Annual Performance Report
Fiscal Year 2017

Charlie Baker, Governor
Karyn Polito, Lt. Governor
Jay Ash, Chairman and Secretary, Executive Office of Housing and Economic Development
Lauren Liss, President & CEO

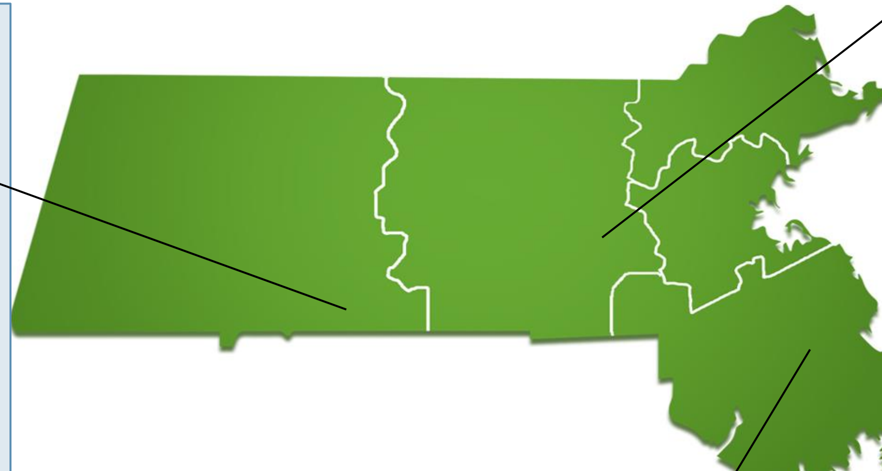
MassDevelopment

Way to grow.

MassDevelopment
FY17 Performance & Projects - At A Glance

$7.4M Manufacturing Bond & $860,000 Guarantee – Tree House Brewery, Monson

Investment will support construction & equipment purchase for a 53,000 ft² brew house which will increase brewing capacity and create over 100 construction and new permanent jobs.



$25,000 Commonwealth Places Grant – The Corner Spot, Ashland

MassDevelopment technical assistance and Commonwealth Places matching grant allowed residents of Ashland to crowd fund 150% of their goal and develop an active downtown space for gathering and a pop up market for entrepreneurs to test retail concepts.

$3.3M Market Rate Housing Loan – 47 Pleasant St., Brockton

MassDevelopment financing, alongside Housing Development Incentive Program and other tax credits will support 24 new market rate housing units in a long vacant building at the heart of the TDI District.

282 *PROJECTS*

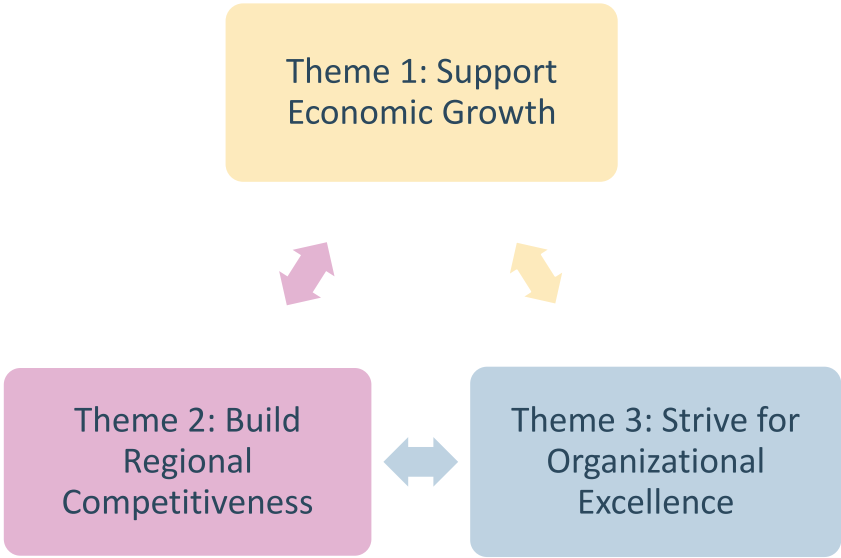
9,488 *JOBS CREATED*

1,808 *UNITS BUILT/PRESERVED*

STRATEGIC THEMES

MassDevelopment's 3 Strategic Themes articulate clear statements of external program goals and internal organizational process improvements that MassDevelopment focuses on to advance its mission.

The interrelationship between the two external facing program themes and the internal theme reflect the Agency's belief that our people and processes are essential to our success at delivering our mission.

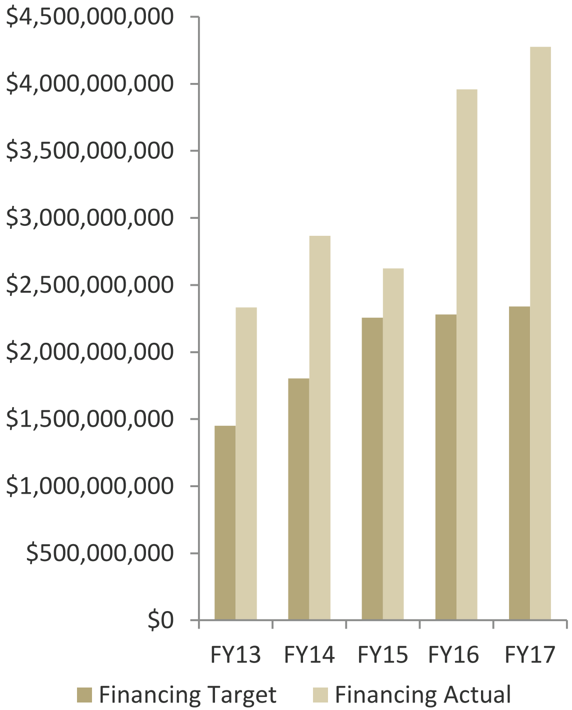


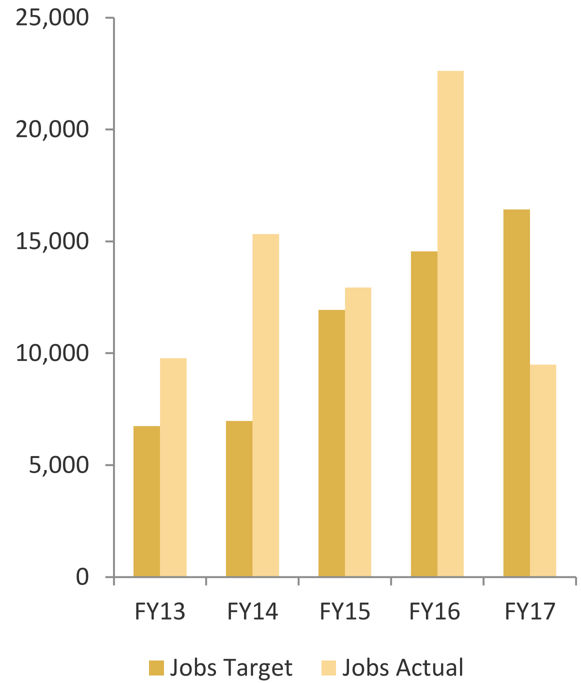
FULLY MET GOALS
Provide Access To Markets
Support Job Creation
Increase Opportunity In The Innovation Economy
Champion Transformative Development Initiative
Increase Housing Availability
Build Regional Economic Development Expertise & Knowledge
Increase Workforce Capacity
Improve Systems & Technology
Deepen Performance Management

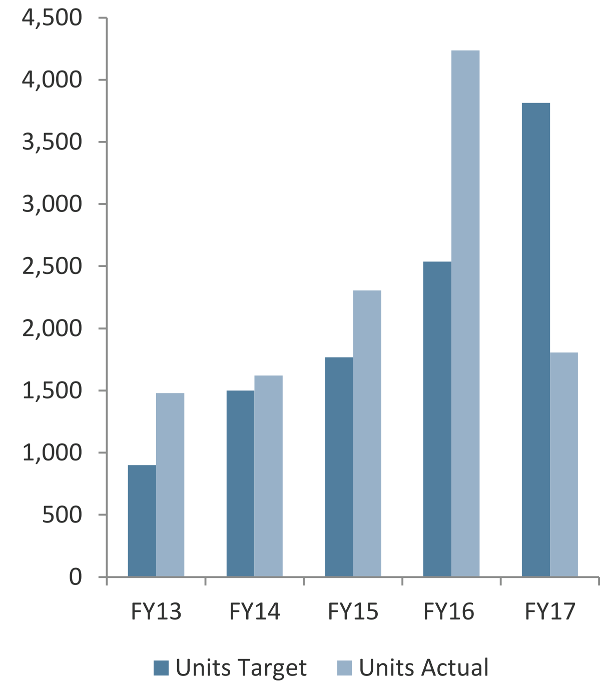
PARTIALLY MET GOALS
Strengthen & Champion Manufacturing & Defense Sector
Support & Catalyze Regional Economic Assets
Enhance Stakeholder Engagement

Strategic Themes & Key Performance Indicators

SUPPORTING ECONOMIC GROWTH: ACCESS TO CAPITAL	SUPPORTING ECONOMIC GROWTH: JOB CREATION	BUILDING REGIONAL COMPETITIVENESS: INCREASE HOUSING AVAILABILITY

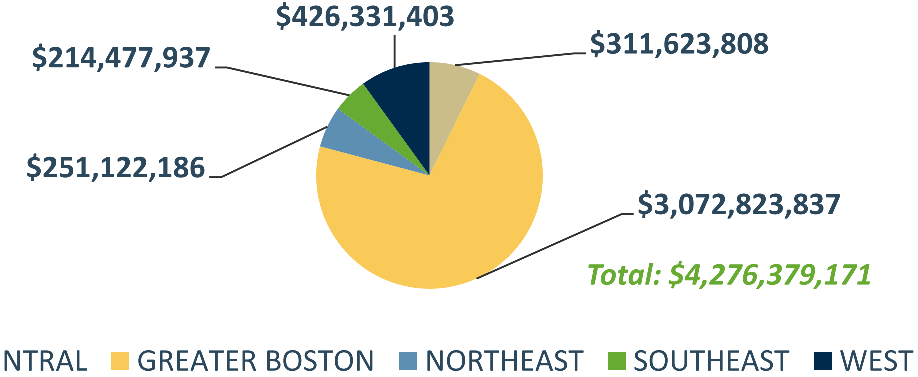




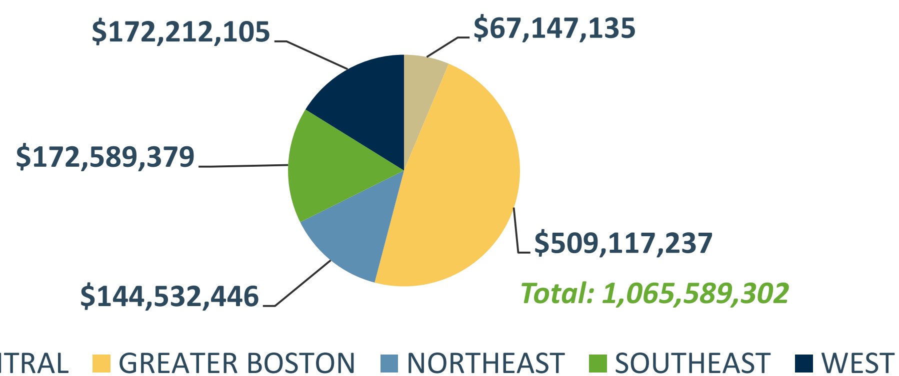


Support Economic Growth: Provide Access To Markets

FY2017 – Total Financed by Region

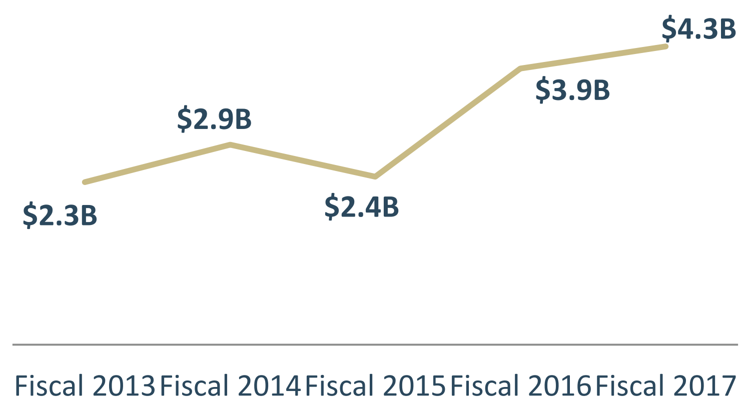


FY2017 Total Financed by Region (Excluding Hospitals & Universities)

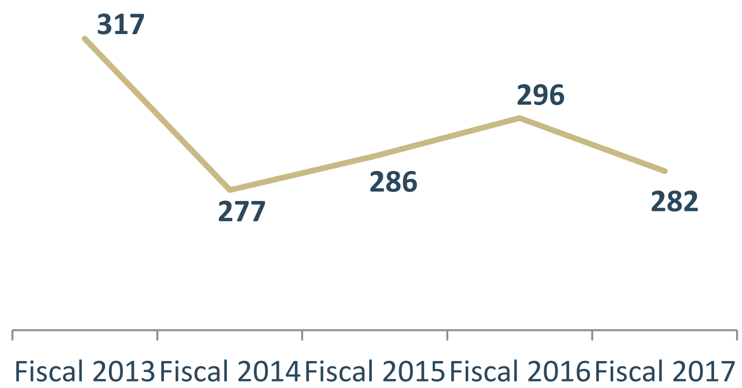


MassDevelopment Financing Trend Analysis (FY12 – FY17)

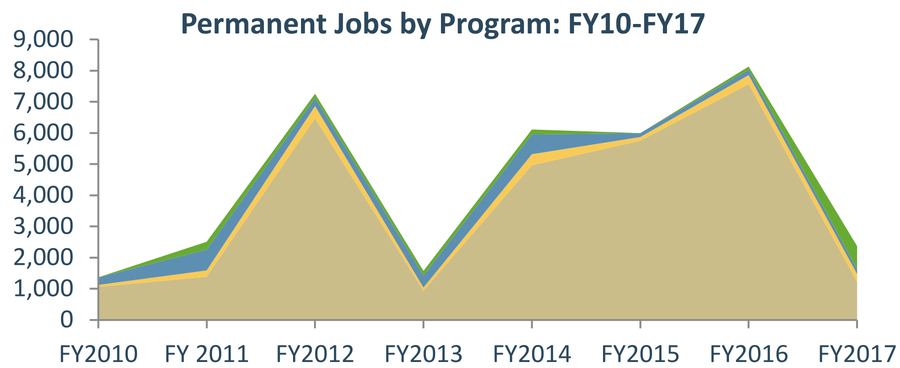
Total $ Invested (Bonds, Loans & Grants)

