2018 that did not occur in fiscal year 2019, as well as continued growth in the Authority's part-time labor staffing in transportation and event security services, particularly at the BCEC. In both cases, these groups support revenue-generating services. Payroll expenses at the MMC also experienced a meaningful year over year increase, attributable to lower vacancy savings as open positions based in Springfield were filled over the course of fiscal year 2019. In addition to lower vacancy savings, the Authority also faced increased payroll costs associated with negotiated increases for its various employees working under collective bargaining agreements.

In 2019, Other Operating Expenses totaled \$18.0 million, an increase of 13% from 2018's \$15.9 million. A meaningful portion of this year over year change is due to 2018 expenses being lower than typical because of a one-time adjustment associated with the 2017 Boston Tall Ships that reduced expenses by more than \$900,000 in 2018. Other key drivers include the increased spending the Authority has incurred on software licenses across a number of areas, as it migrates towards cloud-based applications and support for key systems used by its employees and technology professionals. The Authority also made one-time investments in new furniture and other equipment, some of these expenses anticipated to be covered costs associated with flooding damage incurred at the Hynes in April 2019.

Contracted service expense in 2019 totaled \$28.3 million, a 5% increase from 2018. This expense category broadly includes a wide array of services performed by vendors on behalf of the Authority, ranging from event-related services (event security, cleaning, shuttle and parking services) to building system maintenance, fixed cleaning, professional services, water ferry and shuttle contractors, and garage operations at the BCG. Notable drivers of the year over year increase include: \$800,000 for the six-month operation of the waterfront ferry program; increases in waterfront shuttle costs of \$442,000; increased consulting and professional services of \$760,000, particularly related to the Authority's system migration to cloud-based enterprise system software environments; increased landscaping and related services at the BCEC and Lawn on D of \$188,000; and increased investments in building camera and related security system services of \$113,000. These costs were offset, in part, by reduced expenses of \$1.9 million from 2018 associated with the repairs performed on the BCEC roof related to the 2014/2015 winter storm.

Utility expenses of the Authority primarily consist of electricity costs to the Authority's venues, as well as heating (natural gas and steam), water and sewer, internet and telecommunications costs. Overall, the Authority experienced a 2% increase in utility expenses, increasing to \$10.6 million in 2019 from \$10.4 million in 2018. The primary increases in 2019 were in electricity, which increased from \$7.8 million to \$8.0 million, or 3%. Additionally, the Authority's water and sewer expenses increased by \$80,000 or 17%. In both cases, these increases were driven, in part, from busy show activity at the Authority's Boston and Springfield venues.

Operating Expenses – 2018

Expenses during fiscal year 2018 totaled \$138.2 million, inclusive of depreciation and any discontinued capital projects during the year. This compares to \$143.5 million in 2017, and represents a year over year change of \$5.3 million. Excluding annual depreciation expense, and discontinued projects and adjustments for lower than anticipated expenses in 2017 for Tall Ships, total 2018 expenses were \$85.2 million, a 1.3% increase from the 2017 total of \$84.1 million.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

In 2018, the Authority expended \$32.3 million on payroll and benefits, a 10% decline from the previous year's total of \$36.0 million. The reduction reflects multi-year efforts of the Authority to control growth in this expense category, given its large share of total expenses, additionally there was a significant decrease in pension benefit expenses. Not all reduced expenditures are permanent, since the Authority experienced meaningful vacancy savings in 2018 that is not anticipated to continue in 2019 and beyond.

Other operating expenditures totaled \$15.9 million, or 27.7% lower than 2017's total of \$22.0 million. This category reflects the costs of the Authority to support event related and back of house operations, including equipment and supplies, legal and insurance expenses, credit card and other fiscal fees, and information technology expenses, such as software licenses and similar purchases. The Authority has experienced increases in the costs of insurance, software, and computer-related expenses. At the same time, the Authority has centralized its purchasing and procurement functions, helping to generate efficiencies and savings in Authority expenses for good and services. In addition, other operating expenses include \$4.25 million related to the tall ships event in 2017.

Contracted services expenditures totaled \$27 million in fiscal year 2018, compared to \$22.5 million in 2017. A large portion of the year over year increase relates to the \$1.9 million in roof repairs performed this year on the BCEC's roof. Additionally, the Authority experienced a substantial increase in its annual expenditures for contracted event security services, due to statutory requirements related to the wages paid by security contracts at Authority venues that were made effective in April 2017.

The Authority's utility expenditures increased by 13% in fiscal year 2018 from 2017 levels. This increase, which led to expenses totaling \$10.4 million, was anticipated since the Authority experienced substantial unit cost increases to the cost of electricity driven by regulatory increases to the price charged by utility companies for energy capacity. Electricity represents more than 80% of the Authority's annual energy consumption portfolio, and meaningful increases in the cost of electricity will have a corresponding impact in the Authority's annual outlays.

Non-operating Revenues (Expenses), Net – 2019

Total non-operating revenues in fiscal year 2019 were \$21.4 million, compared to \$17.3 million in 2018. A notable year over year increase occurred in the grants received by the Authority from the CCF, in this case to support additional investments the Authority is making to fund its long-term retiree pension and health care liabilities. In 2019, total funding of \$17.5 million was planned to be drawn, compare to a 2018 amount of \$14.2 million. As noted earlier, the MCCA's 2019 operating draws from the Convention Center Fund totaled \$3.5 million, which compares to \$2.2 million in 2018. In 2019, the Authority drew \$14.1 million to fund its long-term liabilities, compared to \$12 million for this purpose in 2018. Finally, in 2019 the Authority earned \$228,000 in federal grant reimbursements compared to \$82,000 in 2018, corresponding to increased activities by the Authority to provide federally supported trainings and events related to event security and public safety coordination efforts.

Investment Income and Interest on Loans

Total investment income in 2019 was \$978,000, or \$16,000 less than 2018's level of \$994,000. This modest decrease is related to the lower interest payments related to the Authority's loan to the Boston Tea Party Ships and Museums, falling to \$714,000, compared to \$731,000 in 2018. The remaining interest income of \$264,000 in 2019 was generated from earnings paid to the Authority from its cash holdings held at its banking partner.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

Non-operating Revenues (Expenses), Net – 2018

In fiscal year 2018, the Authority's non-operating net revenues totaled \$17.3 million, compared to \$22.2 million in 2017. The largest part of the year over year change resulted from the lower amount of funding drawn from the Convention Center Fund to support the Authority's operating expenses, including funding the Authority drew to accumulate funds for long-term liabilities associated with retiree pension and health care costs. In 2018, the Authority drew \$12 million for this purpose, compared to \$14 million in 2017. Additionally, in 2017 the Authority drew \$4.25 million to support a grant to promote the Tall Ships event in Boston in the summer of 2017. This was not repeated in 2018.

Investment Income and Interest on Loans

Total investment income in 2018 was \$994,000, up from \$805,000 in 2017. This 23% increase resulted from the increase in interest earnings that the Authority generated as the interest environment on its cash balances is growing more favorable after a long-period of near-zero rates. Interest payments related to the Authority's loan to the Boston Tea Party Ships and Museums was \$731,000, compared to \$747,000 in 2017.

COMPARISON TO BUDGET

Operating Revenues – 2019

Total budgeted operating revenues (including investment and interest income) totaled \$71.9 million for the Authority's fiscal year 2019. Compared to its budget the Authority generated \$80.0 million, or \$7.1 million better than originally planned. Close to \$7 million of this result is attributed to increased event activity at the BCEC, Hynes and Lawn on D, as well as increased waterfront shuttle and ferry revenues. Revenues at the BCG also out-performed the original budget by roughly \$900,000, with increased demand from transient (daily) parkers driving this result. Finally, revenues at the MMC exceeded initial forecasts by \$380,000, due to both greater arena and convention center receipts.

Operating Revenues – 2018

In fiscal year 2018, operating revenues exceeded the original budget by \$8.9 million, \$76.5 million compared to \$67.6 million. The BCEC and the Hynes accounted for all of this favorable difference, generating \$9.8 million more in annual revenue than originally projected. Event revenues, which may be difficult to anticipate given variation among show customers, were generally stronger than anticipated. Additionally, actual waterfront shuttle services revenues were greater than anticipated as service was expanded to additional properties. Both the BCG and the MMC performed below original budgeted revenues, with the former experiencing an \$842,000 drop, due to lower than anticipated demand from transient (daily) parkers over the course of the year.

Operating Expenses – 2019

After excluding depreciation and other related items not typically included in the Authority's calculation of its net cost of operations, expenses in fiscal year 2019 totaled \$89.2 million, compared to a budget of \$83.7 million. Expenses at the BCEC and MMC, combined, were 2.3 million greater than originally budgeted. At the BCEC, show and ferry related expenses exceeded initial budgets, but these increases were offset by greater revenues. The MMC incurred close to \$300,000 in building repairs that were not originally budgeted in the 2019 budget, and also experienced increased expenses in salary and utilities from the adopted budget level. These increases were offset by \$1.1 million in lower spending in the Authority's Central Administration and Sales and Marketing categories. It is typical for the Authority to experience similar variances from its original budget from due to unpredictable show activity, heating and cooling seasons, as well as timing delays that may result in lower spending than initially anticipated.

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

Management's Discussion and Analysis (Unaudited)

COMPARISON TO BUDGET (CONTINUED)

Operating Expenses – 2018

Excluding depreciation, adjustments for unspent funding for the 2017 Tall Ships event and other related items, expenses in fiscal year 2018 totaled \$79.1 million compared to a budget of \$80.6 million. Notable changes from budget included roughly \$3.6 million more in expenses for the BCEC, including unbudgeted costs for variable event expenses and additional waterfront shuttles service, and similar under-budget performance for central administration purposes. The latter resulted, in part, from delays in expenditures for major information technology system replacements, which are still planned for subsequent fiscal years.

Non-operating Revenues (Expenses), Net – 2019

In fiscal year 2019, non-operating revenues were generally in-line with the adopted budget. The Authority did collect \$228,000 in federal grant revenue that was not initially assumed in the budget. Total CCF draws were consistent with the originally-planned levels in June 2018.

Non-operating Revenues (Expenses), Net – 2018

In fiscal year 2018, actual non-operating revenues were generally in-line with final budgeted figures. One notable change from budget is that the Authority earned \$141,000 more in interest earnings than original estimated, for a total of \$994,000 compared to a budget of \$853,000. This corresponds to an improving interest environment.

KEY PERFORMANCE METRICS

	2019	2018	2017
Operating Coverage Ratio Calculation:			
Operating revenue (including investment income and interest on loans)	\$ 80,036,063	\$ 77,481,622	\$ 74,507,732
Operating expense (excluding depreciation, certain amounts paid for restricted net position and amounts paid from the capital budget)	\$ 89,234,284	\$ 86,552,531	\$ 84,069,175
MCCA operating coverage ratio	0.90	0.90	0.89
Rev. PGSF (BCEC)	\$ 59.77	\$ 59.47	\$ 55.66
Rev. PGSF (Hynes), excluding commercial space	\$ 59.83	\$ 57.38	\$ 57.48
Rev. PGSF (MMC)	\$ 32.25	\$ 28.95	\$ 24.37
Revenue per attendee (MMC) - Arena	\$ 12.12	\$ 8.16	\$ 7.33
Avg. revenue per space per day (BCG)	\$ 24.62	\$ 23.82	\$ 24.77

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

Management's Discussion and Analysis (Unaudited)

KEY PERFORMANCE METRICS (CONTINUED)

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.

In 2019, 2018, and 2017, the Authority's operating coverage ratios (defined above) were 0.90, 0.90 and 0.89, respectively. The amounts over the past 3 fiscal years represent a meaningful increase from previous 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 OPEB liabilities, helped make the MCCA's coverage ratio the highest level achieved by the Authority since the BCEC opened in 2004. Historically, management believed 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, with 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.

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. 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 2019, the BCEC's Rev. PGSF increased slightly from \$59.47/sq. ft. to \$59.77/sq. ft., or 0.5%. This increase largely reflects other improved revenue sources, such as waterfront shuttles and ferry services. Demand by both show and exhibitor customers remained high, particularly for food and beverage and event support services. The Hynes experienced revenue of \$59.83/sq. ft., a 4% increase from the previous year's total of \$57.38/ sq. ft. Similar to the BCEC, the Hynes benefited from strong demand for event support services and food and beverage services.

In fiscal year 2019, the MMC's arena top-line performance, as measured by revenue per attendee, increased to \$12.12 from \$8.16 in 2018, or 49%. Using revenue per gross square foot as the measurement, performance on the convention center side increased by 11% from \$28.95 in 2018 to \$32.25 in 2019.

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 2019, BCG Revenue per Space was \$24.62 increasing from 2018's total of \$23.82, a 3.4% increase, helped by an increase in transient (daily) parker demand over the course of the year.

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

Management's Discussion and Analysis (Unaudited)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	% Change 2019-2018	% Change 2018-2017
Cash and cash equivalents	\$ 32,423,153	\$ 31,342,931	\$ 36,556,750	3%	(14)%
Restricted cash and cash equivalents	587,277	587,277	587,277	0%	0%
Restricted investments	26,205,788	18,368,688	-	43%	100%
Grants and recovery (including restricted grants) receivables from Commonwealth	15,624,852	7,111,869	23,288,551	120%	(69)%
Convention receivables, loans receivable (current) and prepaid expenses	13,056,668	9,355,296	5,949,975	40%	57%
Long-term loans receivable	15,272,915	15,670,730	16,051,072	(3)%	(2)%
Capital assets, net	659,699,010	685,300,182	729,780,877	(4)%	(6)%
Deferred outflows of resources	6,187,719	6,938,043	11,667,515	(11)%	(41)%
Total assets and deferred outflows of resources	<u>\$ 769,057,382</u>	<u>\$ 774,675,016</u>	<u>\$ 823,882,017</u>	(1)%	(6)%

Cash and Cash Equivalents

Reflects monies on hand from Authority operations.

Restricted Cash and Cash Equivalents

Reflects the Authority's cash on hand restricted for purposes associated with the prior sale of air rights and Pension Trust cash.

Restricted Investments

Reflects the Pension Trust's investments restricted for pension benefits.

Grants and Recovery Receivables from Commonwealth

Reflects the receivable due from the Commonwealth (from the CCF) to offset the Authority's net cost of operations, pay-go capital programming, and set funding aside to defray the costs of its retiree pension and other postemployment benefits (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.

Convention Receivables, Loans Receivable (Current), and Prepaid Expenses

Reflects the Authority's receivables from operations, current loans receivable from the Boston Tea Party Ship and Museum, Inc., and prepaid assets such as insurance, which are expensed over time.

Long-Term Loans Receivable

Reflects the Authority's noncurrent loans receivable from the Boston Tea Party Ship and Museum, Inc.

Capital Assets, Net

Reflects the Authority's investment in land and capitalized assets less accumulated depreciation.

Deferred Outflows of Resources

Reflects the Authority's deferred outflows of resources related to pensions and OPEB.

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

Management's Discussion and Analysis (Unaudited)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	% Change 2019-2018	% Change 2018-2017
Payables, accrued expenses, unearned revenue, and compensated absences (current)	\$ 37,566,274	\$ 28,363,016	\$ 33,974,069	32%	(17)%
Environmental remediation	-	-	1,929,591	0%	100%
Accrued compensated absences, noncurrent	1,361,489	1,273,096	1,362,548	7%	(7)%
Net pension liability	37,882,242	39,703,950	45,107,233	-5%	(12)%
Net OPEB liability	5,365,226	8,525,472	11,335,843	-37%	(25)%
Deferred inflows of resources	7,423,002	3,437,013	477,448	116%	620%
Net position - net investment in capital assets	659,699,010	685,300,182	729,780,877	(4)%	(6)%
Net position - restricted for pension benefits and other	26,778,695	18,128,469	587,277	48%	2987%
Net position - (unrestricted)	(7,018,556)	(10,056,182)	(672,869)	(30)%	1395%
Total liabilities and net position	\$ 769,057,382	\$ 774,675,016	\$ 823,882,017	(1)%	(6)%

Payables, Accrued Expenses, Unearned Revenue, and Compensated Absences (Current)

Reflects the Authority's and Pension Trust's current responsibilities applicable to vendors, short-term accrued sick and vacation pay benefits, and deposits received for future shows.

Environmental Remediation

Reflects the Authority's remediation requirements associated with the judgment from the Commonwealth of Massachusetts et.al. v. SAK Recycling et.al., C.A. No. 96-0673A case. Remediation efforts were completed in fiscal year 2018.

Accrued Compensated Absences, Noncurrent

Reflects the Authority's long-term accrued sick and vacation pay benefits.

Net Pension Liability

Reflects the Authority's net pension liability as calculated in accordance with GASB Statement No. 68.

Net OPEB Liability (Obligation)

Reflects the Authority's net OPEB liability as calculated in accordance with GASB Statement No. 75.