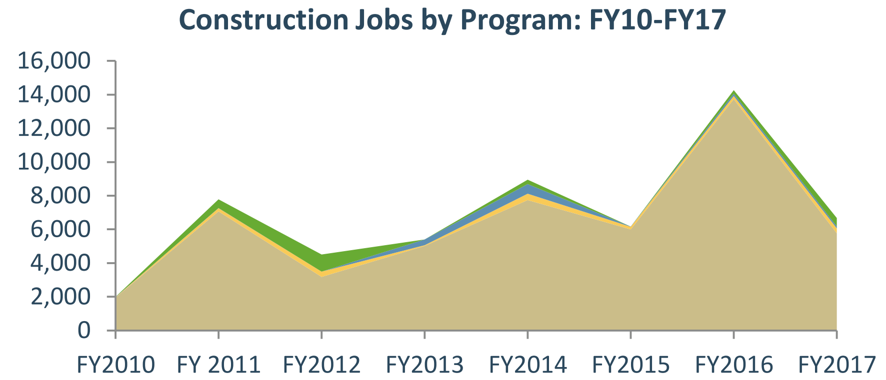


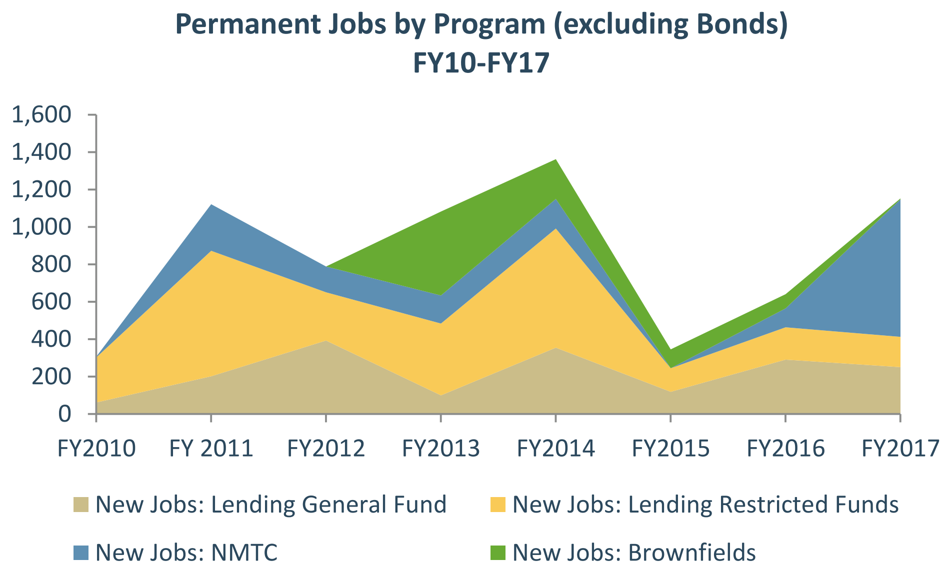
Total Projects/Closings

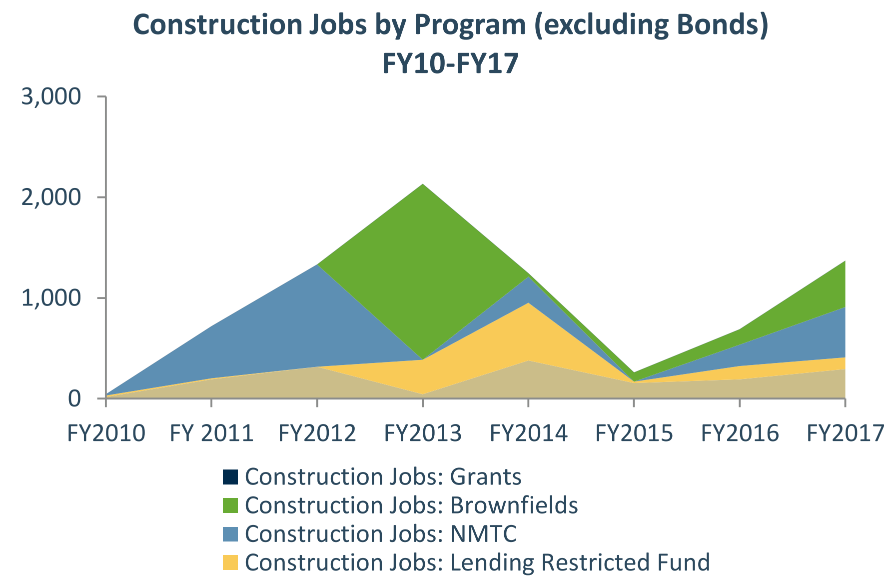


Support Economic Growth: Support Job Creation



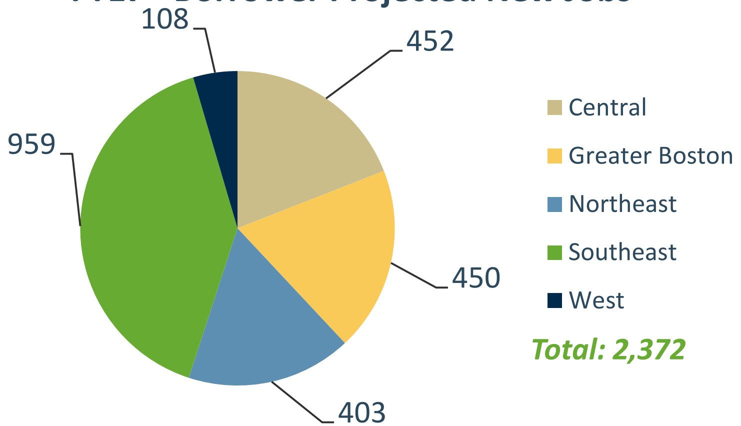






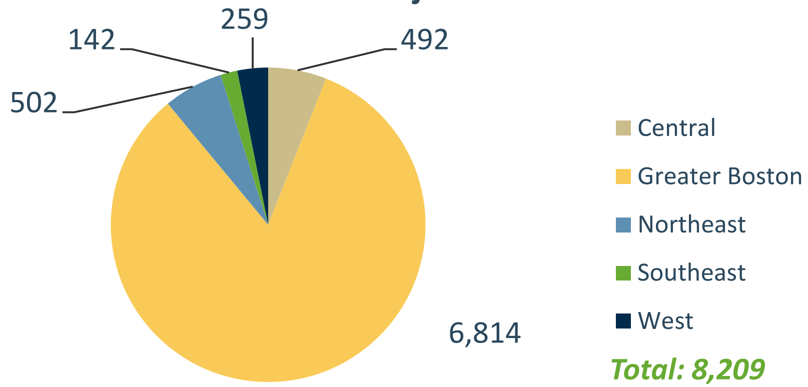
Support Economic Growth: Support Job Creation

FY17 - Borrower Projected New Jobs



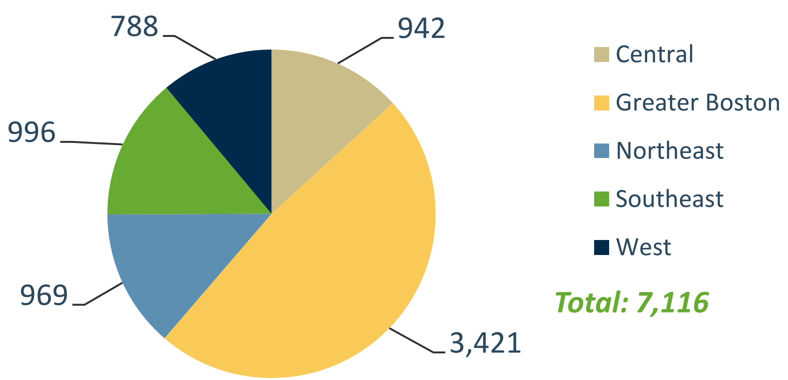
Total: 2,372

FY16 - Borrower Projected New Jobs



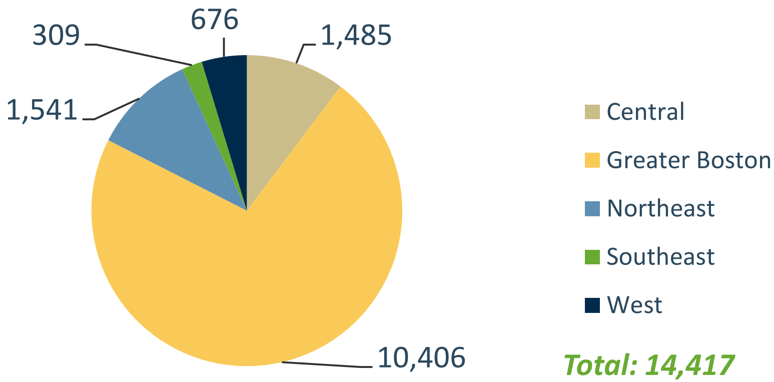
Total: 8,209

FY17 - Calculated Construction Jobs



Total: 7,116

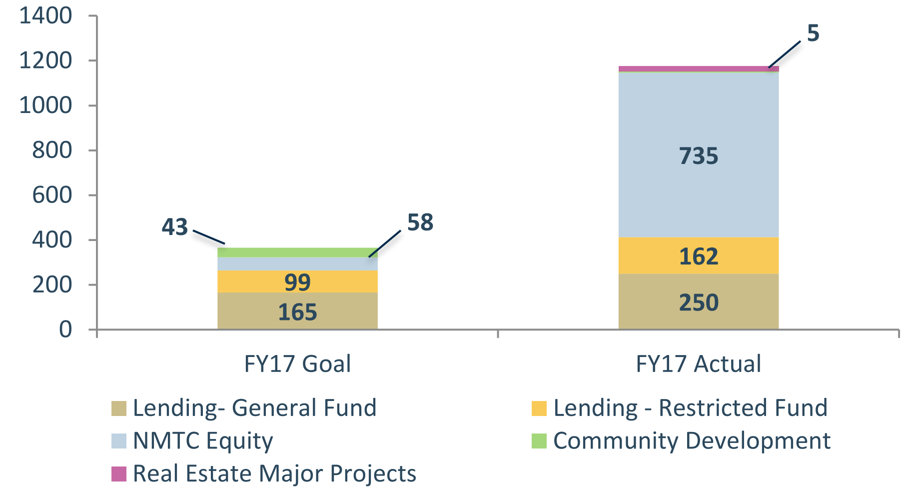
FY16 - Calculated Construction Jobs



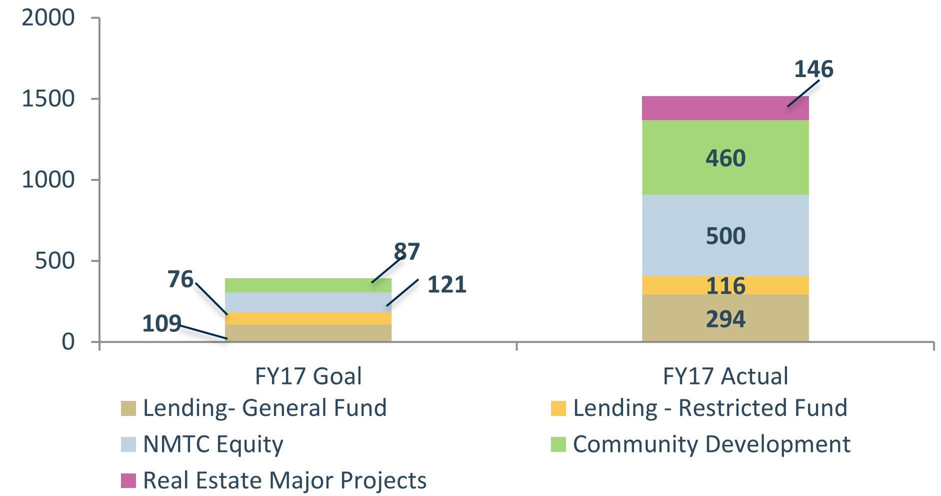
Total: 14,417

Support Economic Growth: Support Job Creation

FY17 New Jobs (by Program, Target v. Actual, excluding bonds)



FY17 Construction Jobs (by Program, Target v. Actual, excluding bonds)



Performance Analysis

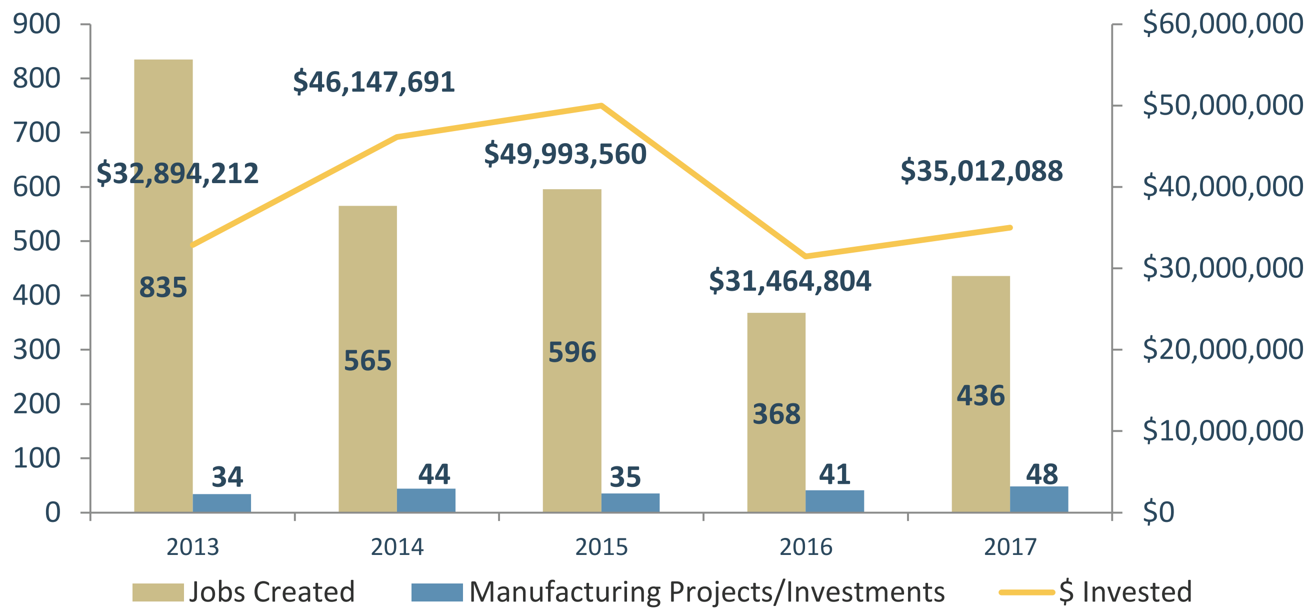
- Majority of agency support for job creation (for total jobs) comes from non profit bond (hospital, university and other non profit) issuances, with less from private activity (housing and manufacturing bonds). This is generally driven by several factors including:
  - Spikes in total volume of job creation supported in years when large institutional borrowers access bond financing
  - Spikes in new job creation when the agency has New Market Tax Credit allocation to program
- Significant growth over target in non bond job creation, driven by several factors including:
  - Increase in construction job from multifamily housing lending products
  - Increase in new permanent job creation from New Markets Tax Credit projects from prior allocation years

Support Economic Growth: Strengthen & Champion the Manufacturing Sector

AMP it up!
Advanced Manufacturing Program

Program Awards
9 Grants - $ Invested: $88,633
Program Highlights

• Over 100 events, conferences, company tours, teacher externships and student internships supported
• Over 120 employers participating in activities including tours, job fairs, hosting internships/externships
• Significant exposure to opportunities in the sector reaching
  • Over 2,500 students
  • Over 800 parents
  • Over 100 teachers and guidance counselors



Performance Analysis

- 11% increase in total financing to support manufacturing sector over prior year
- 18% increase in total job creation supported through financing
- 17% increase in total projects financed/supported

Support Economic Growth: Strengthen & Champion the Defense Sector

Barnes ANGB	***Ft. Devens***	***Hanscom AFB***	***Westover ARB***	***Natick Soldier Systems Center***	***Joint Base Cape Cod***

Key Successes to Date

Barnes

- Engaged an initial discussions about installing solar energy to the base.

Hanscom

- Secured $14.4M in MILCON to rebuild Vandenberg Gate
- $265M in funds committed by Dept. of Defense for Lincoln Labs improvements

Joint Base Cape Cod

- Brokered real estate agreement between USCG and the USAF & issued “Letter of Interest” and continued due diligence on the Water & Waste Water Treatment facilities

Natick

- Secured $21M in MILCON funding for new military housing

Westover Air Reserve Base

- Secured $10M in MILCON to construct new weapons range

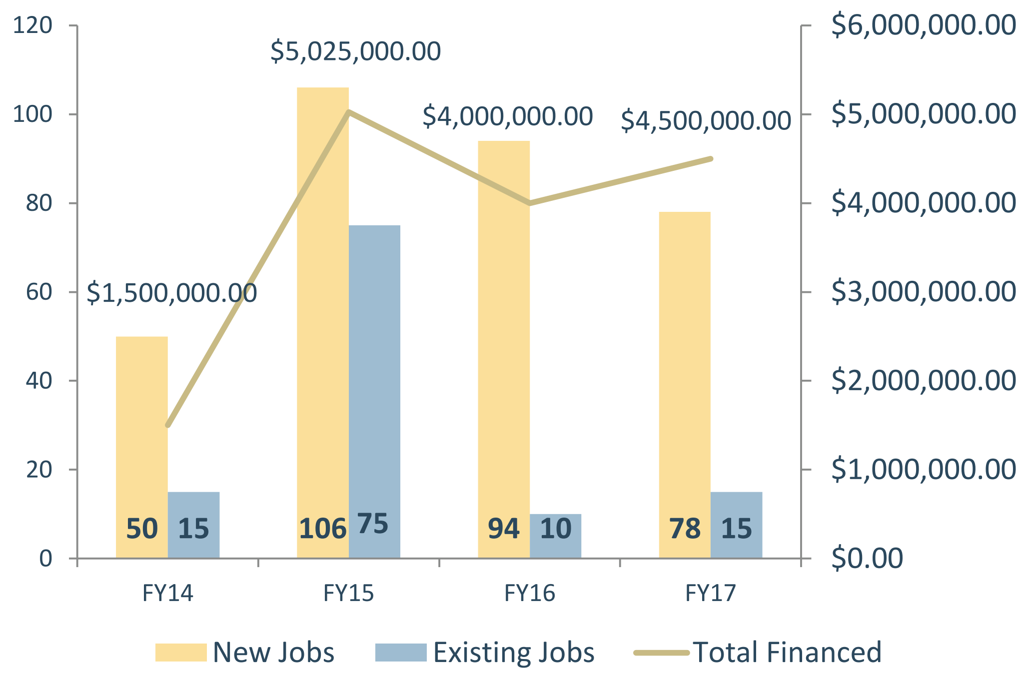
Sector & Installation Impact

- Massachusetts military installations directly or indirectly supported
  - More than 57,000 jobs
  - Total economic contribution of more than $13 billion
- Defense contracts in Massachusetts directly or indirectly supported
  - More than 88,000 workers
  - Total economic contribution of more than $20 billion

Support Economic Growth: Increase Opportunity in the Innovation Economy

Emerging Technology Fund (FY2014—FY2017)		
Total Invested	Total New Jobs	Total Existing Jobs
$15,025,000	328	115

CoWork/Innovation Infrastructure
FY17 – 30 Grants, $ Invested: $2,145,000
FY17 fit out awards supported over 300,000 SF of space expected to serve at least 500 members.
Program To Date - 51 Grants; $ Invested: $3,145,120



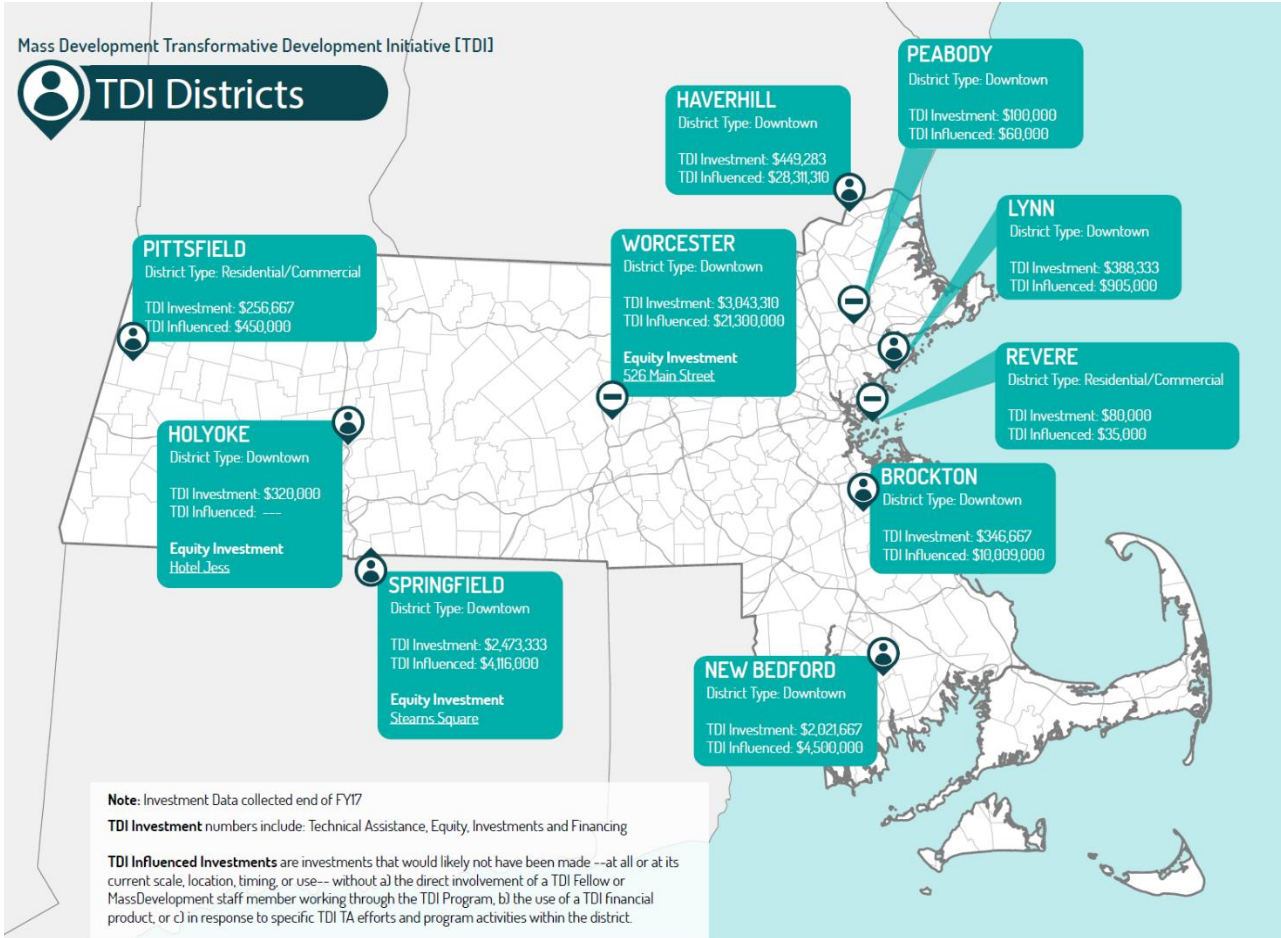
Lexington Medical, Inc.

Billerica

Emerging Technology Fund Loan

- $2.5 million Emerging Technology Fund loan to Lexington Medical Inc., a developer of abdominal surgical devices in Billerica.
- Assisted in an 8,000-square-foot expansion & equipment acquisition.
- The company estimates this project will create 65 jobs.

Build Regional Competitiveness: Champion Transformative Development Initiative



Performance Analysis

TDI Fellows & Assistance

- All fellows completed/exceeded work plan targets from local partnerships
- Over $1.2M in Technical Assistance deployed to date to help districts w a range of planning, business recruitment and real estate redevelopment activities.

TDI Equity

- Over $3.1M in equity investments deployed to date
    - Stearns Sq (Springfield), 526 Main St. (Worcester) & Hotel Jess (Holyoke). Redevelopment ongoing in all three projects.

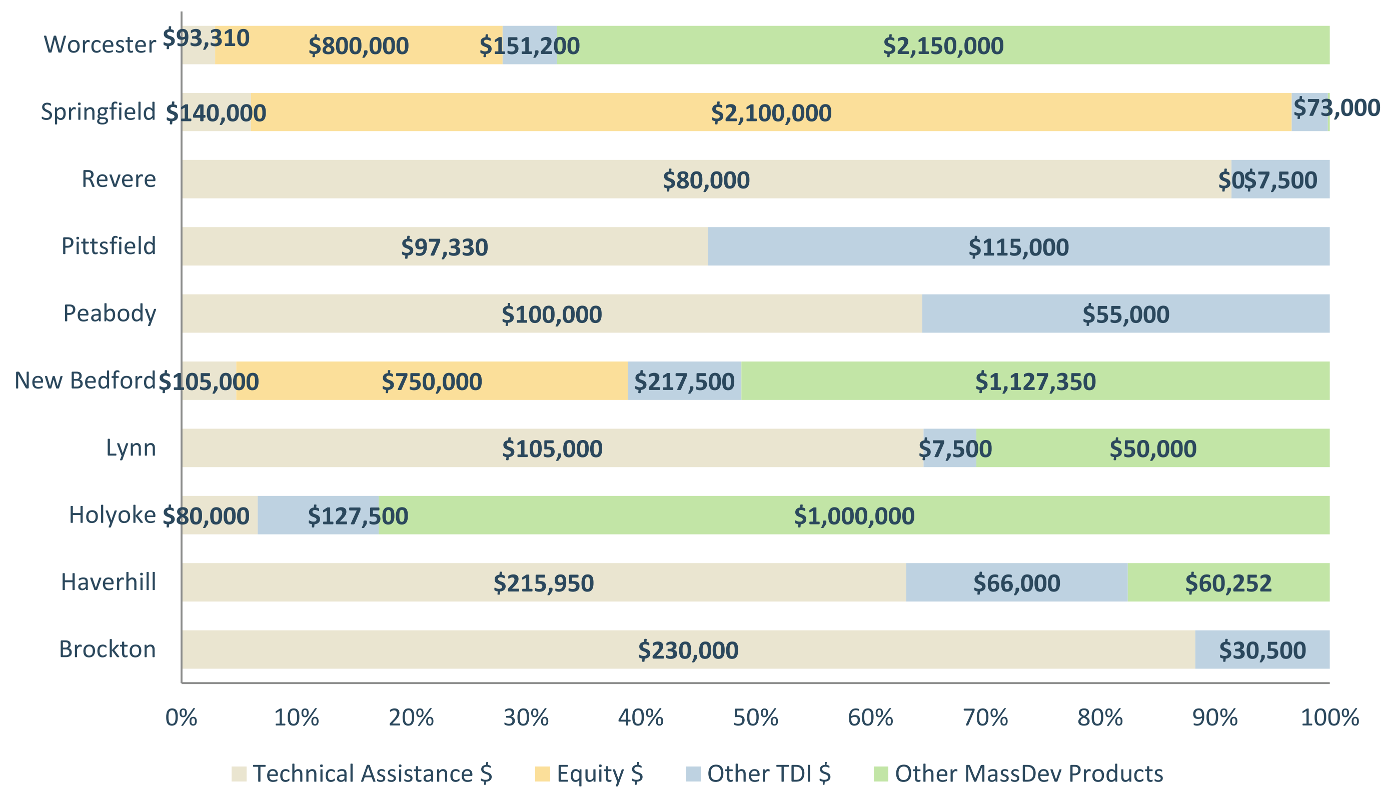
TDI Funding Leverage

- Secured Kresge Community Finance investment of $3M in partnership with Boston Community Capital
- Developed the State Resource Network, a pilot partnership with HUD to provide technical assistance designed to increase Gateway City economic competitiveness.

Build Regional Competitiveness: Champion Transformative Development Initiative

Transformative Development Initiative

Total MassDevelopment Investment – by Program

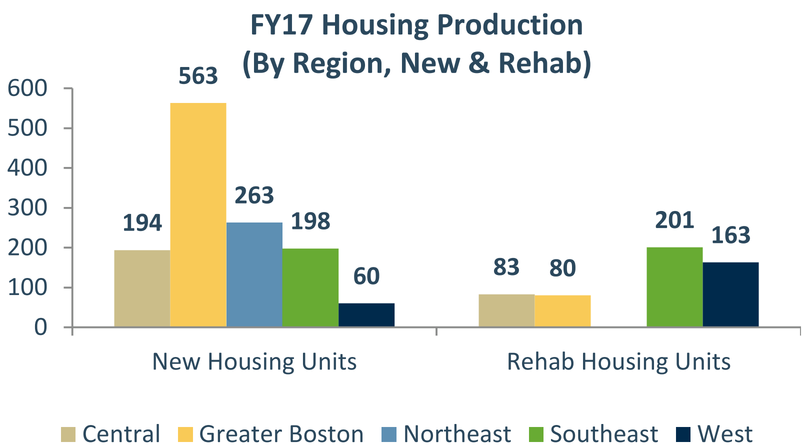


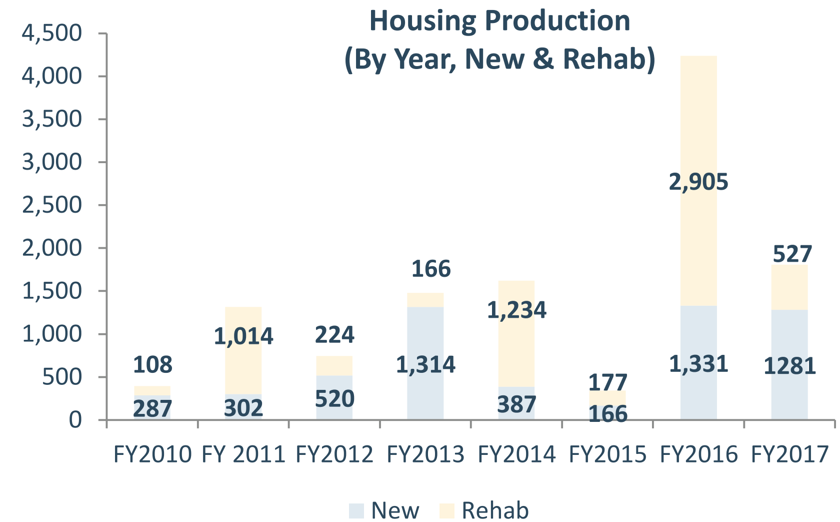
Note: Additional equity investment in progress for projects in Brockton, Haverhill, Holyoke and Lynn not shown.

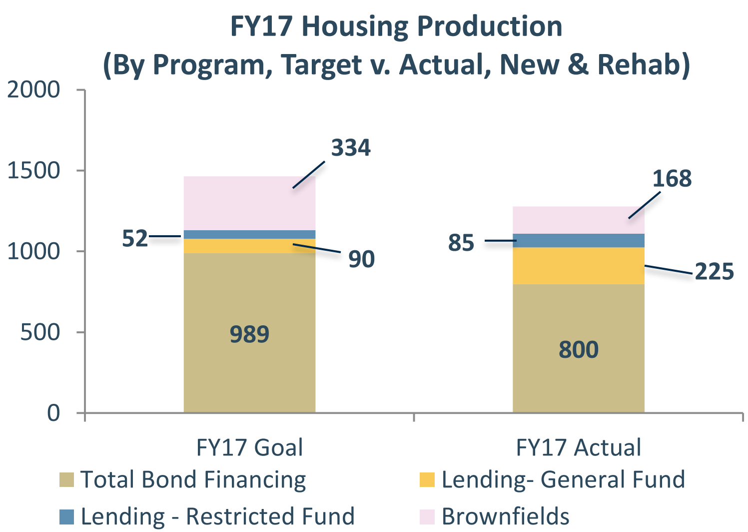
TEAM BETTER BLOCK

Better Block disrupts traditional planning process and replaces it with hands-on community action. During a Better Block local residents, stakeholders and volunteers work to temporarily create a walkable, livable block by building street furniture, parklets and outdoor seating, placing entrepreneurs in vacant storefronts, landscaping the street, painting temporary bike lanes and crosswalks, and energizing public space with lively programming and local art. TDI has brought Better Block to the Haverhill & Pittsfield districts (to date).

Build Regional Competitiveness: Increase Housing Availability





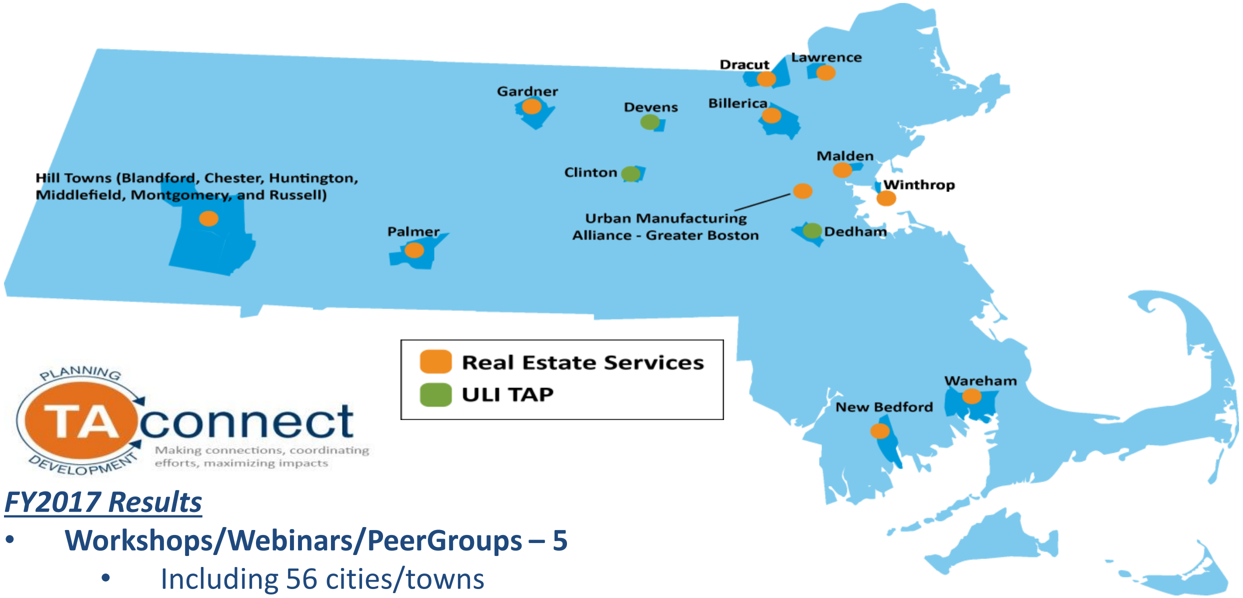


Performance Analysis

- Over double projected total unit output for direct housing loans/guarantees
- 50% decrease in total units over prior year, driven by factors including:
  - Significant decrease in rehabilitation of existing units as affordable, due to decrease in bond cap availability from prior years
- Roughly level new unit production over prior year, but continued strength in FY17 actual and pipeline for multifamily, market rate housing lending

Build Regional Competitiveness: Build Regional Economic Development Knowledge

Real Estate Services & ULI TAPs - 2017



TAconnect — Planning Development — Making connections, coordinating efforts, maximizing impacts