Deferred Inflows of Resources

Reflects the Authority's deferred inflows of resources related to pensions.

Net Position (Net Investment in Capital Assets)

Reflects the Authority's total net investment in capital assets.

Net Position (Pension Benefits and Other)

Reflects the Authority's restricted amounts for the Net Position of the Pension Trust, and amounts related to transportation planning from the previous sale of air rights.

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

Management's Discussion and Analysis (Unaudited)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)

Net Position (Unrestricted)

Reflects the accumulated revenues and expenses from Authority's operations, including proceeds from the Convention Center Fund.

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 2019, the Authority added \$8.5 million assets in service and wrote off \$1.8 million. Net construction in process balance for 2019 is \$19.7 million. Total net capital assets equals \$659.7 million (see Note 4, page 35). In addition, the Authority has a number of on-going capital projects representing \$110 million in committed projects of which \$15.6 million has been spent to date (see Note 13, page 49).

Chapter 195 of the Acts of 2014 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, 2019 and 2018

	Business-Type Activities	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,423,153	\$ 31,342,931
Restricted cash and cash equivalents	587,277	587,277
Restricted investments	26,205,788	18,368,688
Receivables, net of allowance for uncollectible amounts:		
Grants from the Commonwealth	15,624,852	7,111,869
Convention	9,669,657	6,829,270
Loans	397,815	380,342
Prepaid expenses	2,989,196	2,145,684
Total current assets	87,897,738	66,766,061
Noncurrent assets:		
Loan receivable, net of allowance for uncollectible amounts	15,272,915	15,670,730
Capital assets not being depreciated	197,728,058	183,906,156
Capital assets, net of accumulated depreciation	461,970,952	501,394,026
Total noncurrent assets	674,971,925	700,970,912
Total assets	762,869,663	767,736,973
Deferred outflows of resources:		
Pension related	6,063,889	6,900,242
OPEB related	123,830	37,801
Total deferred outflows of resources	6,187,719	6,938,043
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	17,944,154	13,398,146
Unearned revenue	18,525,064	13,578,133
Accrued compensated absences	1,013,723	970,071
Total current liabilities	37,482,941	27,946,350
Noncurrent liabilities:		
Unearned revenue	83,333	416,666
Accrued compensated absences	1,361,489	1,273,096
Net pension liability	37,882,242	39,703,950
Net OPEB liability	5,365,226	8,525,472
Total noncurrent liabilities	44,692,290	49,919,184
Total liabilities	82,175,231	77,865,534
Deferred inflows of resources:		
Pension related	5,674,232	3,437,013
OPEB related	1,748,770	-
Total deferred inflows of resources	7,423,002	3,437,013
Net position:		
Net investment in capital assets	659,699,010	685,300,182
Restricted for:		
Pension benefits	26,191,418	17,541,192
Transportation planning/roadway improvements	587,277	587,277
Unrestricted deficit	(7,018,556)	(10,056,182)
Total net position	\$ 679,459,149	\$ 693,372,469

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, 2019 and 2018

	Business-Type Activities	
	2019	2018
Operating revenues:		
Convention services income	\$ 22,885,486	\$ 22,100,426
Convention rental income	20,749,249	20,120,777
Food and beverage	13,356,528	10,864,549
Parking fees	13,231,346	12,894,959
Commercial revenue	3,412,690	4,635,063
Other	5,421,884	5,871,533
Total operating revenues	79,057,183	76,487,307
Operating expenses:		
Salaries and benefits - operating	21,574,332	21,788,807
Salaries and benefits - administrative	10,831,916	10,557,029
Other operating expenses	17,951,893	15,877,902
Contracted services	28,287,401	27,025,266
Utilities	10,588,741	10,376,592
Depreciation	47,966,042	52,525,987
Total operating expenses	137,200,325	138,151,583
Operating loss	(58,143,142)	(61,664,276)
Nonoperating revenues (expenses):		
Massachusetts Convention Center Fund - operating subsidy	17,544,945	14,158,769
Federal grants	228,019	82,000
Nonemployer contribution to pension plan	1,829,678	1,666,074
Interest received on loans receivable	714,517	731,223
Investment income	264,363	263,092
Investment income, net - pension trust (restricted)	812,147	395,352
Total nonoperating revenues, net	21,393,669	17,296,510
Loss before capital contributions	(36,749,473)	(44,367,766)
Capital contributions:		
Massachusetts Convention Center Fund - capital contributions	22,836,153	8,409,272
Total capital contributions	22,836,153	8,409,272
Change in net position	(13,913,320)	(35,958,494)
Net position - beginning of year	693,372,469	729,330,963
Net position - end of year	\$ 679,459,149	\$ 693,372,469

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, 2019 and 2018

	Business-Type Activities	
	2019	2018
Cash flows from operating activities:		
Receipts from customers and users	\$ 80,830,394	\$ 73,327,826
Payments to vendors	(52,654,255)	(58,773,928)
Payments to employees	(30,690,166)	(31,656,468)
Net cash used in operating activities	(2,514,027)	(17,102,570)
Cash flows from noncapital financing activities:		
Massachusetts Convention Center Fund - operating subsidy	13,709,438	23,352,136
Payments for environmental remediation recovered from CCF	-	(2,178,165)
Federal grants	228,019	82,000
Net cash provided by noncapital financing activities	13,937,457	21,255,971
Cash flows from capital and related financing activities:		
Massachusetts Convention Center Fund - capital contributions	18,158,677	15,641,161
Acquisition and construction of capital assets	(22,836,154)	(8,392,997)
Net cash (used in) provided by capital and related financing activities	(4,677,477)	7,248,164
Cash flows from investing activities:		
Purchases of investments	(6,685,930)	(17,989,123)
Loan repayments	380,342	363,637
Interest received on loans receivable	714,517	731,223
Investment income	(74,660)	278,879
Net cash used in investing activities	(5,665,731)	(16,615,384)
Net change in cash and cash equivalents	1,080,222	(5,213,819)
Cash and cash equivalents - beginning of year (includes \$587,277 as restricted cash)	31,930,208	37,144,027
Cash and cash equivalents - end of year (includes \$587,277 as restricted cash)	\$ 33,010,430	\$ 31,930,208

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2019 and 2018

	Business-Type Activities	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (58,143,142)	\$ (61,664,276)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Cash from operating activities:		
Changes in assets and liabilities not requiring current cash flows:		
Depreciation	47,966,042	52,525,987
Discontinued capital projects	471,283	347,705
Change in net pension liability	7,970	(3,737,209)
Change in deferred outflows - pension	836,353	4,767,273
Change in deferred inflows - pension	2,237,219	2,959,565
Change in net OPEB liability	(3,160,246)	(3,174,693)
Change in deferred outflows - OPEB	(86,029)	(37,801)
Change in deferred inflows - OPEB	1,748,770	-
Effect of changes in operating assets and liabilities:		
Convention receivables, net	(2,840,388)	(2,802,171)
Prepaid assets	(843,511)	(586,445)
Accounts payable and accrued expenses	4,546,009	(5,255,428)
Unearned revenue	4,613,598	(357,310)
Accrued compensated absences	132,045	(87,767)
Total adjustments	55,629,115	44,561,706
Net cash used in operating activities	\$ (2,514,027)	\$ (17,102,570)

See notes to financial statements.

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

Statement of Fiduciary Net Position
June 30, 2019 and 2018

	OPEB Trust Fund	
	2019	2018
Assets		
Investments:		
Common collective trusts	\$ 6,052,799	\$ 4,166,682
Fixed income mutual funds	291,181	215,252
Equity mutual funds	186,572	128,257
Total investments	<u>6,530,552</u>	<u>4,510,191</u>
Total assets	<u>6,530,552</u>	<u>4,510,191</u>
Liabilities		
Accrued expenses	<u>3,562</u>	<u>63,087</u>
Net Position		
Restricted for:		
Postemployment benefits other than pensions	<u>6,526,990</u>	<u>4,447,104</u>
Total net position	<u>\$ 6,526,990</u>	<u>\$ 4,447,104</u>

See notes to financial statements.