Real Estate Services - Technical Assistance

	New Projects	Completed Projects
FY2014	11	4
FY2015	12	6
FY2016	7	4
FY2016	8	2

Urban Land Institute Boston

Clinton - Downtown Redevelopment Plan
Devens – Community Amenities Improvements
Dedham – Leveraging Legacy Place Development

FY2017 Results

- **Workshops/Webinars/PeerGroups – 5**
    - Including 56 cities/towns
    - Topics included: Upper Story Redevelopment, Placemaking & Urban Manufacturing
- **10 TAConnect Resources/Best Practice Guides Developed**
    - Topics included: DPW relocation; Parking Management; District Management; Complete Streets; Industrial Mixed Use; Crowdfunding

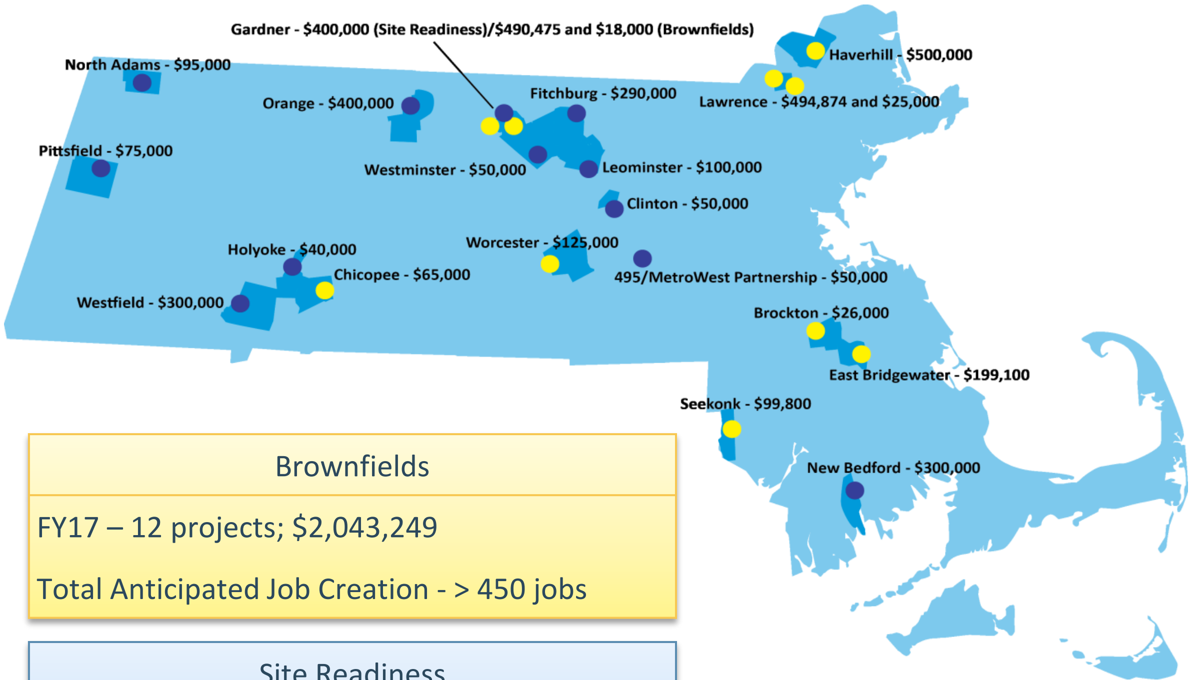
Three Rivers District Plan, Palmer

Planning effort to increase commercial activity and improve downtown amenities.

- Slices of Three Rivers Pizza shop opened in June, one of the first new businesses to open in years.
- S Middlesex Opportunity Council, in collaboration with the town, received a $500,000 Project Reinvest Grant to be used for rehabilitation of a town owned building.
- Jogging/fitness trail currently fundraising through Commonwealth Places for implementation.

Build Regional Competitiveness: Support & Catalyze Regional Development Assets

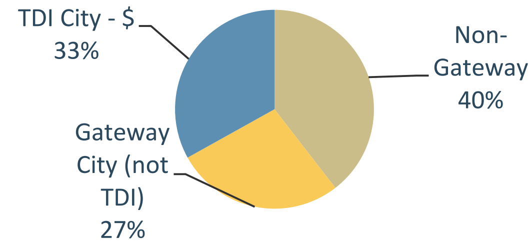
Site Readiness & Brownfields - 2017



Brownfields
FY17 – 12 projects; $2,043,249
Total Anticipated Job Creation - > 450 jobs

Site Readiness
FY17 – 12 projects, $ Invested: $1,790,000
Total Redevelopment Acreage Potential – > 720 acres

Brownfields, % to Targeted Places

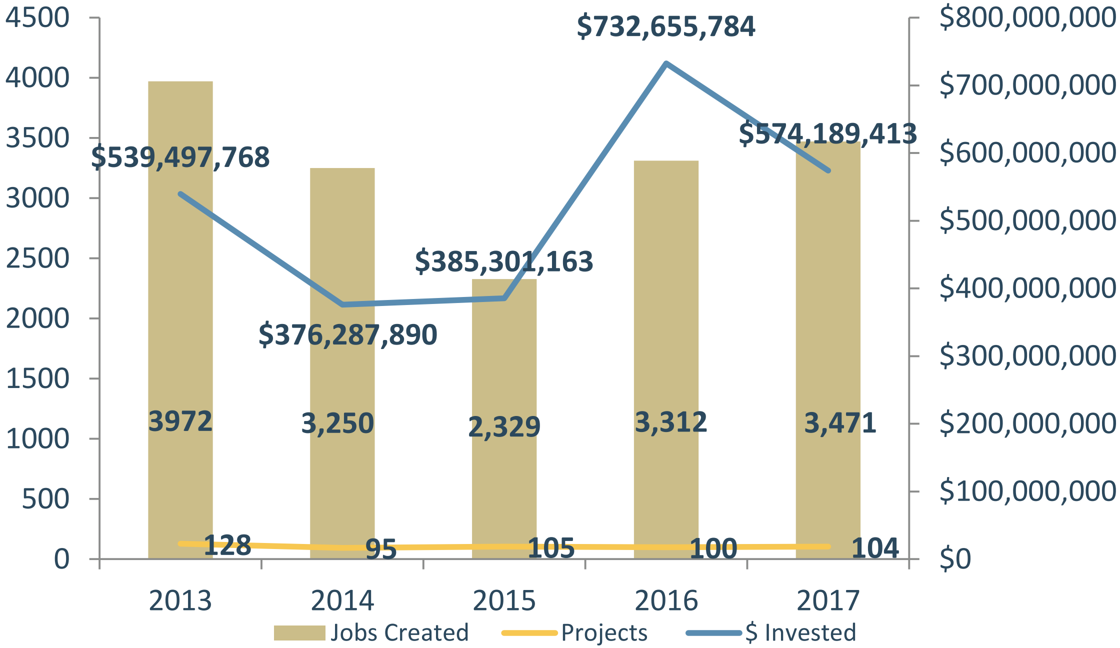


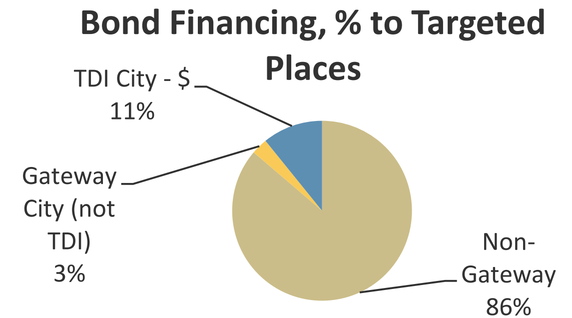
Performance Analysis

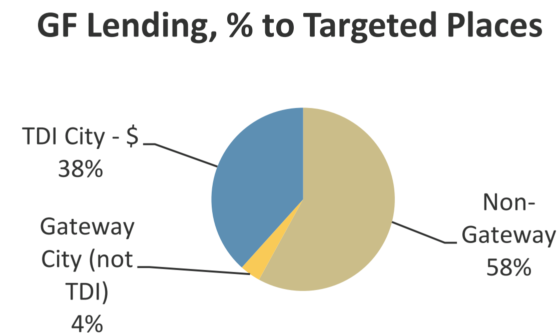
- Pre Development Lending
  - YouMar (Brockton) loan unlocked potential of 53 housing units (42 market rate) and over 1,000 SF of commercial space
- Brownfields
  - 8 awards moved brownfield sites to redevelopment, supporting
    - Over 100 units of housing across levels of affordability
    - Nearly 10,000 SF of commercial space

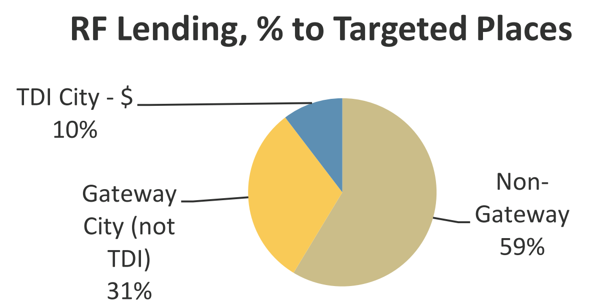
Build Regional Competitiveness: Support & Catalyze Regional Development Assets

MassDevelopment Investment Gateway Cities			
Five Year Average	Projects	Total Financed	Total Jobs
	106	$521,586,404	3,267









Build Regional Competitiveness: Support & Catalyze Regional Development Assets

Gateway City Highlights - 2017

Worcester

$100K CoWork grant to support fit out for WorcShop, a 17,000 ft^2 industrial maker space

Lynn

$5.7M bond to KIPP Academy Lynn Charter School to build, furnish, and equip a 12,000 ft^2 addition, accommodating 600 additional students

Holyoke

$3.2M tax exempt lease to Holyoke Medical Center to fund acquisition of new patient care equipment related to its recent expansion which projected to increase patients served by over 12,000

Fall River

$25M NMTC allocation towards South Coast Marketplace, expected to create over 1,100 jobs

Fresh · Local · Inspired
DOWN THE ROAD
Beer Co.

Everett

$1.07M loan/guarantee towards Down the Road Brewery's new tap room, expected to create 15-25 new jobs

Build Regional Competitiveness: Support & Catalyze Regional Development Assets

DEVENS MASSACHUSETTS

FY16—Development at a Glance

- **Acres/SF New Development Constructed: 575,000 SF**
  - 140,000 SF completed, additional 435,000 SF underway
- **Sites Marketed: 25**
  - 18 (including 9 former Army buildings through staff & new broker partner (JLL)
  - 7 3rd party owned sites additionally marketed
- **Sites Sold: 0**
- **Total $ Invested: $14,250,000**
  - Public: $0/Private: $14,250,000

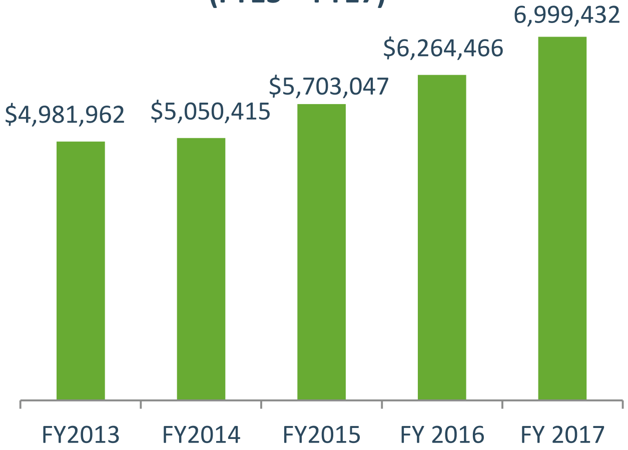
Performance Analysis

- 64% decrease in operations deficit
- 15% increase in total assessed value of land
- 12% increase in total tax revenue

Devens Total Assessed Valuation (2016 to 2017)

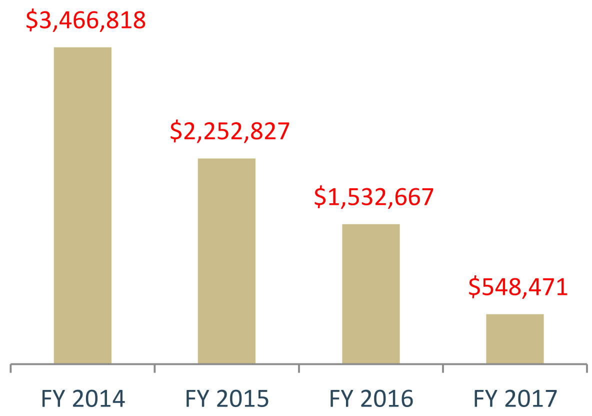
	FY2016 Valuation	FY2017 Valuation	Change	% Change
Residential	$31,588,100	$35,968,800	$4,380,700	14%
Commercial	$42,398,100	$47,226,000	$4,827,900	11%
Industrial	$125,153,500	$150,484,100	$25,330,600	20%
Total	**$199,139,700**	**$193,678,900**	**$34,539,200**	**15%**

Devens - Total Tax Revenue (FY13 – FY17)



(excluding PILOT fees, unaudited)

Devens - Operating Deficit (FY 2014-2017)



Strive for Organizational Excellence: FY17 Results At A Glance

Increase Workforce Capacity	**Goal complete** • Completed needs assessment interviews with 80% of employees • Reduced turn-over by 5% • Decreased position fill time by 5% • Increased promotions by 3%
Improve Systems & Technology	**Goal complete** • Significant improvements to user experience/reporting for Bi360. • Increased use of technology to disseminate information, including but not limited to video of board presentations.
Strengthen Performance Management	**Goal complete** • Successfully designed strategy to link agency program performance to individual performance measurement through collaboration with human resources on design of improved staff evaluation tool. Plan in place to explore additional opportunities in FY18.
Enhance Stakeholder Engagement	**Goal partially complete** • Agency increased involvement in cross-sector policy functions, including co-chairing Federal Reserve Bank of Boston Downtown Redevelopment Working Group, participation in Small Business Growth Working Group & contributing authorship of *Capital & Collaboration: An In Depth Look at the Community Investment System in Massachusetts Working Cities*. Plan in place to explore additional opportunities in FY18. • Development of comprehensive public affairs strategy held for FY18 due to capacity.

Massachusetts Development Finance Agency

(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements issued in accordance with Government Auditing Standards

Years Ended June 30, 2017 and 2016

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
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Years Ended June 30, 2017 and 2016

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RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors of the
Massachusetts Development Finance Agency

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion
The Agency has loan agreements within the Emerging Technology Fund, established under Sections 27 and 28 of Massachusetts General Laws Chapter 23. Certain of those loan agreements include warrants that qualify as reportable derivative instruments under Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments*. We were unable to obtain sufficient appropriate audit evidence as it relates to the fair value of the warrants held by the Agency as of June 30, 2017 and 2016, as financial information to support valuation was not readily available. Consequently, the Agency has not recognized or disclosed any values associated with these unexercised warrants as the financial effects of recognizing and disclosing such information are not reasonably estimable. In our opinion, recognition and disclosure of this information is required by accounting principles generally accepted in the United States of America ("GAAP").

Qualified Opinion
In our opinion, except for the effects on the 2017 and 2016 financial statements described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency, as of June 30, 2017 and 2016, and the respective changes in the financial position, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-17 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Statements of Departmental Net Position and Statements of Departmental Revenues, Expenses and Charges in Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statements of Departmental Net Position and Statements of Departmental Revenues, Expenses and Charges in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of the Agency'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 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 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 Agency's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
November 17, 2017

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Management's Discussion and Analysis
June 30, 2017
(unaudited)

As management of the Massachusetts Development Finance Agency (the "Agency"), we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal years ended June 30, 2017, 2016 and 2015. This discussion and analysis should be read in conjunction with the accompanying financial statements. Unless otherwise indicated, years in this discussion refer to the fiscal year ended June 30.

The Agency was created on September 30, 1998 pursuant to Chapter 23G of Massachusetts General Laws (Chapter 289 of the Acts of 1998). The Agency is a body corporate and politic and a public instrumentality and was created from the statutory merger of, and is the legal successor in all respects to, two previous existing instrumentalities, the Massachusetts Government Land Bank (created in 1975 under Chapter 212 of the Acts of 1975) and the Massachusetts Industrial Finance Agency (created in 1978 pursuant to Chapter 23A of the Massachusetts General Laws) and is the legal successor to the Massachusetts Health and Educational Facilities Authority (created pursuant to Chapter 614 of the Acts of 1968). Other powers of the Agency are also set forth in Massachusetts General Laws Chapter 40D (with respect to the issuance of tax-exempt bonds) and Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of the former Fort Devens, a former federal military base).

The purpose of the Agency is to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth of Massachusetts (the "Commonwealth"). It does this through its powers to:

- Issue tax-exempt bonds for the benefit of certain industrial and commercial entities, educational, health care and housing facilities and public bodies;

- Make loans and provide credit to eligible borrowers in accordance with its public purpose;

- Aid public and private enterprises in the redevelopment of surplus federal and state property and other blighted, open, underdeveloped property, and;

- Administer specific statutory programs directed at certain economic development needs in the Commonwealth, such as, the Emerging Technology Program, the Cultural Facilities Program, the Mortgage Insurance Program, the Advanced Manufacturing Futures Program, Military Bond Bill Capital Projects Program, Transformative Development Initiative Program, the Brownfield Redevelopment Program and the Massachusetts Export Finance Program.

The Agency is governed by an eleven member Board of Directors, nine of whom are appointed directly by the Governor and two of whom are public officials, or their designees, serving ex-officio. The Agency is considered a component unit of the Commonwealth for general-purpose financial statement reporting purposes.

Using the Financial Statements

The Agency's annual report includes three basic financial statements: the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows. The basic financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). The Agency's financial statements are reported as a special purpose business type entity.

The statements of net position reports assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference between them as net position. Net position represents the residual interest in the Agency's assets, plus deferred outflows of resources after liabilities, less deferred inflows of resources and consists of three sections: net investment in capital assets; restricted and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The Agency's restricted net position is expendable. All other net position is unrestricted.

Revenues and expenses are categorized as either operating or non-operating based upon management's definition of the Agency's principal ongoing operations.

Financial Highlights

Statements of Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
Assets			
Current assets	$ 197,986,790	$ 226,568,100	$ 208,891,199
Noncurrent assets	170,904,140	165,560,292	199,786,953
Assets held for sale	8,017,114	8,373,698	6,582,848
Capital assets (net of accumulated depreciation)	158,851,304	99,856,796	100,549,409
Total assets	535,759,348	500,358,886	515,810,409
Deferred Outflows of Resources	14,929	-	-
Total assets and deferred outflows of resources	$ 535,774,277	$ 500,358,886	$ 515,810,409
Liabilities			
Current liabilities	$ 33,319,822	$ 11,275,278	$ 9,474,840
Noncurrent liabilities	25,598,873	21,351,851	22,468,314
Total liabilities	58,918,695	32,627,129	31,943,154
Deferred Inflows of Resources	-	2,610,042	6,641,140
Net Position			
Net investment in capital assets	123,111,548	91,689,266	89,730,813
Restricted	180,912,474	162,151,570	161,319,151
Unrestricted	172,831,560	211,280,879	226,176,151
Total net position	476,855,582	465,121,715	477,226,115
Total liabilities and net position	$ 535,774,277	$ 500,358,886	$ 515,810,409

Assets

The Agency's current assets mainly consist of cash and cash equivalents, short-term investments, current portion of loans receivable, interest receivable and accounts receivable and other assets. The Agency's noncurrent assets mainly consist of long-term cash and cash equivalents and investments, investment in joint ventures, and net loans receivable. Current assets decreased $28.6 million from 2016 to 2017 mainly due to the combination of $34.6 million and $4.2 million decreases in current loans receivable and interest receivable, respectively, as a result of scheduled loan payoffs during fiscal year 2017, offset by an increase of $14.6 million in due from the Commonwealth of Massachusetts related to timing of reimbursements for grant awards and capital activity. Noncurrent assets increased $5.3 million from 2016 to 2017 mainly due to a $17.4 million increase in noncurrent loans receivable from current loans receivable, offset by a $9.7 million decrease in long term investments due to ongoing activities of the Agency.

Current assets increased $17.7 million from 2015 to 2016 mainly due to the increase in current loans receivable from noncurrent loans receivable due to scheduled loan payoffs in the following fiscal year, offset by decreases in current cash and cash equivalents due to capital activity and grant awards during the fiscal year. Noncurrent assets decreased $34.2 million from 2015 to 2016 mainly due to decreases in noncurrent loans receivable to current loans receivable and decreases in long term investments due to loan advances and grant awards during the fiscal year.

The Agency's operating accounts are held with TD Bank. The majority of the Devens Electric System Utility bond proceeds are held with the trustee at US Bank. The Agency's investments are held with PFM Asset Management ("PFM") as the Agency's investment advisor. The Agency's cash, cash equivalents and investments are recorded at fair value and consist of guaranteed investment contracts, certificates of deposit, demand deposits, money market mutual funds, Short-Term Asset Reserve Fund ("Star Fund"), and corporate and government obligations.

The Agency is the administrator of the STAR Fund. The STAR Fund is a fiduciary investment fund that is managed like a money market fund, invests in short-term, high-quality securities and is available for the investment of bond proceeds of the Agency's client institutions. PFM is the STAR Fund's investment advisor. The STAR Fund is designed to preserve principal, provide daily liquidity, and earn a reasonable rate of return. The Agency's holdings in the Star Fund on the statements of net position as of June 30, 2017, 2016 and 2015, were approximately $75.9 million, $2.0 million and $2.4 million, respectively. During fiscal year 2017, the Agency moved funds held previously in PFM money market funds into the STAR Fund to earn higher rates of return, which causes a shift from current investments to cash and cash equivalents from 2016 to 2017.

Loans receivable consist of loans issued by the Agency (net of the allowance for loan loss) primarily for the following economic development program types:

- Business loans
- Construction loans
- Permanent real estate loans
- Equipment loans
- Development loans
- Emerging technology loans
- Brownfields redevelopment loans
- Export financing

As of June 30, 2017, 2016 and 2015, there were $88.1 million, $105.3 million and $94.6 million, respectively, of net loans receivable.

Net loans receivable decreased $17.2 million from 2016 to 2017. The decrease is mainly due to more loan payoffs as compared to loan disbursements/assumptions during the fiscal year. The total loan payoffs were approximately $42.4 million versus loan disbursements/assumptions of approximately $25.3 million, mainly within the General Operations Program.

The increase of $10.7 million in net loans receivable from 2015 to 2016 is mainly due to increased loan disbursements for the General Operations Program during the fiscal year. Total loan disbursements for this program were $20.3 million offset by loan repayments of $7.4 million.

Investment in joint ventures includes the Agency's equity investments in Hospital Hill, LLC, the Commonwealth Fund III LLC, and twenty New Markets Tax Credit ("NMTC") entities as of June 30, 2017.

The decrease of approximately $1.0 from 2016 to 2017 is mainly related to net activity for the investments in the Commonwealth Fund III LLC and Hospital Hill LLC. The Agency invested $0.4 million in the Commonwealth Fund III LLC and had a share of operating income of $0.4 million. The Agency received distributions of $0.9 million from Hospital Hill LLC and had a share of operating loss of $1.0 million.

The increase of $0.5 million from 2015 to 2016 is mainly related to net activity for the investments in the Commonwealth Fund III LLC and Hospital Hill LLC. The Agency invested $0.8 million and $0.2 million in each of these investments, respectively and received $0.7 million of distributions from Hospital Hill LLC.

Accounts receivable and other assets include outstanding amounts at year end related to utility usage at Devens, grants, NMTC management fees and reimbursement of expenses, Devens operating fees, real estate consulting services, lease receivables, prepaid insurance and other miscellaneous receivables. There was a decrease of $1.2 million from 2016 to 2017 mainly due to a decrease in NMTC management fees and reimbursement of expenses due to the repayment of receivables from MassDevelopment New Markets CDE#1 LLC since that entity closed out during the fiscal year. The $0.4 million decrease from 2015 to 2016 is mainly due to decreases in grants receivable associated with infrastructure improvements related to the Taunton Corp as that work was completed during the fiscal year, offset by increased utility customer receivables at year end.

Due from the Commonwealth represents amounts owed for grant reimbursements or capital activity. The increase of $14.6 million from 2016 to 2017 is mainly due to increased activity and timing of reimbursements for the Cultural Facilities Program, Transformative Development Initiative Program and project expenses for the Belchertown redevelopment. The change from 2015 to 2016 was insignificant.

Assets held for sale relate to the Taunton Corp. capital assets. In January 2012, the Agency, in partnership with Taunton Development Corporation (“TDC”), purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consists of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation was formed to take title and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. The decrease of $0.4 million from 2016 to 2017 is due to the combination of a $1.3 million decrease due to a lot sale in Taunton offset by an increase of $0.9 million of additional infrastructure improvements at the property during the fiscal year. The increase of $1.8 million from 2015 to 2016 is the combination of a $4.8 million decrease due to lot sales in Taunton offset by an increase of $6.6 million of additional infrastructure improvements at the property during fiscal year 2016.

Capital assets relate to the infrastructure and equipment assets for Agency operations at Devens, Boston, Lawrence, Worcester, Taunton and Springfield. The increase of $59.0 million from 2016 to 2017 is mainly due to the purchase of two buildings in Boston during the fiscal year. The decrease of $0.7 million from 2015 to 2016 is a combination of $13.8 million of additions mainly related to infrastructure improvements in Devens and Taunton, $7.1 million of depreciation expense and $5.7 million related to sales in Devens, Lawrence and Taunton during the fiscal year.

Deferred Outflows of Resources
In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") and GASB 65, *Items Previously Reported as Assets and Liabilities (GASB 65),* the Agency reported a balance of $14,929, $0 and $0 deferred outflows of resources at June 30, 2017, 2016, and 2015, respectively which represent the deferral of possible future payments related to the unrealized negative market value of a swap agreement with Citizens Bank, N.A. in connection with a Credit Agreement related to a construction mortgage also with Citizens. The intention of the swap agreement is to effectively fix the Agency's variable interest rate on a loan.

Liabilities
The Agency's current liabilities consist of accounts payable and accrued expenses, current portion of bonds payable and loans payable, current advances from the Commonwealth, accrued interest payable and project escrow payables. Noncurrent liabilities consist of bonds payable, loans payable, advances from the Commonwealth and other liabilities.

Current liabilities increased $22.0 million from 2016 to 2017 mainly due to the combination of an increase of $20.0 million in the current portion of loans payable related to a new building acquisition and construction loan and increased accruals for tenant improvements related to the new building acquisition during the fiscal year. Current liabilities increased $1.8 million from 2015 to 2016 mainly due to increased accruals for capital infrastructure improvements during the fiscal year.

Noncurrent liabilities increased $4.2 million from 2016 to 2017 mainly due to the combination of an increase of $8.1 million of loans payable as noted above, offset by a $2.9 million decrease in other liabilities due to decreases in accruals for deferred interest on loans due to loan payoffs and decreases in deferred property sales due to the recognition of deferred gains on sales during the fiscal year. The decrease of $1.1 million from 2015 to 2016 was mainly due to principal payments on the Devens Electric System Utility bonds and the Massachusetts Water Abatement Trust loan during the fiscal year.

Bonds Payable
Bonds payable consist of the following at the end of June 30:

	2017	2016	2015
Devens Electric System Utility bonds	$ 6,395,000	$ 6,755,000	$ 7,110,000
Net premium	8,527	9,717	10,906
Net discount	(9,236)	(10,798)	(12,577)
	$ 6,394,291	$ 6,753,919	$ 7,108,329

Bonds payable decreased $0.4 million and $0.3 million from 2016 to 2017 and 2015 to 2016, respectively, due to principal payments on the Devens Electric System Utility bonds during the fiscal years.

Devens Electric System Utility Bond
During fiscal year 2001, the Agency issued Series 2001 Bonds for the Devens project which totaled $10.6 Million. The Agency acquired the electric transmission and distribution facilities (the "Electric System") serving Devens from the Army in 1996. The Electric System includes four transmission substations that interconnect Devens with the regional transmission system serving New England, as well as electric distribution facilities serving the area within Devens. The Series 2001 Bonds were used to finance the design, construction, installation and associated costs of certain capital improvements to the Electric System at Devens.

In an effort to lower the weighted average interest rate on the bonds, the Agency refunded the Devens Electric System Revenue Bonds, Series 2001 ("Series 2001 Bonds) in December 2011 and issued the Devens Electric System Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds"). Principal of $8,775,000 was repaid in relation to the Series 2001 Bonds and new principal of $8,145,000 was issued. The Agency did not issue any new bond debt in fiscal years 2017, 2016 or 2015.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2017, 2016 and 2015 the necessary debt service coverage was met.

See Note 11 to the financial statements for more information on bonds payable.

Loans Payable
Loans payable consist of the following at the end of June 30:

	2017	2016	2015
Buildings acquisition and construction loan	$ 28,066,201	$ -	$ -
Taunton Development Corporation	25,000	25,000	25,000
	$ 28,091,201	$ 25,000	$ 25,000

Loans payable increased $28.0 million from 2016 to 2017 due to the issuance of a construction mortgage for the acquisition and redevelopment of two buildings in Boston, MA.

On December 14, 2016, Citizens Bank, N.A. ("Citizens") issued a $90.0 million construction mortgage to the Agency for the acquisition and redevelopment of two buildings in Boston, MA in which General Electric ("GE") will relocate its headquarters and lease the buildings under a twenty year lease. The Agency also received $125.0 million Massworks grant commitments from the Commonwealth in support of the acquisition and redevelopment of the buildings.

The Citizens construction mortgage requires the maintenance of a minimum cash liquidity balance as of June 30 and December 31 through June 30, 2020. At June 30, 2017, the necessary minimum cash liquidity was met.

See Note 12 to the financial statements for more information on loans payable.

Advances from the Commonwealth

Advances from the Commonwealth consist of the following at the end of June 30:

	2017	2016	2015
Massachusetts Water Abatement Trust Loan	$ 9,003,602	$ 9,508,254	$ 9,996,308

Massachusetts Water Abatement Trust Loan

The Massachusetts Water Abatement Trust issued a loan to the Agency to construct a wastewater treatment facility at Devens. This loan will be paid back to the trust through revenues generated from wastewater processing from Devens and surrounding communities. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on this loan.
The Massachusetts Water Abatement Trust Loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2017, 2016 and 2015, the necessary debt service coverage was met.

Deferred Inflows of Resources

In accordance with GASB 53 and GASB 65*,* the $2.6 million deferred inflows of resources as of June 30, 2016 represents the deferral of guarantee funds received from the Commonwealth for the future Charter School Facilities guarantee awards. The $6.6 million deferred inflows of resources as of June 30, 2015, represents the deferral of grant funds received from the Commonwealth for future Cultural Facilities Program grant awards.

Net Position

Net position represents the residual interest in the Agency's assets plus deferred outflows of resources after all liabilities plus deferred inflows of resources are deducted. The Agency's net position was as follows at June 30:

	2017	2016	2015
Net investment in capital assets	$ 123,111,548	$ 91,689,266	$ 89,730,813
Restricted net assets	180,912,474	162,151,570	161,319,151
Unrestricted net assets	172,831,560	211,280,879	226,176,151
	$ 476,855,582	$ 465,121,715	$ 477,226,115

Net position increased $11.7 million from 2016 to 2017 mainly due to a combination of a $14.2 million operating loss, a $17.5 million disbursement to the Commonwealth and $17.3 million of grant awards, offset by an $18.9 million contribution from the Commonwealth and $37.1 million in capital grant revenue.

The decrease in net position of $12.1 million from 2015 to 2016 was mainly due to a combination of a $5.9 million operating loss, a $10.0 million disbursement to the Commonwealth and $27.1 million of grant awards, offset by a $17.6 million contribution from the Commonwealth and $11.4 million in capital grant revenue.

Revenues and Expenses

	2017	2016	2015
Operating revenues	$ 60,790,998	$ 59,979,638	$ 74,175,329
Operating expenses	(74,954,107)	(65,837,925)	(71,904,629)
Operating (loss) income	(14,163,109)	(5,858,287)	2,270,700
Nonoperating revenues (expenses), net	4,683,225	1,870,587	(14,665,139)
Capital contributions (distributions), net	21,213,751	(8,116,700)	(85,979,493)
Special item	-	-	169,287,737
Increase (decrease) in net position	$ 11,733,867	$ (12,104,400)	$ 70,913,805

Operating Revenues

	2017	2016	2015
Devens operating revenue	$ 36,587,954	$ 36,217,401	$ 34,541,921
Interest and other loan income	6,817,353	6,823,944	6,074,078
Bond issuance and New Markets Tax Credit fees	12,863,439	13,980,021	10,029,319
Other	3,360,258	3,587,768	4,508,953
Gains (losses) on sale of real estate, net	1,136,609	(266,391)	2,183,609
M/SBRC rent and other revenues (expenses)	25,385	(363,105)	16,837,449
	$ 60,790,998	$ 59,979,638	$ 74,175,329

Operating revenues increased $0.8 million from 2016 to 2017 mainly due to increased gains on sale of real estate, net, offset by decreased bond issuance fees during the fiscal year. Operating revenues decreased $14.2 million from 2015 to 2016 mainly due to a decrease in M/SBRC rent and other (expenses) revenue due to the sale of 100 Cambridge Street on March 17, 2015.