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

Statement of Changes in Fiduciary Net Position
Years Ended June 30, 2019 and 2018

	OPEB Trust Fund	
	2019	2018
Additions		
Employer contributions	\$ 2,171,741	\$ 4,594,569
Investment income:		
Net appreciation of investments	180,733	96,909
Interest and dividends	21,414	10,582
Less investment expenses	(12,025)	(6,869)
Net investment income	<u>190,122</u>	<u>100,622</u>
Total additions	<u>2,361,863</u>	<u>4,695,191</u>
Deductions		
Benefits payments	277,070	230,973
Administrative expenses	4,907	17,114
Total deductions	<u>281,977</u>	<u>248,087</u>
Change in net position	2,079,886	4,447,104
Restricted net position - beginning of year	<u>4,447,104</u>	-
Restricted net position - end of year	<u>\$ 6,526,990</u>	<u>\$ 4,447,104</u>

See notes to financial statements.

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

Notes to 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), a component unit of the Commonwealth of Massachusetts (Commonwealth), 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 or the Garage). 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.

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 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)). Subsequent acts (Chapter 23 of the Acts of 1998 and Chapter 45 of the Acts of 2001) have had several provisions relevant to the Authority.

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 Hotel construction. The Hotel officially opened for business in June of 2006.

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. Chapter 195 of Acts of 2014 increased the fiscal years 2016, 2017, 2018 and 2019 (and on) caps to \$25 million, \$26 million, \$28 million and \$ 28 million, respectively. During fiscal year 2019, the Authority requested reimbursements from the Fund totaling \$40,381,098 for the net cost of operations (\$3,468,600), Other Postemployment Benefit (OPEB)/Pension Trust funding (\$14,076,345) and the pay-go capital program (\$22,836,153). During fiscal year 2018, the Authority requested reimbursements from the Fund totaling \$24,746,206 for the net cost of operations (\$2,161,684) reduced by \$926,935 related to overfunding of Tall Ship reimbursements in the prior year, OPEB/Pension Trust funding (\$12,924,020), pay-go capital program (\$8,409,272) and recovery of environmental remediation costs (\$2,178,165).

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funding for pension benefits. The Pension Trust is governed by six trustees, which are to be held by 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 management of the Authority has operational responsibility of the component unit. 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 for the advance accumulation of funding for postemployment health care and other benefits provided by the Authority. The OPEB Trust is governed by six trustees, which are to be held by the individuals holding selected positions of the Authority. 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.

Implementation of new accounting principles

For the year ended June 30, 2019, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The implementation of these statements had no effect on the Authority's 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.

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 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. Restricted investments have been restricted for pension benefits.

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.

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, 2019 and 2018, the allowance for doubtful accounts amounted to \$292,973 and \$306,088, respectively.

Loans

The Authority authorized an \$18,000,000 loan to the Boston Tea Party Ship and Museum, Inc. for the construction of the Boston Tea Party museum and historical replica ships. Loan amounts were distributed based on reimbursement requests submitted during the construction period. Outstanding loans at June 30, 2019 and 2018 totaled \$15,670,730 and \$16,051,072, respectively. As of June 30, 2019 and 2018, 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.

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

	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.

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, air, water, telephone, cleaning, rigging, security, internet access, equipment, and food. BCG revenue consists of parking fees.

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

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 State Employees' Retirement System (SERS) and additions to/deductions from SERS's fiduciary net position have been determined on the same basis as they are reported by SERS. 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.

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, totaled approximately \$2,375,000 and \$2,243,000, respectively, and is reflected in the accompanying statements of net position as accrued compensated absences.

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.

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been restricted for pension benefits, which represents the net position of the Pension Trust, and transportation planning, which represents amounts related to the previous sale of air rights.

Unrestricted represents the remaining net position not considered invested in capital assets or restricted.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

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.

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 does not have a policy for custodial credit risk of deposits. At June 30, 2019 and 2018, bank deposits totaling \$36,911,236 and \$33,253,176, respectively, were not exposed to custodial credit risk. The carrying amount of deposits totaled \$33,010,430 and \$31,930,208 at June 30, 2019 and 2018, respectively.

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019 and 2018, 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, 2019 are presented below. All investments are presented by investment type.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Debt securities:		
Fixed income mutual funds	\$ 1,098,991	\$ 1,098,991
Subtotal	<u>1,098,991</u>	<u>\$ 1,098,991</u>
Other investments:		
Equity mutual funds	773,324	
Common collective trusts	24,333,473	
Total investments	<u>\$ 26,205,788</u>	

The Pension Trust's investments at June 30, 2018 are presented below. All investments are presented by investment type.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Debt securities:		
Fixed income mutual funds	\$ 825,786	\$ 825,786
Subtotal	<u>825,786</u>	<u>\$ 825,786</u>
Other investments:		
Equity mutual funds	507,611	
Common collective trusts	17,035,291	
Total investments	<u>\$ 18,368,688</u>	

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019 and 2018, the Pension Trust's investments 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, 2019 and 2018, 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, 2019 and 2018, the Pension Trust was not exposed to concentration risk.

Investments – fair value measurements

The Pension Trust categorizes its 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.

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

Investment Type	Fair Value	Assets at Fair Value as of June 30, 2019		
		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	\$ 1,098,991	\$ 1,098,991	\$ -	\$ -
Equity mutual funds	773,324	773,324	-	-
Total investments by fair value level	1,872,315	\$ 1,872,315	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Common/collective trust funds	24,333,473			
Total investments measured at fair value	\$ 26,205,788			
Investment Type	Fair Value	Assets at Fair Value as of June 30, 2018		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by fair value level				
Fixed income mutual funds	\$ 825,786	\$ 825,786	\$ -	\$ -
Equity mutual funds	507,611	507,611	-	-
Total investments by fair value level	1,333,397	\$ 1,333,397	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Common/collective trust funds	17,035,291			
Total investments measured at fair value	\$ 18,368,688			

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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:

2019 Investment measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common/collective trust funds ⁽¹⁾	<u>\$ 24,333,473</u>	N/A	Daily	N/A

2018 Investment measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common/collective trust funds ⁽¹⁾	<u>\$ 17,035,291</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.

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

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, 2019, 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 OPEB Trust's investments at June 30, 2019 are presented below. All investments are presented by investment type.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Debt securities:		
Fixed income mutual funds	\$ 291,181	\$ 291,181
Subtotal	<u>291,181</u>	<u>\$ 291,181</u>
Other investments:		
Equity mutual funds	186,572	
Common collective trusts	6,052,799	
Total investments	<u>\$ 6,530,552</u>	

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

The OPEB Trust's investments at June 30, 2018 are presented below. All investments are presented by investment type.

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1
Debt securities:		
Fixed income mutual funds	\$ 215,252	\$ 215,252
Subtotal	215,252	<u>\$ 215,252</u>
Other investments:		
Equity mutual funds	128,257	
Common collective trusts	4,166,682	
Total investments	<u>\$ 4,510,191</u>	

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, 2019 and 2018, the OPEB Trust's investments 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, 2019 and 2018, 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, 2019 and 2018, the OPEB Trust was not exposed to concentration risk.

Investments – fair value measurements

The OPEB Trust categorizes its 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.

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

Investment Type	Fair Value	Assets at Fair Value as of June 30, 2019		
		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	\$ 291,181	\$ 291,181	\$ -	\$ -
Equity mutual funds	186,572	186,572	-	-
Total investments by fair value level	477,753	<u>\$ 477,753</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Common/collective trust funds	6,052,799			
Total investments measured at fair value	<u>\$ 6,530,552</u>			

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair Value	Assets at Fair Value as of June 30, 2018		
		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	\$ 215,252	\$ 215,252	\$ -	\$ -
Equity mutual funds	128,257	128,257	-	-
Total investments by fair value level	343,509	\$ 343,509	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Common/collective trust funds	4,166,682			
Total investments measured at fair value	\$ 4,510,191			

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:

2019 Investment measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common/collective trust funds ⁽¹⁾	<u>\$ 6,052,799</u>	N/A	Daily	N/A
2018 Investment measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Common/collective trust funds ⁽¹⁾	<u>\$ 4,166,682</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.