Devens operating revenue, which include utility income and real estate taxes, are an important component of the Agency's operating revenue. The Agency owns the utility systems at Devens and provides electricity, natural gas, water and sewer services to the Devens community. The utility staff works in conjunction with operations and maintenance contractors to maintain, upgrade and expand the utility systems. The current systems consist of five electrical substations, approximately 73 miles of distribution power lines, three miles of transmission power lines, four wells and pumping stations, approximately 50 miles of water line, 32 miles of natural gas pipeline, a wastewater treatment facility, six sewer lift stations and 50 miles of sewer. Devens operating revenue increased $0.4 million from 2016 to 2017 mainly due to increased commercial real estate tax income as a result of increased growth and higher assessed property values and increased electric income due to increased usage and electric rates, offset by decreased gas income due to lower gas usage because of warmer winter months.

Devens operating revenue increased $1.7 million from 2015 to 2016 mainly due to a combination of increased real estate tax income due to higher assessed property values and increased electric and water utility income due to higher usage as compared to the prior fiscal year.

Interest and other loan income represents income related to outstanding loans issued by the Agency. The amounts were consistent from 2016 to 2017. The increase of $0.7 million from 2015 to 2016 is due to increased loan disbursements mainly relating to the General Operations program leading to increased interest income within that loan portfolio.

Bond issuance fees and NMTC fees represent revenue generated by the Agency as a conduit issuer of taxable and tax-exempt bonds or fees related to the allocation of federal New Markets Tax Credits. This revenue decreased $1.1 million from 2016 to 2017 mainly due to decreased bond issuance fees collected due to fewer bond issuances during the fiscal year. This decrease is offset by increased NMTC issuance fees due to additional fees collected for the NMTC program in relation to new NMTC entities and the dissolution of some NMTC entities during the fiscal year. Fees increased $3.9 million from 2015 to 2016 mainly due to a combination of increased bond issuance fees due to increased bond issuances and increased NMTC issuance fees due to three new closings related to the NMTC program during fiscal year 2016.

Other operating income mainly consists of real estate advisory service fees and lease income for leased property in Worcester, Springfield, Taunton, Boston and Devens and other miscellaneous operating revenues. This income decreased $0.2 million from 2016 to 2017 mainly due to decreased real estate advisory service fees earned during fiscal year 2017 as compared to 2016. The decrease of $0.9 million from 2015 to 2016 was mainly due to decreased insurance reimbursements for the Taunton property and decreased reimbursements from the Regional Dispatch Center for expenses paid by the Agency on its behalf.

The gains on sale of real estate, net of $1.1 million in fiscal year 2017 mainly relate to the recognition of the gains on sale of properties sold in prior fiscal years for which the recognition of the sales had been deferred due to repurchase and future commitment agreements. These sales had gross proceeds of $1.8 million, offset by $0.2 million costs of sale, for net gains of $1.6 million. These gains were offset by a loss on sale related to the sale of approximately 7 acres in Taunton during fiscal year 2017. This sale had gross proceeds of $0.9 million, offset by $1.4 million costs of sale, for a net loss of $0.5 million.

The losses on sale of real estate, net of $0.3 million in fiscal year 2016 mainly relate to the recognition of the loss on sale of approximately 115 acres in Taunton, MA. This sale occurred in fiscal year 2015 but the recognition of the sale had been deferred due to repurchase and future commitment agreements in which Taunton funded post-closing demolition work on this site during fiscal year 2016. This sale had gross proceeds of $11.5 million, offset by $11.7 million costs of sale, for a net loss of $0.2 million.

The gains on sale of real estate, net of $2.2 million in fiscal year 2015 mainly related to a gain on sale of $1.6 million for the sale of the Fall River property during fiscal year 2015. There was an additional sale of approximately 115 acres in Taunton, MA during fiscal year 2015 with a gain of $2.7 million at the end of the fiscal year, but this gain was deferred due to repurchase and future commitment agreements in which Taunton funded some post-closing demolition work on the site during fiscal year 2016. This post closing demolition work created a loss on sale during fiscal year 2016 and the loss on sale was recognized during fiscal year 2016.

M/SBRC rent and other revenues (expenses) is comprised of final tenant reimbursement true ups related to common area charges in fiscal year 2017. The decrease of $17.2 million from 2015 to 2016 was due to the sale of the 100 Cambridge Street property in March 2015. During fiscal year 2015, the 100 Cambridge Street property generated $16.8 million from the leased office tower occupancy, retail lease revenue, and parking. Revenue generated during fiscal year 2017 was related to final common area reimbursement true ups. No revenue was generated during fiscal year 2016, but there were some tenant real estate tax reimbursements made during the fiscal year.

Operating Expenses

	2017	2016	2015
Salaries and related employee expenses	$ 19,231,693	$ 18,173,310	$ 17,495,888
Property, maintenance and utilities	27,564,957	27,331,749	36,374,124
General and administrative	4,900,918	4,337,293	4,252,969
Professional, legal and project expenses	9,806,524	8,031,234	6,167,624
Provision for loan loss (recovery)	94,944	(611,677)	(1,643,582)
Provision for Predevelopment and Brownfield receivables	4,116,214	1,674,260	629,210
Depreciation and amortization	8,698,054	7,103,609	8,052,105
Loss (gain) on share of joint ventures	540,803	(201,853)	576,291
	$ 74,954,107	$ 65,837,925	$ 71,904,629

Operating expenses increased $9.1 million from 2016 to 2017 mainly due to increased salaries and related employee expenses, professional and legal fees, provision for Predevelopment and Brownfield receivables and depreciation and amortization. The decrease of $6.1 million from 2015 to 2016 was mainly due to decreased property, maintenance and utilities as a result of the M/SBRC property sale during 2015.

Salaries and related employee expenses increased $1.1 million from 2016 to 2017 and $0.7 million from 2015 to 2016 mainly due to increased salary and health insurance costs due to increased headcount during the fiscal years.

Property, maintenance and utilities expenses remained relatively stable from 2016 to 2017. The decrease of $9.0 million from 2015 to 2016 was mainly due to a combination of decreases of $7.2 million in M/SBRC operating expenses due to the sale of the property in fiscal year 2015 and $1.8 million in gas utility purchases due to a combination of less gas usage as a result of warmer winter months in fiscal year 2016 and a significant decrease in the wholesale cost to purchase gas half way through the fiscal year.

General and administrative expenses increased $0.6 million from 2016 to 2017 mainly due to administrative fees paid in relation to the dissolution of a NMTC entity during the fiscal year and increased bad debt expense related to electric income collections. These expenses remained relatively stable from 2015 to 2016.

Professional, legal and project expenses increased $1.8 million from 2016 to 2017 mainly due to project expenses related to the Jodrey State Pier, Belchertown and the Springfield Innovation Center. The increase of $1.9 million from 2015 to 2016 was mainly due to project expenses related to Taunton, Belchertown and military initiatives expenses.

Provision for loan loss (recovery) represents the expense necessary to maintain an adequate allowance for loan losses. Provision expense decreased $0.7 million from 2016 to 2017 mainly due to decreased provisions in the General Operations Program and Emerging Technology Program due to principal payments during the fiscal year. Provision expense decreased $1.0 million from 2015 to 2016 mainly due to a combination of an increased provision in the General Operations Program due to increased risk ratings for certain loans and increased loan disbursements during the fiscal year, offset by a decreased provision in the Emerging Technology Program due to decreases in risk ratings for certain loans and increased loan repayments during the fiscal year.

Provision for Predevelopment and Brownfield receivables represents the allowance necessary to absorb probable losses of existing awards that are expected to become uncollectible. The provision increased $2.4 million from 2016 to 2017 and $1.0 million from 2015 to 2016 mainly due to increased loan disbursements during the fiscal years.

Depreciation and amortization increased $1.6 million from 2016 to 2017 mainly due to the purchase of two buildings in Boston in December 2016. Depreciation and amortization decreased $0.9 million from 2015 to 2016 due to the sales of 100 Cambridge Street and the Kerr Mill properties during fiscal year 2015.

(Gain) loss on share of joint ventures represents the Agency's share of operating losses (gains) on the Agency's joint ventures. The loss on share of joint ventures in 2017 is mainly the combination of a $0.4 million gain related to the Commonwealth Fund III LLC investment, offset by a $1.0 million loss related to the Hospital Hill LLC investment during the fiscal year. The gain on share of joint ventures in 2016 is a combination of a $0.3 million gain related to the Commonwealth Fund III LLC investment, offset by a $0.1 million loss related to the Hospital Hill LLC investment during the fiscal year.

Non-operating Revenues (Expenses)

	2017	2016	2015
Investment income	$ 5,926,539	$ 2,202,204	$ 5,518,453
Contract assistance	409,023	417,222	430,241
Interest expense	(1,259,267)	(747,060)	(6,991,087)
Amortization of bond discount, net	(1,562)	(1,779)	(1,331,466)
Financing costs	(391,508)	-	-
Other	-	-	(12,291,280)
	$ 4,683,225	$ 1,870,587	$ (14,665,139)

Non-operating revenues (expenses) consists mainly of investment income, contract assistance, interest expense, amortization of bond discount, net, financing costs and other. Non-operating revenues, net increased $2.8 million from 2016 to 2017 mainly due to increased investment income during the fiscal year, offset by increased interest expense and financing costs related to the loan payable for the buidlings acquistion and construction loan advanced during the fiscal year.

Non-operating revenues, net increased $16.5 million from 2015 to 2016 mainly due to 1) a $12.3 million decrease in other non-operating expenses due to the M/SBRC swap termination fee paid during fiscal year 2015; 2) a $3.3 million decrease in investment income mainly due to the $3.9 million M/SBRC guaranteed investment contract termination fee received in fiscal year 2015; and 3) a $6.2 million decrease in interest expense due to the repayment of the M/SBRC Redevelopment Revenue bonds during fiscal year 2015.

Investment income increased $3.7 million from 2016 to 2017 mainly due to the combination of a $5.3 million stock warrant transaction within the Emerging Technology Program which resulted in additional investment income, offset by a $1.2 million decrease in investment income mainly related to unrealized losses on investments within the General Operations Program and the Emerging Technology Program.

Investment income decreased $3.3 million from 2015 to 2016 mainly due to the receipt of $3.9 million due to the termination of the M/SBRC guaranteed investment contract during fiscal year 2015.
Contract assistance represents the debt service for the $13.7 million Massachusetts Department of Environmental Protection loan to build a wastewater treatment plant at Devens ("DEP loan"). The debt services payments are made by the Commonwealth directly and are recognized as non-operating income by the Agency.

Interest expense of $1.3 million, $0.7 million and $7.0 million was recognized in 2017, 2016 and 2015, respectively. Interest expense includes interest for the 1) Electric System Utility bonds issued for the acquisition of the electric transmission and distribution facility at Devens, 2) the DEP loan for the construction of the wastewater treatment facility at Devens, 3) the buildings acquisition and construction loan and 4) M/SBRC Redevelopment Revenue bonds issued to fund construction expenses for the 100 Cambridge Street property (2015 only). The increase of $0.5 million from 2016 to 2017 is due to additional interest related to the buildings acquisition and construction loan advanced during the fiscal year. The decrease of $6.3 million from 2015 to 2016 was due to the repayment of the M/SBRC Redevelopment Revenue Bonds during fiscal year 2015.

Amortization of bond discount, net represents the amortization of the discount for the Electric System Utility bonds and the M/SBRC Redevelopment Revenue bonds over the term of the related bonds. The increase of $1.3 million from 2015 to 2016 was related to fully amortizing the M/SBRC Redevelopment Revenue bonds discount at the time the bonds were repaid during fiscal year 2015.

Other non-operating expense of $12.3 million in fiscal year 2015 represents the M/SBRC swap termination fee paid in order to terminate the swap with Lehman Brothers Special Financing, Inc. due to the sale of 100 Cambridge Street during the fiscal year.

Capital Contributions (Distributions)

	2017	2016	2015
Contributions from the Commonwealth of Massachusetts	$ 18,922,355	$ 17,644,347	$ 18,156,454
Disbursement to the Commonwealth of Massachusetts	(17,500,000)	(10,000,000)	(94,567,503)
Capital grant revenue	37,140,288	11,378,438	8,117,037
Predevelopment and Brownfield awards	(897,072)	(5,846,347)	(6,022,355)
Cultural Facilities grant awards	(10,011,171)	(13,838,730)	(5,410,791)
Advanced Manufacturing grant awards	(991,336)	(1,138,724)	(1,334,835)
Military Bond Bill grant awards	(227,863)	(5,148,331)	(3,125,000)
Massachusetts Manufacturing Extension Partnership, Inc. grant award	(2,000,000)	-	-
Transformative Development Initiative grant awards	(1,416,551)	(451,570)	-
Equitable Transit-Oriented Development Accelerator Fund award	-	-	(1,000,000)
Other grant awards	(1,804,899)	(715,783)	(792,500)
	$ 21,213,751	$ (8,116,700)	$ (85,979,493)

Capital contributions (distributions) increased $29.3 million from 2016 to 2017 mainly due to increased capital grant revenue. The Agency received a Massworks grant for the acquisition and redevelopment of two buildings in Boston, MA during the fiscal year. Capital contributions (distributions) increased $77.9 million from 2015 to 2016 mainly due to a $10.0 million and $94.6 million disbursement to the Commonwealth in fiscal years 2016 and 2015, respectively, related to excess funds from M/SBRC due to the sale of 100 Cambridge Street.

Contributions from the Commonwealth of $18.9 million, $17.6 million and $18.2 million were recognized in fiscal years 2017, 2016 and 2015, respectively. The fiscal year 2017 amounts mainly include $10.9 million for the Cultural Facilities Program, $3.4 million for the Transformative Development Initiative Program and $1.9 million for the redevelopment of the Belchertown State School. The fiscal year 2016 amounts primarily include $13.9 million for the Cultural Facilities Program, $1.3 million for Devens capital infrastructure improvements and $1.0 million for the Transformative Development Initiative redevelopment program for Gateway Cities. The fiscal year 2015 amounts mainly include $5.6 million for the Cultural Facilities Program, $8.4 million for the Military Bond Bill Capital Projects Program and $1.7 million for the Belchertown State School Program.

Disbursement to the Commonwealth of $17.5 million and $10.0 million was made to assist in closing a budget shortfall for fiscal years 2017 and 2016, respectively. In fiscal year 2015, $94.6 million in excess funds related to the sale of the 100 Cambridge Street property was disbursed by M/SBRC to the Commonwealth.

Capital grant revenue of approximately $37.1 million, $11.4 million and $8.1 was recognized in fiscal years 2017, 2016 and 2015. The fiscal year 2017 amounts mainly relate to a $31.4 million Massworks grant for the acquisition and redevelopment of two buildings in Boston, MA, $2.6 million for the Credit Enhancement of Charter School Facilities guarantee program and $1.8 million for an Office of Economic Adjustment defense sector grant in support of defense sector manufacturers across Massachusetts. The fiscal year 2016 amount was primarily comprised of $5.4 million for the Taunton property development, $2.4 million for the Credit Enhancement of Charter School Facilities guarantee program and $1.6 million for Devens infrastructure roadwork during the fiscal year. The fiscal year 2015 amount was mainly comprised of $5.0 million for the Charter School Facilities Program and $1.9 million for the Taunton property development.

The Agency disbursed $0.2 million, $5.1 million and $3.1 million in fiscal years 2017, 2016 and 2015, respectively, to various recipients in support of military installation development projects across Massachusetts.

The Agency disbursed $2.0 million to the Massachusetts Manufacturing Extension Partnership, Inc. in fiscal year 2017 in support of its mission to invest in the Massachusetts manufacturing economy.

The Agency disbursed $1.4 million and $0.5 million in fiscal years 2017 and 2016, respectively, to various recipients in support of the redevelopment of Gateway cities in Massachusetts.

The Agency disbursed $1.0 million of the Equitable Transit-Oriented Development Accelerator Fund during fiscal year 2015 in support of promoting and accelerating development of affordable and mixed income housing near transit, improving access to jobs and services and improving quality of life in neighborhoods by creating walkable mixed income urban neighborhoods.

Special Item

M/SBRC sold the ground lease for the 100 Cambridge Street property in Boston, MA on March 17, 2015 for a sales price of $279.6 million. The sale of this property allowed M/SBRC to make payments of $156.6 million to pay off outstanding bonds, $46.2 million to repay the MassDevelopment Finance Agency note and accrued interest, $3.2 million management fee to MassDevelopment Finance Agency, a $12.3 million Swap termination fee and $94.6 million to the Commonwealth resulting in a net gain on sale of $169.3 million during fiscal year 2015.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, MassDevelopment Finance Agency, 99 High Street, 11th Floor, Boston, MA, 02110.