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

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

Notes to Financial Statements

Note 3 ACCOUNTS RECEIVABLE

At June 30, 2019, receivables consist of the following:

Type	Gross Amounts	Allowances for Uncollectibles	Net Amount
Grants receivable from the Commonwealth	\$ 15,624,852	\$ -	\$ 15,624,852
Convention receivables	9,962,630	(292,973)	9,669,657
Loans receivable	15,670,730	-	15,670,730
Total	<u>\$ 41,258,212</u>	<u>\$ (292,973)</u>	<u>\$ 40,962,239</u>

At June 30, 2018, receivables consist of the following:

Type	Gross Amounts	Allowances for Uncollectibles	Net Amount
Grants receivable from the Commonwealth	\$ 7,111,869	\$ -	\$ 7,111,869
Convention receivables	7,136,158	(306,888)	6,829,270
Loans receivable	16,051,072	-	16,051,072
Total	<u>\$ 30,299,099</u>	<u>\$ (306,888)</u>	<u>\$ 29,992,211</u>

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

Notes to Financial Statements

Note 4 CAPITAL ASSETS

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

	2019			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 169,404,269	\$ -	\$ -	\$ 169,404,269
Construction in progress	5,893,528	22,836,153	(9,014,251)	19,715,430
Intangible assets	8,608,359	-	-	8,608,359
Total capital assets not being depreciated	183,906,156	22,836,153	(9,014,251)	197,728,058
Capital assets being depreciated:				
Land improvements	3,961,663	-	-	3,961,663
Buildings and improvements:				
Boston Convention and Exhibition Center	712,968,945	787,212	(395,528)	713,360,629
Hynes Convention Center	248,193,705	-	(16,912)	248,176,793
MassMutual Center	72,992,827	1,459,605	-	74,452,432
Boston Common Garage	40,954,160	-	-	40,954,160
Equipment and fixtures	81,946,849	6,296,152	(1,352,865)	86,890,136
Total capital assets being depreciated	1,161,018,149	8,542,969	(1,765,305)	1,167,795,813
Less accumulated depreciation for:				
Land improvements	(990,416)	(396,150)	-	(1,386,566)
Buildings and improvements:				
Boston Convention and Exhibition Center	(325,032,519)	(26,801,472)	395,528	(351,438,463)
Hynes Convention Center	(207,361,085)	(9,266,919)	16,912	(216,611,092)
MassMutual Center	(30,863,556)	(2,574,798)	-	(33,438,354)
Boston Common Garage	(29,132,667)	(1,684,496)	-	(30,817,163)
Equipment and fixtures	(66,243,880)	(7,242,208)	1,352,865	(72,133,223)
Total accumulated depreciation	(659,624,123)	(47,966,043)	1,765,305	(705,824,861)
Total capital assets being depreciated, net	501,394,026	(39,423,074)	-	461,970,952
Total capital assets, net	\$ 685,300,182	\$ (16,586,921)	\$ (9,014,251)	\$ 659,699,010

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

Notes to Financial Statements

Note 4 CAPITAL ASSETS (CONTINUED)

	2018			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 167,839,381	\$ 1,564,888	\$ -	\$ 169,404,269
Construction in progress	3,950,990	8,409,272	(6,466,734)	5,893,528
Intangible assets	8,608,359	-	-	8,608,359
Total capital assets not being depreciated	180,398,730	9,974,160	(6,466,734)	183,906,156
Capital assets being depreciated:				
Land improvements	4,037,521	-	(75,858)	3,961,663
Buildings and improvements:				
Boston Convention and Exhibition Center	712,134,753	861,393	(27,201)	712,968,945
Hynes Convention Center	247,420,247	986,840	(213,382)	248,193,705
MassMutual Center	72,992,827	-	-	72,992,827
Boston Common Garage	40,954,160	-	-	40,954,160
Equipment and fixtures	81,623,683	2,689,633	(2,366,467)	81,946,849
Total capital assets being depreciated	1,159,163,191	4,537,866	(2,682,908)	1,161,018,149
Less accumulated depreciation for:				
Land improvements	(669,217)	(397,057)	75,858	(990,416)
Buildings and improvements:				
Boston Convention and Exhibition Center	(297,818,271)	(27,214,248)	-	(325,032,519)
Hynes Convention Center	(194,949,817)	(12,438,469)	27,201	(207,361,085)
MassMutual Center	(28,625,300)	(2,451,638)	213,382	(30,863,556)
Boston Common Garage	(27,398,155)	(1,734,512)	-	(29,132,667)
Equipment and fixtures	(60,320,284)	(8,290,063)	2,366,467	(66,243,880)
Total accumulated depreciation	(609,781,044)	(52,525,987)	2,682,908	(659,624,123)
Total capital assets being depreciated, net	549,382,147	(47,988,121)	-	501,394,026
Total capital assets, net	\$ 729,780,877	\$ (38,013,961)	\$ (6,466,734)	\$ 685,300,182

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

Notes to Financial Statements

Note 5 NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company 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 \$333,333 for the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the unamortized balance reported as a component of unearned revenue totals approximately \$416,666 and \$780,000, respectively.

Note 6 LEASES (RENTAL INCOME)

The Authority leases various properties to third parties. For the years ended June 30, 2019 and 2018, the Authority earned approximately \$3,413,000 and \$4,635,000, 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:

<u>Fiscal Year</u>	<u>Payment</u>
2020	\$ 2,385,119
2021	2,386,338
2022	2,637,573
2023	2,638,826
2024	2,697,200
Thereafter	<u>96,466,067</u>
	<u>\$ 109,211,143</u>

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

Notes to Financial Statements

Note 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS

The Authority currently operates seven operating segments: the BCEC, the Lawn on D, the Hynes, the MMC, the BCG, Event Development, Central Administration, and Sales and Marketing and the blended component unit: Pension Trust. Summarized financial information for the years ended June 30 is presented as follows:

	2019									
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Eliminations	Total
Assets:										
Current assets	\$ 7,308,674	\$ 158,535	\$ 1,723,126	\$ 4,205,424	\$ 48,446	\$ 47,460,468	\$ 200,000	\$ -	\$ -	\$ 61,104,673
Restricted assets	-	-	-	-	-	587,277	-	26,205,788	-	26,793,065
Noncurrent assets (excluding capital assets)	-	-	-	-	-	15,272,915	-	-	-	15,272,915
Capital assets	500,606,692	343,172	95,982,884	46,434,989	14,633,045	1,698,228	-	-	-	659,699,010
Total assets	\$ 507,915,366	\$ 501,707	\$ 97,706,010	\$ 50,640,413	\$ 14,681,491	\$ 65,018,888	\$ 200,000	\$ 26,205,788	\$ -	\$ 762,869,663
Deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,187,719	\$ -	\$ -	\$ -	\$ 6,187,719
Liabilities:										
Current liabilities	\$ 15,924,373	\$ 833,932	\$ 9,408,966	\$ 5,885,760	\$ 1,071,745	\$ 3,271,839	\$ 1,071,956	\$ 14,370	\$ -	\$ 37,482,941
Noncurrent liabilities	-	-	-	-	-	44,692,290	-	-	-	44,692,290
Total liabilities	\$ 15,924,373	\$ 833,932	\$ 9,408,966	\$ 5,885,760	\$ 1,071,745	\$ 47,964,129	\$ 1,071,956	\$ 14,370	\$ -	\$ 82,175,231
Deferred inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,423,002	\$ -	\$ -	\$ -	\$ 7,423,002
Net position:										
Net investment in capital assets										659,699,010
Restricted:										
Pension benefits										26,191,418
Other										587,277
Unrestricted										(7,018,556)
Total net position										\$ 679,459,149
2018										
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Eliminations	Total
Operating revenues	\$ 42,517,619	\$ 1,827,409	\$ 17,069,421	\$ 5,261,951	\$ 12,286,530	\$ 94,253	\$ -	\$ -	\$ -	\$ 79,057,183
Operating expenses	(66,801,054)	(143,726)	(27,211,045)	(13,370,672)	(4,616,569)	(13,220,100)	(7,477,685)	(3,065,940)	-	(137,200,325)
Operating income	(24,283,435)	390,149	(10,141,624)	(8,108,721)	7,669,961	(13,125,847)	(7,477,685)	(3,065,940)	-	(58,143,142)
Nonoperating revenues/(expenses):										
Federal grants	-	-	-	-	-	228,019	-	-	-	228,019
Interest on loans receivable	-	-	-	-	-	714,517	-	-	-	714,517
Investment income	-	-	-	-	-	264,363	-	812,147	-	1,076,510
CCF - operating subsidy	-	-	-	-	-	17,544,945	-	-	-	17,544,945
Nonemployer contribution	-	-	-	-	-	1,829,678	-	-	-	1,829,678
Loss before capital contributions	(24,283,435)	390,149	(10,141,624)	(8,108,721)	7,669,961	7,455,675	(7,477,685)	(2,253,793)	-	(36,749,473)
CCF - capital contributions	7,575,653	39,500	8,271,300	3,280,214	2,256,044	14,134,442	-	-	-	22,836,153
Change in net position	\$ (16,707,782)	\$ 429,649	\$ (18,703,324)	\$ (4,828,507)	\$ 9,926,005	\$ 8,869,117	\$ (7,477,685)	\$ (2,253,793)	\$ -	\$ (13,913,320)
Net position - beginning of year										693,372,469
Net position - end of year										\$ 679,459,149

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

Notes to Financial Statements

Note 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS (CONTINUED)

	20 18									
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Eliminations	Total
Assets:										
Current assets	\$ 5,124,728	\$ 95,179	\$ 1,049,643	\$ 2,403,015	\$ 5,940	\$ 38,931,591	\$ 200,000	\$ -	\$ -	\$ 47,810,096
Restricted assets	-	-	-	-	-	587,277	-	18,368,688	-	18,955,965
Noncurrent assets (excluding capital assets)	-	-	-	-	-	15,670,730	-	-	-	15,670,730
Capital assets	523,420,862	984,417	97,618,768	46,443,733	14,488,419	2,323,983	-	-	-	685,280,182
Total assets	\$ 528,545,590	\$ 1,079,596	\$ 98,668,411	\$ 48,846,748	\$ 14,494,359	\$ 57,513,581	\$ 200,000	\$ 18,368,688	\$ -	\$ 767,716,973
Deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,938,043	\$ -	\$ -	\$ -	\$ 6,938,043
Liabilities:										
Current liabilities	\$ 13,861,770	\$ 785,100	\$ 4,482,017	\$ 3,307,514	\$ 270,345	\$ 3,642,411	\$ 769,697	\$ 827,496	\$ -	\$ 27,946,350
Noncurrent liabilities	-	-	-	-	-	49,919,184	-	-	-	49,919,184
Total liabilities	\$ 13,861,770	\$ 785,100	\$ 4,482,017	\$ 3,307,514	\$ 270,345	\$ 53,561,595	\$ 769,697	\$ 827,496	\$ -	\$ 77,865,534
Deferred inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,437,013	\$ -	\$ -	\$ -	\$ 3,437,013
Net position:										
Net investment in capital assets										685,300,182
Restricted:										
Pension benefits										17,541,192
Other										587,277
Unrestricted										(10,056,182)
Total net position										\$ 693,372,469

	20 18									
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Eliminations	Total
Operating revenues	\$ 42,303,998	\$ 1,682,993	\$ 16,370,506	\$ 4,203,786	\$ 11,887,121	\$ 22,403	\$ 16,500	\$ 17,968,856	\$ (17,968,856)	\$ 76,487,307
Operating expenses	(70,370,545)	(1,804,746)	(32,679,483)	(12,042,079)	(5,082,417)	(27,120,500)	(6,197,653)	(823,016)	17,968,856	(138,151,583)
Operating income	(28,066,547)	(121,753)	(16,308,977)	(7,838,293)	6,804,704	(27,098,097)	(6,181,153)	17,145,840	-	(61,664,276)
Nonoperating revenues/(expenses):										
Federal grants	-	-	-	-	-	82,000	-	-	-	82,000
Interest on loans receivable	-	-	-	-	-	731,223	-	-	-	731,223
Investment income	-	-	-	-	-	263,092	-	395,352	-	658,444
CCF - operating subsidy	-	-	-	-	-	14,158,769	-	-	-	14,158,769
Nonemployer contribution	-	-	-	-	-	1,666,074	-	-	-	1,666,074
Loss before capital contributions	(28,066,547)	(121,753)	(16,308,977)	(7,838,293)	6,804,704	(10,196,939)	(6,181,153)	17,541,192	-	(44,367,766)
CCF - capital contributions	4,433,719	-	1,873,839	289,841	463,077	1,348,796	-	-	-	8,409,272
Change in net position	\$ (23,632,828)	\$ (121,753)	\$ (14,435,138)	\$ (7,548,452)	\$ 7,267,781	\$ (8,848,143)	\$ (6,181,153)	\$ 17,541,192	\$ -	(35,958,494)
Net position - beginning of year										729,330,963
Net position - end of year										\$ 693,372,469

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

Notes to Financial Statements

Note 8 LONG-TERM OBLIGATIONS

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Net pension liability	\$ 39,703,950	\$ 3,956,700	\$ (5,778,408)	\$ 37,882,242	\$ -
Net OPEB liability	8,525,472	3,370,305	(6,530,551)	5,365,226	-
Compensated absences	2,243,167	132,045	-	2,375,212	1,013,723
	<u>\$ 50,472,589</u>	<u>\$ 7,459,050</u>	<u>\$ (12,308,959)</u>	<u>\$ 45,622,680</u>	<u>\$ 1,013,723</u>

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Environmental remediation	\$ 1,929,591	\$ -	\$ (1,929,591)	\$ -	\$ -
Net pension liability	45,107,233	4,778,555	(10,181,838)	39,703,950	-
Net OPEB liability	11,700,165	1,272,411	(4,447,104)	8,525,472	-
Compensated absences	2,330,934	-	(87,767)	2,243,167	970,071
	<u>\$ 61,067,923</u>	<u>\$ 6,050,966</u>	<u>\$ (16,646,300)</u>	<u>\$ 50,472,589</u>	<u>\$ 970,071</u>

Note 9 ENVIRONMENTAL 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 MCCA property are localized to the areas towards the MCCA property line with an adjacent property owner. During fiscal year 2019, the Authority gained access to the adjacent property. Through work performed by its LSP the Authority was unable to determine the source of the petroleum. An additional assessment will be performed by the Authority's LSP including identifying the extent further remediation will be required on the Authority's property. The cost of such remediation steps is not presently known, however, they are not anticipated to have a material impact on the Authority's operations.

During fiscal year 2019, the Authority will be undertaking steps necessary to gain permanent solution status from MassDEP for certain properties that it owns on D Street. This includes testing for the presence of contaminants on the site over the course of a limited period of time. It is not presently known what (if any) remediation steps may be required to gain permanent solution status.

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS

Plan description

On November 15, 2017, the OPEB Trust was established to administer the single-employer defined benefit Other Postemployment Benefit (OPEB) plan that is used to provide postemployment benefits. The Authority's net OPEB liability/(asset) was measured as of June 30, 2019 and the total OPEB Liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of July 1, 2018.

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

	2019	2018
Active employees	258	262
Retirees	61	33
	319	295

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, 2019 and 2018, the employer contributions totaled \$2,258,881 and \$4,594,569, 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 Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2019 and 2018:

Asset Class	Target Allocation
Domestic equity – large cap	16.50 %
Domestic equity – small/mid cap	36.50
International equity – developed market	14.00
International equity – emerging market	3.00
Domestic fixed income	29.00
Cash	1.00
	100.00 %

Rate of Return – For the year ended June 30, 2019 and 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.80% and 5.65%, 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:

	2019	2018
Total OPEB liability	\$ 11,895,777	\$ 12,972,576
Plan fiduciary net position	6,530,551	4,447,104
Authority's net OPEB liability	\$ 5,365,226	\$ 8,525,472
Plan fiduciary net position as a percentage of the total OPEB Liability	54.90%	34.28%

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.

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.

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2018 to the June 30, 2019 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:	6.92%
Healthcare/medical cost trend rate:	5.0%
Inflationary rate:	2.75% 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

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, 2019 and 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity – large cap	16.50 %	4.00 %
Domestic equity – small/mid cap	36.50	6.00
International equity – developed market	14.00	4.50
International equity – emerging market	3.00	7.00
Domestic fixed income	29.00	2.00
Cash	1.00	0.00
	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 6.61%. The discount rate was selected using a blend of the Municipal Bond Index Rate (2.79% at June 30, 2019 and 2018) for unfunded periods and the Investment Rate of Return (6.92% at June 30, 2019 and 2018) 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 of 6.25%, as well as what the net OPEB liability would be if it were calculated using a discount rate is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.61%)	1% Increase (7.25%)
Net OPEB liability	\$ 7,178,001	\$ 5,365,226	\$ 3,721,173

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 3,707,230	\$ 5,365,226	\$ 7,472,704

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

The Authority's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018, which through update procedures was rolled forward to the June 30, 2019 measurement date.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at June 30, 2018	\$ 12,972,576	\$ 4,447,104	\$ 8,525,472
Changes for the year:			
Service cost	541,348	-	541,348
Interest	832,004	-	832,004
Changes in assumptions	(1,484,171)	-	(1,484,171)
Differences between expected and actual experience	(556,060)	-	(556,060)
Contributions – employer	-	2,258,881	(2,258,881)
Net investment income	-	250,742	(250,742)
Benefit payments	(409,920)	(409,920)	-
Administrative expense	-	(16,256)	16,256
Net changes	(1,076,799)	2,083,447	(3,160,246)
Balances at June 30, 2019	<u>\$ 11,895,777</u>	<u>\$ 6,530,551</u>	<u>\$ 5,365,226</u>

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

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$745,120. At June 30, 2019, 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 pension plan investments	<u>\$ 123,830</u>	<u>\$ (1,748,770)</u>

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$1,382,075. At June 30, 2018, 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 pension plan investments	\$ 37,801	\$ -

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ (258,549)
2021	(258,549)
2022	(258,548)
2023	(268,001)
2024	(291,461)
Thereafter	(289,832)
Total	<u>\$ (1,624,940)</u>

Note 11 PENSION PLAN

General Information about the Pension Plan

Plan Description – Pensions are provided to eligible Authority employees through the Massachusetts State Employees' Retirement System (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.