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 20,273,993	$ 12,822,009
Cash and cash equivalents-restricted for use	90,777,235	22,583,978
Investments	48,696,039	127,480,417
Loans receivable, net	11,899,367	46,494,345
Interest receivable	534,895	4,691,657
Accounts receivable and other assets (net of allowance of $375,614 and $144,511 at June 30, 2017 and 2016, respectively)	8,322,185	9,545,318
Due from the Commonwealth of Massachusetts	16,514,208	1,939,812
Project escrow deposits	968,868	1,010,564
Total current assets	197,986,790	226,568,100
Noncurrent assets		
Cash and cash equivalents restricted for capital use	8,512,567	9,635,979
Cash and cash equivalents-restricted for use	4,892,997	4,783,208
Investments	72,618,863	82,332,414
Investment in joint ventures	7,120,585	8,091,975
Loans receivable (net of allowance of $8,126,868 and $8,492,680 at June 30, 2017 and 2016, respectively)	76,184,685	58,780,601
Predevelopment and Brownfield receivables (net of allowance of $10,590,401 and $6,474,187 at June 30, 2017 and 2016, respectively)	1,574,443	1,936,115
Assets held for sale	8,017,114	8,373,698
Capital assets, net	158,851,304	99,856,796
Total noncurrent assets	337,772,558	273,790,786
Total assets	535,759,348	500,358,886
Deferred outflows of resources		
Interest rate swap	14,929	-
Total assets and deferred outflows of resources	$ 535,774,277	$ 500,358,886
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 11,051,210	$ 9,017,663
Current portion of bonds payable	370,000	360,000
Current portion of loans payable	5,000,000	-
Advances from the Commonwealth of Massachusetts	526,250	504,652
Accrued interest payable	285,494	271,728
Project escrow payable	1,086,868	1,121,235
Total current liabilities	18,319,822	11,275,278
Noncurrent liabilities		
Bonds payable	6,024,291	6,393,919
Loans payable	23,091,201	25,000
Advances from the Commonwealth of Massachusetts	8,477,352	9,003,602
Interest rate swap	14,929	-
Other liabilities	2,991,100	5,929,330
Total noncurrent liabilities	40,598,873	21,351,851
Total liabilities	58,918,695	32,627,129
Deferred inflows of resources		
Credit Enhancement of Charter School Facilities guarantee awards	-	2,610,042
Total deferred inflows of resources	-	2,610,042
Net position		
Net investment in capital assets	123,111,548	91,689,266
Restricted	180,912,474	162,151,570
Unrestricted	172,831,560	211,280,879
Total net position	476,855,582	465,121,715
Total liabilities, deferred inflows of resources and net position	$ 535,774,277	$ 500,358,886

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Operating revenues		
Devens operating revenue	$ 36,587,954	$ 36,217,401
Interest and other loan income	6,817,353	6,823,944
Bond issuance and New Markets Tax Credit fees	12,863,439	13,980,021
Other	3,360,258	3,587,768
Gains (losses) on sale of real estate, net	1,136,609	(266,391)
M/SBRC and other revenues (expenses)	25,385	(363,105)
Total operating revenues	60,790,998	59,979,638
Expenses		
Operating expenses		
Salaries and related employee expenses	19,231,693	18,173,310
Property, maintenance and utilities	27,564,957	27,331,749
General and administrative	4,900,918	4,337,293
Professional and legal fees	9,806,524	8,031,234
Provision for loan loss (recovery)	94,944	(611,677)
Provision for Predevelopment and Brownfield receivables	4,116,214	1,674,260
Depreciation and amortization	8,698,054	7,103,609
Loss (gain) on share of joint ventures	540,803	(201,853)
Total operating expenses	74,954,107	65,837,925
Operating loss	(14,163,109)	(5,858,287)
Nonoperating revenues (expenses)		
Investment income	5,926,539	2,202,204
Contract assistance	409,023	417,222
Interest expense	(1,259,267)	(747,060)
Amortization of bond discount, net	(1,562)	(1,779)
Financing costs	(391,508)	-
Nonoperating revenues, net	4,683,225	1,870,587
Loss before capital contributions (distributions)	(9,479,884)	(3,987,700)
Capital contributions (distributions)		
Contributions from the Commonwealth of Massachusetts	18,922,355	17,644,347
Disbursement to the Commonwealth of Massachusetts	(17,500,000)	(10,000,000)
Capital grant revenue	37,140,288	11,378,438
Predevelopment and Brownfield awards	(897,072)	(5,846,347)
Cultural Facilities grant awards	(10,011,171)	(13,838,730)
Advanced Manufacturing grant awards	(991,336)	(1,138,724)
Military Bond Bill grant awards	(227,863)	(5,148,331)
Massachusetts Manufacturing Extension Partnership, Inc. grant award	(2,000,000)	-
Transformative Development Initiative grant awards	(1,416,551)	(451,570)
Other grant awards	(1,804,899)	(715,783)
Total capital contributions (distributions), net	21,213,751	(8,116,700)
Increase (decrease) in net position	11,733,867	(12,104,400)
Net position		
Net position - beginning of year	465,121,715	477,226,115
Net position - end of year	$ 476,855,582	$ 465,121,715

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

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Receipts from interest on loans	$ 5,808,481	$ 6,244,646
Receipts from Devens operating income	36,831,059	35,664,817
Receipts from bond issuance fees	13,739,982	14,182,357
Receipts from other operating income	2,895,428	3,341,745
(Payments of) receipts from rent and other income	(60,993)	(299,638)
Payment of salaries and related employees expenses	(19,146,282)	(18,088,019)
Payment of rent, maintenance and utilities	(27,779,174)	(26,516,365)
Payment of general and administration expenses	(4,865,716)	(4,256,657)
Payment of professional and legal fees	(10,427,448)	(7,555,429)
Security deposits	7,909	(7,909)
Project escrows, draws	41,696	218,334
Project escrows, deposits	(34,367)	(191,888)
Net cash (used in) provided by operating activities	(2,989,425)	2,735,994
Cash flows from capital and related financing activities		
Acquisition of capital assets	(65,756,342)	(13,501,167)
Principal payments on debt obligations	(15,788,454)	(776,469)
Principal advances on debt obligations	43,066,201	-
Payment of financing costs	(380,165)	-
Proceeds from sale of capital assets	740,385	4,050,359
Receipts from capital contributions	34,878,801	14,571,254
Payment of Predevelopment and Brownfield grant awards	(897,072)	(5,846,347)
Payment of Cultural Facilities grant awards	(10,011,171)	(13,838,730)
Payment to Commonwealth of Massachusetts	(17,500,000)	(10,000,000)
Payment of Advanced Manufacturing grant awards	(991,336)	(1,138,724)
Payment of Military Bond Bill grant awards	(294,424)	(5,081,770)
Payment of Massachusetts Manufacturing Extension Partnership, Inc. grant award	(2,000,000)	-
Payment of Transformative Development Initiative grant awards	(1,416,551)	(451,570)
Payment of capital grant	(1,804,899)	(715,783)
Receipts of contributions from the Commonwealth of Massachusetts	4,343,089	10,075,734
Payment of interest	(907,806)	(404,065)
Net cash used in capital and related financing activities	(34,719,744)	(23,057,278)
Cash flows from investing activities		
Purchases of investments	(271,316,143)	(459,539,323)
Sales of investments	363,434,854	478,434,990
Investments in joint venture	(501,467)	(999,294)
Distributions from joint ventures	932,054	712,394
Disbursements of loans	(20,870,679)	(22,601,495)
Collections and recoveries of loans	42,445,216	14,349,742
Payment of Predevelopment and Brownfield receivables	902,605	152,216
Advance of Predevelopment and Brownfield receivables	(4,657,147)	(2,349,893)
Receipts of investment income	1,971,494	1,819,439
Net cash provided by investing activities	112,340,787	9,978,776
Net increase (decrease) in cash and cash equivalents	74,631,618	(10,342,508)
Cash and cash equivalents at beginning of year	49,825,174	60,167,682
Cash and cash equivalents at end of year	$ 124,456,792	$ 49,825,174
Supplemental disclosure of noncash activity:		
Contract assistance	$ 409,023	$ 417,222
Contributions from the Commonwealth	-	(6,641,140)
Capital grant revenue	(2,610,042)	2,610,042
Interest expense	332,825	350,637
Military Bond Bill grant awards	-	(66,561)
Unrealized (loss) gain on investments	(1,277,453)	403,872
Capital additions included in accounts payable	2,844,606	296,092
Disbursements of loans	4,478,587	1,779,123
NMTC fee	389,153	-
Interest on mortgages	4,089,433	-

(continued)

Massachusetts Development Finance Agency
(A Component Unit of the Commonwealth of Massachusetts)
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Operating loss	$ (14,163,109)	$ (5,858,287)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Bad debt	286,174	138,996
Depreciation and amortization	8,698,054	7,103,609
(Loss) gains on sale of real estate, net	(1,136,609)	266,391
Provision for loan loss and Predevelopment and Brownfield receivables, net	4,211,158	1,062,583
Loss (gain) on share of joint ventures	540,803	(201,853)
NMTC fee	(389,153)	-
Changes in assets and liabilities:		
Project escrows - asset	41,696	218,334
Security deposits	7,909	(7,909)
Interest receivable	71,544	(558,191)
Accounts receivable and other assets	598,523	(556,361)
Accounts payable and accrued expenses	(405,001)	1,333,406
Project escrows - liability	(34,367)	(191,888)
Other liabilities	(1,317,047)	(12,836)
Total adjustments	11,173,684	8,594,281
Net cash (used in) provided by operating activities	$ (2,989,425)	$ 2,735,994

(concluded)

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

1. Authorizing Legislation

Massachusetts Development Finance Agency (the "Agency" or "MDFA") was created on September 30, 1998 pursuant to Chapter 23G of Massachusetts General Laws ("MGL") (Chapter 289 of the Acts of 1998). The Agency is a body corporate and politic instrumentality and was created from the statutory merger of, and is the legal successor in all respects to, two previous existing instrumentalities, the Massachusetts Government Land Bank ("Land Bank") (created in 1975 under Chapter 212 of the Acts of 1975) and the Massachusetts Industrial Finance Agency ("MIFA") (created 1978 pursuant to chapter 23A of the Massachusetts General Laws). Other powers of the Agency are also set forth in Massachusetts General Law's Chapter 40D (with respect to the issuance of tax-exempt bonds) and chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of the former Fort Devens ("Devens"), a closed federal military base). The purpose of the Agency is to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth (the "Commonwealth"). It does this through its powers to issue tax-exempt bonds for the benefit of industrial and commercial entities, institutions, health care and housing facilities and public bodies; making loans and providing credit to eligible borrowers in accordance with its public purposes; and aiding public and private enterprises in the redevelopment of surplus federal and state property and other blighted, open, underdeveloped property. It also administers specific statutory funds directed at certain economic development needs in the Commonwealth, such as, the Emerging Technology Fund, the Cultural Facilities Fund, the Credit Enhancement of Charter School Facilities Program, the Brownfields Redevelopment Fund and the Massachusetts Export Finance Fund. The Agency also has the power to issue debt for the redevelopment of Devens.

The Agency is governed by an eleven member Board of Directors (the "Board"), nine of whom are appointed directly by the governor and two of whom are public officials, or their designees, serving ex-officio.

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

MassDevelopment/Saltonstall Building Redevelopment Corporation
The Commonwealth enacted special legislation, Chapter 237 of the Act of 2000 of the Commonwealth (the "Project Legislation") which authorized the Agency to design and redevelop the office building located at 100 Cambridge Street in Boston, Massachusetts (the "Project"). This legislation created the MassDevelopment/Saltonstall Building Redevelopment Corporation ("M/SBRC").

The ground lease was sold on March 17, 2015 for a sales price of $279.6 million resulting in a net gain on sale of $169.3 million. The Agency is in the process of dissolving the M/SBRC entity.

Taunton Development MassDevelopment Corporation
In January 2012, the Agency, in partnership with Taunton Development Corporation ("TDC"), purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consists of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation called Taunton Development MassDevelopment Corporation ("TDMDC") was formed to own and redevelop the property. Redevelopment of the property includes expansion of the existing 150 acres of the Myles Standish Industrial Park and development of a life science park including a training/education center. Grants have been provided by the Commonwealth through MassWorks and by the United States Department of Commercial Economic Development Administration ("EDA"). TDMDC is included in the financial statements of the Agency as the majority of the TDMDC board members are executives of the Agency. The Agency also provides consultant services related to the redevelopment of the property and financial services for TDMDC. The net position of TDMDC was approximately $12.2 million and $12.6 million as of June 30, 2017 and 2016, respectively.

2. Significant Accounting Policies

Accounting and Reporting Standards
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as prescribed by the Governmental Accounting Standards Board ("GASB"), which establishes standards for defining and reporting on the financial reporting entity.

The GASB defines the basic financial statements of a business type activity as the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows, and management's discussion and analysis as required supplemental information. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses and changes in net position.

Operating activities are those that support the mission and purpose of the Agency. Nonoperating activities represent transactions that are capital, investing, legislative or regulated in nature.

Net position represents the residual interest in the Agency's assets plus deferred outflows of resources after liabilities plus deferred inflows of resources are deducted and consist of: net investment in capital assets, restricted, and unrestricted, as follows:

- **Net Investment in Capital Assets**
  The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets plus unspent bond proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted**
  Net position is reported as restricted when there are third party limitations (statutory, contractual or bond covenant) on its use.

  Nonexpendable – Net position subject to externally imposed stipulations such that the Agency maintains them permanently. For years ended June 30, 2016 and 2015, the Agency did not have any nonexpendable restricted net position.

  Expendable – Net position whose use by the Agency is subject to externally imposed stipulations that can be fulfilled by actions of the Agency pursuant to those stipulations or that expire by the passage of time. Such assets include the Agency's bond construction funds on hand.

- **Unrestricted**
  Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand and highly liquid investments with maturities of three months or less at acquisition. Current cash and cash equivalents consist of unrestricted funds available for general operating purposes for the General Operations Program and TDMDC. Current cash and cash equivalents-restricted for use consist of available funds for current operations related to the Devens Electric Utility Division and available funds for loan, guarantee, grant or capital activity for restricted programs. Noncurrent cash and cash equivalents restricted for capital use consist of funds available for future capital improvements. Noncurrent cash and cash equivalents-restricted for use consist of funds available for future debt service payments, project reserves and future operations when there are not sufficient funds available from current operations. Cash and cash equivalents includes the Agency's investments in the Short Term Asset Reserve Fund ("Star Fund"), which is a short-term money market portfolio which seeks to preserve principal and maintain liquidity. Under GASB 79, *Certain External Investment Pools and Pool Participant,* the Star Fund is a qualifying external investment pool that measures for financial reporting purposes all of its short-term money market portfolio at amortized cost. See Note 4 for more information related to the Star Fund.

Investments
The Agency's investments are reported at fair value using quoted market price as defined by GASB Statement No. 72, *Fair Value Measurement and Application.* This statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumptions.

All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenue, expenses and changes in net position except for the guaranteed investment contract which is reported at contract value. Contract value represents contributions made under the contract plus accrued interest.

The primary objectives of the Agency's investment policy are to ensure preservation of capital, to grow funds available to meet the expanding needs of lending capital in the Commonwealth, to ensure liquidity of investments to meet current and estimated cash flow needs by investing in instruments with structured maturities that are readily marketable and to provide maximum yield while maintaining safety and liquidity. The maturities of investments range from less than one year to greater than five years. Investments may include money market funds with maturities of three months or less. These money market funds are classified as investments since they are held for the primary purpose of meeting some of the Agency's investment objectives and are due to restrictions placed on the related programs.

The guaranteed investment contract is reported at contract value. Contract value represents contributions made under the contract plus accrued interest.

Loans Receivable and Predevelopment and Brownfield Receivable, net
Loans receivable consist of loans issued by the Agency for various economic development programs. Predevelopment and brownfield receivable consist of loans issued by the Agency to finance early stage project costs (i.e. architectural and engineering costs) which are necessary to advance a project to the development stage.

These loans receivable are stated at principal amount outstanding, net of a provision for loan loss. Loans are charged against the provision for loan loss when the Agency believes the collectability of the principal is unlikely. The provision for loan loss is an amount that the Agency believes will be adequate to absorb possible loan losses of existing loans that may become uncollectible.

Investment in Joint Ventures
The Agency accounts for its participating interest in its joint ventures using the equity method of accounting. Under the equity method, the investment is carried at cost and adjusted for the Agency's share of net income or loss, cash contributions or distributions to and from its joint ventures as well as impairment losses on the joint ventures. Any impairment loss represents a write down to carrying value of the investment as projections related to the investment show that it is not probable that the investment balance will be recoverable from distributions generated by future sales.