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

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.

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, 2019 and 2018 totaled \$875,332 and \$788,925, respectively. Non-employer contributions from the Commonwealth for the year ended June 30, 2019 and 2018, measurement date one year behind, totaled \$1,829,678 and \$1,666,074, respectively.

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

At June 30, 2019 and 2018, the Authority reported a liability of \$37,882,242 and \$39,703,950, respectively, for its proportionate share of the net pension liability. The June 30, 2019 net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2018). 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, 2019, the Authority's proportion was 0.28634%, which compared to a proportion of 0.30959% at June 30, 2018.

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of \$3,956,700 and \$4,778,554, respectively. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,316,748)
Differences between expected and actual experience	1,201,304	(772,042)
Changes in assumptions	3,839,130	-
Changes in proportion	148,133	(3,585,442)
Contributions made subsequent to measurement date	875,322	-
	<u>\$ 6,063,889</u>	<u>\$ (5,674,232)</u>

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

The \$875,322 reported as deferred outflows of resources 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 2020. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 1,697,734
2021	260,999
2022	(1,346,340)
2023	(659,190)
2024	(438,868)
	\$ (485,665)

Actuarial Assumptions – The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

1. (a) 7.35% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per 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 - RP-2014 Blue Collar Employees table projected generationally with MP-2016 and set forward year for females
 - Post-retirement - RP-2014 Blue Collar Healthy Annuitant table projected generationally with scale MP-2016 set forward 1 year for females
 - Disability - the mortality rate is assumed to be in accordance with the 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, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2006 to December 31, 2011, and applied to all periods included in the measurement.

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	39.0 %	5.0 %
Portfolio completion strategies	13.0	3.7
Core fixed income	12.0	0.9
Private equity	12.0	6.6
Value added fixed income	10.0	3.8
Real estate	10.0	3.8
Timber/natural resources	4.0	3.4
	100.0 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. 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 of 7.35%, 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 (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Authority's proportionate share of the net pension liabilities	\$ 51,059,576	\$ 37,882,242	\$ 26,623,607

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

Note 12 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 Financial Statements

Note 13 COMMITMENTS

The following represents the Authority's ongoing projects at June 30, 2019:

	Total Committed Amount	Spent Through June 30, 2019	FY20 Commitment	Future Year Commitments
BCEC Public Carpet	\$ 4,760,599	\$ 173,599	\$ 587,000	\$ 4,000,000
BCEC Digital Display	4,347,867	143,867	98,000	4,106,000
BCEC Hall A Escalator Addition	4,286,649	106,649	1,105,000	3,075,000
BCEC Shooter Detection	2,750,241	325,241	1,225,000	1,200,000
BCEC Campus Master Planning	2,646,553	1,796,553	850,000	-
BCEC Project Brew	2,511,022	693,122	297,500	1,520,400
BCEC Sidewalk Improvement	2,199,721	458,187	300,000	1,441,534
BCEC WTC Pedestrian Walkway	1,371,016	301,016	650,000	420,000
BCEC Level 0 Walkway	1,355,658	100,658	555,000	700,000
BCEC Roadway Improvement	1,131,021	57,021	1,074,000	-
BCEC Crash Barrier	963,837	173,837	290,000	500,000
BCEC Hall B Restroom Remodel	760,435	80,435	680,000	-
BCEC Level 1 Roadway	567,665	41,665	76,000	450,000
BCEC Access Control	377,460	77,460	300,000	-
BCEC Executive Conference Room	194,243	34,243	160,000	-
BCEC / Hynes Green Room Updates	267,974	7,974	260,000	-
BCG Upper Level Waterproofing	7,005,514	934,514	1,800,000	4,271,000
BCG Traffic Membrane	6,424,090	24,090	350,000	6,050,000
BCG Elevator Replacement	3,361,692	2,135,692	1,226,000	-
BCG Assisted Parking	744,990	244,990	500,000	-
Hynes MEP Project	30,758,010	298,010	3,160,000	27,300,000
Hynes Escalator Modernization	8,501,249	5,002,249	2,284,000	1,215,000
Hynes Auditorium	2,948,466	139,466	132,500	2,676,500
Hynes Mass Pike Tunnel Ceiling Repair	2,066,666	313,666	683,000	1,070,000
Hynes Digital Display	1,338,791	63,791	100,000	1,175,000
Hynes Shooter Detection	1,171,461	75,461	36,000	1,060,000
Hynes Meeting Room Doors	827,432	57,432	770,000	-
Hynes Public Carpet	710,699	208,699	502,000	-
Hynes Mass Pike Ceiling Monitoring	628,223	581,223	47,000	-
Hynes Employee Entrance	275,731	75,731	200,000	-
Hynes SRX Show Firewall Project	257,827	232,827	25,000	-
Hynes Camera Equipment Purchase	133,759	8,759	125,000	-
MMC Digital Display	3,615,212	72,212	203,000	3,340,000
MMC Arena AHU Replacement	3,248,377	263,377	1,185,000	1,800,000
MMC RTU Replacement	2,605,269	105,269	2,500,000	-
MMC Center Grill / Breakaway Lounge	1,110,415	10,415	400,000	700,000
MMC VAV Replacement	884,792	85,792	799,000	-
MMC Shooter Detection	710,730	37,730	16,000	657,000
MMC Convention Center Carpet	336,654	40,654	176,000	120,000
	<u>\$ 110,158,010</u>	<u>\$ 15,583,576</u>	<u>\$ 25,727,000</u>	<u>\$ 68,847,434</u>

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

Notes to Financial Statements

Note 14 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2019. Other contingencies existing as of June 30, 2019 are described below:

Hynes Flood

On April 10, 2019, a water pipe failure occurred at the John B. Hynes Convention Center. The failure resulted in the flooding of the utility electrical room and west administrative offices. Fiscal year 2019 expenses associated with the flooding totaled \$424,960. Total costs for recovery, repair and build out of the spaces are currently estimated to be \$1.3 million. The Authority submitted an insurance claim with its property insurer, from whom a determination of eligible costs under the policy is pending. Initial indications are that the Authority is eligible for no less than \$250,000 after its deductible. All insurance claim disbursements to the Authority will be recorded in the fiscal year received. Fixed assets written off in fiscal year 2019 associated with the flood amounted to \$103,675.

Note 15 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 87, *Leases*. This standard establishes standards of accounting and financial reporting for leases by lessees and lessors. The objective of this standard is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. This standard is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this standard is to establish accounting requirements for interest cost incurred before the end of a construction period. This standard is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. The requirements of this standard should be applied prospectively. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 90, *Majority Equity Interests*. The objective of this standard is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This standard is effective for financial statements for fiscal years beginning after December 15, 2018. Earlier application is encouraged. The requirements of this standard should be applied retroactively. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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

Notes to Financial Statements

Note 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 17, 2019, 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:

Hynes Convention Center Sale

On September 19, 2019, the Authority's board of directors voted to approve a plan to sell the Hynes Convention Center and use the proceeds of the transaction to fund, in part, the costs of expanding the BCEC. 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 is subject to final approval by the State Legislature.

**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, 2015	0.33437%	\$ 24,824,160	\$ 18,319,823	140.14%	76.32%
June 30, 2016	0.33074%	37,647,760	18,217,216	205.50%	67.87%
June 30, 2017	0.32771%	45,107,233	17,677,269	255.17%	63.48%
June 30, 2018	0.30959%	39,703,950	16,460,292	241.21%	67.21%
June 30, 2019	0.28634%	37,882,242	17,440,857	217.20%	67.21%

⁽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 Authority Contributions ⁽¹⁾
Last Ten Fiscal Years**

Fiscal year end	Contractually required contribution	Contributions in relation to the contractually required contribution Contribution deficiency (excess)	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll
June 30, 2015	\$ 540,096	\$ (540,096)	\$ -	\$ 18,319,823	2.95%
June 30, 2016	596,735	(596,735)	-	18,217,216	3.28%
June 30, 2017	754,322	(754,322)	-	17,677,269	4.27%
June 30, 2018	788,925	(788,925)	-	16,460,292	4.79%
June 30, 2019	875,332	(875,332)	-	17,440,857	5.02%

⁽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**

	2019	2018
Total OPEB Liability		
Service cost	\$ 541,348	\$ 733,395
Interest on total OPEB liability, service cost and benefit payments	832,004	769,989
Benefit payments	(409,920)	(230,973)
Difference between expected and actual plan experience	(556,060)	-
Change in assumptions	(1,484,171)	-
Net change in OPEB liability	(1,076,799)	1,272,411
Total OPEB liability - beginning of period	12,972,576	11,700,165
Total OPEB liability - end of period	11,895,777	12,972,576
Plan Fiduciary Net Position		
Earnings from Plan investments	250,742	100,622
Employer contributions to Trust	2,258,881	4,594,569
Benefit payments	(409,920)	(230,973)
Administrative expenses	(16,256)	(17,114)
Net change in Plan fiduciary net position	2,083,447	4,447,104
Plan fiduciary net position - beginning of period	4,447,104	-
Plan fiduciary net position - end of period	6,530,551	4,447,104
Net OPEB liability	5,365,226	8,525,472
Plan fiduciary net position as a percentage of total OPEB liability	54.90%	34.28%
Covered-employee payroll	\$ 17,576,666	\$ 21,608,853
Net OPEB liability as a percentage of cover-employee payroll	30.52%	39.45%

(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 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, 2018	\$ 1,332,006	\$ (4,594,569)	\$ (3,262,563)	\$ 21,608,853	21.26%
June 30, 2019	931,064	(2,258,881)	(1,327,817)	17,576,666	12.85%

⁽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**

	<u>2019</u>	<u>2018</u>
Money-weighted rate of return, net of investment expense	4.84%	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)**

**Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Budgetary Basis (Unaudited)
Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
BCEC	\$ 37,684,935	\$ 42,517,619	\$ 4,832,684
Lawn on D	1,655,900	1,827,409	171,509
Hynes	15,090,349	17,069,420	1,979,071
BCG	11,389,690	12,286,530	896,840
MMC	4,881,764	5,261,952	380,188
Other income	285,000	94,253	(190,747)
Total revenues	<u>70,987,638</u>	<u>79,057,183</u>	<u>8,069,545</u>
Expenses:			
BCEC	35,344,313	36,425,658	(1,081,345)
Lawn on D	1,159,551	1,093,275	66,276
Hynes	16,163,539	16,148,868	14,671
BCG	2,571,525	2,365,410	206,115
MMC	9,170,274	9,876,594	(706,320)
Central administrative	11,438,242	10,725,535	712,707
Marketing and sales	7,880,000	7,477,685	402,315
Total expenses	<u>83,727,444</u>	<u>84,113,025</u>	<u>(385,581)</u>
Excess (deficiency) of revenues over expenses	<u>(12,739,806)</u>	<u>(5,055,842)</u>	<u>7,683,964</u>
Nonoperating revenues (expenses):			
Federal Grants	-	228,019	228,019
Ferry service feasibility study sponsorship	-	-	-
Investment and loan income	914,517	978,880	64,363
South Boston ferry	-	-	-
Eastern MA Sports Partnership - Sponsorship	-	-	-
Eastern MA Sports Partnership - Staff	-	-	-
Unspent Funding GBCVB - Sail Boston 2017	-	-	-
Abandoned Capital Projects Reclassified from CIP	-	(471,283)	(471,283)
Pension/OPEB Liability Funding	(10,904,020)	(10,904,020)	-
Total nonoperating revenues (expenses)	<u>(9,989,503)</u>	<u>(10,168,404)</u>	<u>(178,901)</u>
Change in net position	<u>\$ (22,729,309)</u>	<u>\$ (15,224,246)</u>	<u>\$ 7,505,063</u>

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

**Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual – Budgetary Basis (Unaudited)
Year Ended June 30, 2018**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
BCEC	\$ 36,073,474	\$ 42,303,996	\$ 6,230,522
Lawn on D	1,598,820	1,682,993	84,173
Hynes	12,836,264	16,370,506	3,534,242
BCG	12,730,110	11,887,121	(842,989)
MMC	4,353,048	4,203,786	(149,262)
Other income	-	22,403	22,403
Total revenues	<u>67,591,716</u>	<u>76,470,805</u>	<u>8,879,089</u>
Expenses:			
BCEC	32,765,133	36,391,695	(3,626,562)
Lawn on D	1,123,621	1,229,919	(106,298)
Hynes	16,048,541	15,076,145	972,396
BCG	2,732,529	2,450,132	282,397
MMC	7,967,204	8,677,496	(710,292)
Central administrative	11,918,130	8,277,270	3,640,860
Marketing and sales	8,023,141	7,042,853	980,288
Total expenses	<u>80,578,299</u>	<u>79,145,510</u>	<u>1,432,789</u>
Excess (deficiency) of revenues over expenses	<u>(12,986,583)</u>	<u>(2,674,705)</u>	<u>10,311,878</u>
Nonoperating revenues (expenses):			
Federal grants	-	82,000	82,000
Ferry service feasibility study sponsorship	68,450	35,349	(33,101)
Investment and loan income	853,223	994,315	141,092
South Boston ferry	(68,450)	(35,349)	33,101
Eastern MA Sports Partnership - Sponsorship	-	16,500	16,500
Eastern MA Sports Partnership - Staff	-	(16,500)	(16,500)
Unspent Funding GBCVB - Sail Boston 2017	926,935	926,935	-
Abandoned Capital Projects Reclassified from CIP	-	(347,705)	(347,705)
Pension/OPEB Liability Funding	(22,484,587)	(22,484,587)	-
Total nonoperating revenues (expenses)	<u>(20,704,429)</u>	<u>(20,829,042)</u>	<u>(124,613)</u>
Change in net position	<u>\$ (33,691,012)</u>	<u>\$ (23,503,747)</u>	<u>\$ 10,187,265</u>

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

**Schedule of Salary and Other Compensation of Highly Compensated Employees (Unaudited)
Year Ended June 30, 2019**

	Amounts Reported in FY 19 Financial Statements			Base Compensation at June 30, 2019
	Base Salary	Other Compensation	Total Compensation	
David Gibbons, Executive Director	\$ 252,013	\$ 25,201	\$ 277,214	\$ 252,013
Dennis Callahan, Deputy Director	188,718	-	188,718	188,718
Joyce Leveston, General Manager	178,526	-	178,526	178,526
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
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 compensation	\$ 1,461,011	\$ 25,201	\$ 1,486,212	\$ 1,461,011

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

**Reconciliation of GAAP Operating Loss to Statutory Net Cost of Operations and
Operating Reimbursement Requests from the Convention Center Fund (Unaudited)
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
GAAP operating loss as presented in the statements of revenues, expenses and changes in net position (page 19)	<u>\$ (58,143,142)</u>	<u>\$ (61,664,276)</u>
Adjustments/additions to reconcile to statutory net cost of operations as defined within Chapter 190 of the Acts of 1982:		
Depreciation expense	47,966,042	52,525,987
Annual net pension cost calculated in accordance with GAAP	3,081,542	3,989,629
Annual net OPEB cost calculated in accordance with GAAP	674,236	1,303,237
Greater Boston Convention and Visitors Bureau - Sail Boston 2017	-	(926,935)
Pension trust expenses	894,198	823,017
Expenses from abandoned capital projects	471,283	347,705
Total adjustments	<u>53,087,301</u>	<u>58,062,640</u>
Statutory net cost of operations (A)	<u>(5,055,841)</u>	<u>(3,601,636)</u>
Adjustments/additions to reconcile to operating reimbursement requests from the Convention Center Fund:		
Principal repayments on loans receivable	380,342	363,637
Federal grants	228,019	82,000
Interest received on loans receivable and investment income	978,880	994,315
Total adjustments	<u>1,587,241</u>	<u>1,439,952</u>
Total operating reimbursement requests from the Convention Center Fund	<u>\$ (3,468,600)</u>	<u>\$ (2,161,684)</u>



RSM US LLP

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

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 the business-type activities and fiduciary activities of the Massachusetts Convention Center Authority (the Authority), as of and for the year ended June 30, 2019, 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 17, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Authority'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Boston, Massachusetts
October 17, 2019