Impairment Loss on Joint Ventures
Management analyzes its investments in joint ventures to determine whether the amounts are considered to be permanently impaired based upon its best estimates of the cash flows from the investment. If a permanent impairment in carrying value exists, a provision to write down the investment to the estimated cash flows realizable from the investment will be recorded in the Agency's financial statements. Minimal impairment loss was recognized on the Agency's investment in NMTC entities during fiscal years 2017 and 2016 as the related NMTC entities were unwound.

Accounts Receivable and Other Assets
The Agency evaluates the collectability of leases, utility and other accounts receivable after considering payment history. Although collection efforts continue, the Agency charges off any receivable balance that is deemed unlikely to be collected.

Interest Receivable
Interest receivable represents the amount of interest revenue that was earned, but not yet received by the end of the fiscal year in relation to loans receivable and investments.

Interest income on loans is recognized as earned. For loans receivable with interest payments in arrears, the Agency continues to accrue interest until such time as the loan agreement is restructured or the interest receivable is deemed to be uncollectible. When loans are restructured, interest payments in arrears, net of any amounts deemed uncollectible, are typically aggregated with the outstanding principal balance and interest is accrued on the new principal balance.

Project Escrows
The Agency holds funds consisting of cash and investments as collateral for mortgages receivable and as a source of payment for borrowers' obligations including tax and insurance payments. These amounts are recorded at market value and are held in separate bank accounts under the borrowers' tax identification numbers.

The Agency is also the administrator of the STAR Fund. The STAR Fund is an investment fund that is managed like a money market fund and invests in short-term, high-quality securities, and is available for the investment of bond proceeds of the Agency's client institutions. The STAR Fund is designed to preserve principal, provide daily liquidity, and earn a reasonable rate of return. The STAR Fund operates on a calendar year-end basis and is audited annually by a third party. Except for the Agency's investments in the STAR Fund, the accounts and investment results of the STAR Fund are not included in the Agency's financial statements.

Interest Capitalization
The Agency capitalizes certain interest associated with borrowed funds for specific projects, less any interest earned on temporary investment of the proceeds of such borrowings during the period of construction. No interest was capitalized during fiscal years 2017 and 2016.

Due From the Commonwealth
Due from the Commonwealth represents amounts owed from the Commonwealth as of June 30, 2017 and 2016, totaling $16,514,208 and $1,939,812, respectively. The balance due from the Commonwealth mainly represents reimbursements due to the Agency for Cultural Facilities grant expenses, Transformative Development Initiative equity investment projects and Belchertown project expenses incurred during the fiscal year.

Capital Assets, Net
Capital assets are carried at cost less accumulated depreciation. The Agency's threshold for classification of a capital asset is $5,000. Depreciation is recorded for using the straight-line method over the estimated useful life of the asset ranging from 1 to 40 years as noted below:

	Depreciable Years
Land	N/A
Building	20-40
Buildings/land/tenant improvements	1-20
Infrastructure	5-20
Equipment	3-10
Office equipment	3-5
Construction in progress	N/A
Assets held for sale	N/A

Maintenance and repairs are charged to expense when incurred while betterments and additions are capitalized. When assets are sold or retired, their cost and related accumulated depreciation are removed from the Agency's accounts and any gain or loss is recognized.

Assets Held for Sale
Certain properties are redeveloped with the intent to ultimately sell the asset to a third party. When such assets are substantially complete and ready for sale, the capitalized investment is reclassified to assets held for sale.

Accounts Payable and Accrued Expenses
The Agency accrues expenses on a monthly basis based on current contracts and invoices. The Agency accrues amounts for compensated absences as earned up to certain limitations which represent vacation amounts payable to employees upon termination of employment.

Bonds Payable
Bonds are recorded at date of issuance, net of related premium or discount amounts. Bond premiums and discounts are amortized or accreted, respectively, over the term of the related bond and these amounts are recorded as a component of non-operating expense.

Revenue Recognition
Application and processing fees for both tax-exempt and taxable bonds are recorded as bond issuance fee revenue on the date of closing on the bond. Debt servicing fees are recorded as revenue upon receipt. These are fees that are collected for Agency assistance in bond closings.

Organizational fee income for the New Markets Tax Credit ("NMTC") programs is recognized as NMTC fees on the date of the closing of the related NMTC program. This fee is a one-time cost associated with setting up and organizing the program. Management fee income for the NMTC programs is recorded as services related to managing the operations of the NMTC programs are performed.

Rental income is recognized on a straight-line basis for facility space rentals as it is earned. Advanced receipts of rental income are classified as liabilities until earned. All leases are operating leases. Rental income consists of base rent and reimbursements for certain operating expenses. Rental income is mainly related to properties located in Taunton, Devens, Worcester and Springfield. Rental income is included in the statements of revenues, expenses and changes in net position operating revenues as Devens operating revenue and other line items.

Guarantee fees received for loans guaranteed by the Agency are reported as unearned and recognized ratably over the term of the guarantee agreement.

Capital grant revenue is recognized depending on the terms of the related grant. Charter School Grant revenue is recognized as Charter School loan guarantees are issued. The MassWorks Office of Housing and Economic Development grants, Department of Homeland Security grants, Office of Economic Adjustment grants and Economic Development Administration grants are recognized as funds are disbursed for the related grant project.

Contributions from the Commonwealth are recognized according to the terms of the related agreement. These are currently reimbursement type grants and are recognized as qualifying expenses are incurred.

Devens operating revenue consists of fees received for utilities, municipal services and leased space and are recognized as earned.

The Agency accrues monthly principal and interest reimbursements due under its contract with the Commonwealth for debt service payments associated with the Massachusetts Department of Environmental Protection ("DEP") loan and records these amounts as contract assistance which is included in non-operating revenue.

Generally, gains on sales of real estate are recognized as earned. Certain purchase and sale agreements include a repurchase clause; therefore, these gains on sales are not recognized until the conditions in the repurchase clauses are satisfied.

Provision for Loan Loss (Recovery)
Provision for loan loss (recovery) represents the necessary expense (recovery) to maintain an adequate allowance for estimated loan losses. In determining the provision, the Agency evaluates each loan and considers past performance history, collateral value, financial stability of the borrower and the likelihood for foreclosure and such other factors as deemed necessary. The loan portfolio and the Agency's loan loss rating system are evaluated annually by management and an independent consulting firm.

Provision for Predevelopment and Brownfield Receivables, net
Provision for predevelopment and brownfield receivables, net, represents the expense necessary to maintain an adequate allowance for estimated losses of receivables that may become uncollectible.

Warrants
The Agency has loan agreements within the Emerging Technology Program ("ETP"), established under Sections 27 and 28 of MGL Chapter 23G. Certain of those loan agreements include warrants that qualify as reportable derivative instruments under Statement No. 53 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Derivative Instruments.* The value of these loan agreements is ultimately dependent upon the fair value of the companies which have issued the warrants. The ETP is a loan program designed to promote economic development in the emerging technologies sector of the Massachusetts economy. These loans are generally issued to companies that are otherwise unable to obtain market based financing. The majority of these companies are pre-revenue start-up operations which are being incubated through the ETP to promote economic development in the Commonwealth. Given the nature of these entities, the uncertainties associated with the ultimate viability of these companies precludes the Agency from developing reliable estimates of the fair value of the related warrants. As such, it is the policy of the Agency to recognize value associated with these warrant agreements only at such time as these warrants are ultimately exercised, at which point a reliable fair value is determined by a transaction, such as an initial public offering or a sale of the company.

New Accounting Pronouncements

Accounting Standards Effective in Current Year
In August 2015, the GASB issued GASB No. 77-*Tax Abatement Disclosures.* This standard establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures encompass tax abatements resulting from both a) agreements that are entered into by the reporting government and b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. This standard is effective for financial statements for fiscal years beginning after December 15, 2015. The adoption of this standard did not have a significant impact on the Agency's financial statements, but did require additional disclosures to the financial statements by the Agency. See Note 15 for more information on the tax abatement disclosures.

In December 2015, the GASB issued GASB No. *79-Certain External Investment Pools and Pool Participants.* This standard addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investment at amortized cost for financial reporting purposes. This standard is effective for financial statements for fiscal years beginning after December 15, 2015. The adoption of this standard did not have a significant impact in the Agency's financial statements. See Footnote 4.

In January 2016, the GASB issued GASB No. *80-Blending Requirements for Certain Component Units.* The objective of this standard is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not for profit corporation in which the primary government is the sole corporate member. This standard is effective for financial statements for fiscal years beginning after June 15, 2016. The adoption of this standard did not have a significant impact on the Agency's financial statements.

In March 2016, the GASB issued GASB No. *82-Pension Issues.* This standard establishes accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers. The objective of the standard is to improve consistency in the application of pension accounting and financial reporting requirements by addressing issues that have been raised with respect to GASB No. *67-Financial Reporting for Pension Plans,* GASB No. *68 – Accounting and Financial Reporting for Pensions,* GASB No. *73-Accounting and Financial Reporting for Pensions and Related Assets.* This standard is effective for financial statements for fiscal years beginning after June 15, 2016. The adoption of this standard did not have a significant impact on the Agency's financial statements.

New Accounting Standards Not Yet Effective

In November 2016, the GASB issued GASB No. *83-Certain Asset Retirement Obligations ("AROs").* This standard addresses accounting and financial reporting for certain asset retirement obligations. The objective of this standard is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs. This standard is effective for financial statements for fiscal years beginning after June 15, 2018. Earlier application is encouraged. The adoption of this standard is not expected to have a significant impact on the Agency's financial statements.

In January 2017, the GASB issued GASB No. *84-Fiduciary Activities.* This standard establishes criteria for identifying fiduciary activities of all state and local governments. The objective of this standard is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard is effective for financial statements for fiscal years beginning after December 15, 2018. Earlier application is encouraged. The adoption of this standard is not expected to have a significant impact on the Agency's financial statements, but may require additional disclosures in the financial statements by the Agency.

In March 2017, the GASB issued GASB No. *85-Omnibus 2017.* The objective of this standard is to address practice issues that have been identified during implementation and application of certain GASB Statements. This standard addresses a variety of topics such as issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits. This standard is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The adoption of this standard is not expected to have a significant impact on the Agency's financial statements.

In May 2017, the GASB issued GASB No. *86-Certain Debt Extinguishment Issues.* This standard establishes standards of accounting and financial reporting for certain debt extinguishments. This standard is effective for financial statements for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The adoption of this standard is not expected to have a significant impact on the Agency's financial statements.

In June 2017, the GASB issued GASB 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. The Agency is in the process of reviewing how the adoption of this standard will impact the Agency's financial statements.

3. Programs of the Agency

The following describes certain programs or divisions of the Agency. Please also refer to the Supplemental Information on pages 63-64.

General Operations Program
The General Operations Program supports five major programs of the Agency: direct lending, investment banking, development/redevelopment of properties, consulting/technical assistance to communities and support of the defense sector in the Commonwealth. The Agency's lending programs consist of business loans, real estate mortgages, equipment loans and development loans. Lending programs generate fee income at closings and interest income. Investment banking acts as a conduit issuer for tax-exempt bond financing for a variety of borrowers. Investment banking generates fee income from bond issuances.

The Agency invests funds in real estate developments in support of development/redevelopment of blighted and/or surplus public properties within the Commonwealth. The Agency is actively involved in the development and/or ongoing operations of properties in Devens, Springfield, Northampton, Belchertown, Taunton and Gloucester. The Agency provides technical assistance to communities through various programs including loans and consulting services. The Agency also devotes staff time toward defense sector work. Current defense sector projects include economic analysis of the importance of the Commonwealth military installations and work on the Commonwealth's Military Asset and Security Strategy Task Force. The net position of the General Operations Program was approximately $222.5 million and $220.4 million as of June 30, 2017 and 2016, respectively.

Devens Operations Program

The Devens Operations Program was established under Chapter 498 of the Acts of 1993, as amended (with respect to the redevelopment of Devens, a former federal military base). With financial support from the Commonwealth, the Agency purchased the property and has been redeveloping Devens, a 4,400 acre mixed-use community located in Devens, MA, by creating a sustainable and diverse residential and business community. The Agency currently provides municipal services, education, environmental protection, redevelopment and property leasing services at Devens. The net position of the Devens Operations Program was approximately \$70.1 million and \$71.3 million as of June 30, 2017 and 2016, respectively.

Brownfield Redevelopment Program

The Brownfield Redevelopment Program was established in 1998 as part of the Commonwealth's Brownfield Act to encourage reuse of environmentally contaminated property in economically distressed areas of the Commonwealth rather than open space for new economic development. This program is administered by the Agency and must be invested according to an established Agency investment policy related to restricted funds. All related interest income must be utilized for the administration of the program. The Agency had approximately \$1.7 million and \$1.8 million of gross Brownfield loans receivable with loan loss reserves of approximately \$0 and \$0.4 million for net Brownfield loans receivable of approximately \$1.7 million and \$1.5 million outstanding as of June 30, 2017 and 2016, respectively. The Agency also issued approximately \$0.9 million and \$5.8 million of grant awards during fiscal years 2017 and 2016, respectively. As of June 30, 2017 and 2016, approximately \$11.7 million and \$15.9 million, respectively, are available for disbursement. The restricted net position of this program was approximately \$14.7 million and \$19.0 million as of June 30, 2017 and 2016, respectively.

Emerging Technology Program

The Emerging Technology Program ("ETP") was established under Sections 27 and 28 of MGL Chapter 23G. ETP leverages private financing to provide capital for businesses, which develop or commercialize emerging technologies. The Agency had approximately \$5.6 million and \$8.5 million of gross ETP loans receivable with loan loss reserves of approximately \$0.8 million and \$1.3 million for net ETP loans receivable of approximately \$4.8 million and \$7.2 million outstanding as of June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, the Agency had approximately \$33.7 million and \$26.3 million, respectively, available for disbursement. The restricted net position of this program is approximately \$42.0 million and \$35.1 million as of June 30, 2017 and 2016, respectively. The Agency assets at risk due to outstanding ETP guarantees, including commitments, at June 30, 2017 and 2016, were \$1.1 million and \$1.7 million, respectively.

The Agency has also committed an additional \$5.0 million to an equity investment in the Commonwealth Fund III LLC ("Fund") from the ETP. As of June 30, 2017 and 2016, a total of \$3.7 million and \$3.3 million, respectively, had been contributed to the Fund.

Cultural Facilities Program
The Cultural Facilities Program was established under section 42 of the MGL chapter 23G, effective July 13, 2006. The purpose of the Cultural Facilities Program is to make grants or loans for the acquisition, design, construction, repair, renovation, rehabilitation or other capital improvement or deferred maintenance of a cultural facility. All related interest income must be utilized for the administration of the program. New funds are given to the Agency on a reimbursement basis as grants are awarded. The Agency awarded approximately $10.0 million and $13.8 million of grant awards during fiscal years 2017 and 2016, respectively. As of June 30, 2017 and 2016, approximately $2.0 million and $2.9 million are on hand and available for disbursement, respectively. The restricted net position of this program was approximately $2.9 million and $2.6 million as of June 30, 2017 and 2016, respectively.

Massachusetts Export Development Program
This program serves as a guarantee to lending institutions for their working capital loans to Massachusetts exporters. These funds are administered by the Agency and must be invested in securities issued by the Treasury of the United States Government or the Commonwealth. All related investment income must be utilized for the administration of this program. The Agency has designated approximately $3.5 million and $3.6 million at June 30, 2017 and 2016, respectively, for this program. Total Agency assets at risk due to Massachusetts Export Development Program guarantees outstanding, including commitments, aggregated approximately $6.6 million and $5.3 million at June 30, 2017 and 2016, respectively. The restricted net position of this program was approximately $3.4 million and $3.5 million as of June 30, 2017 and 2016, respectively. This program is included in the Other column in the Supplemental Consolidating Information on pages 63-64.

Mortgage Insurance Program
The purpose of the Mortgage Insurance Program (“MIP”) is to encourage private sector investment by guaranteeing a portion of bank loans or bond issues. Premium income received and other monies made available to the program are credited thereto. This premium income is amortized over the loan guarantee period. The approved leverage policy for this program is 1) for loans secured by first liens on real estate or equipment three times the cash balance in the program backing such guarantees and 2) for loans secured by second liens on capital assets or first liens on other business assets, no more than one and a half times the cash balance in the program backing such guarantees. The Agency has designated approximately $12.9 million and $12.7 million at June 30, 2017 and 2016, respectively, for the MIP and are considered restricted funds.

Total Agency assets at risk due to mortgage insurance in force, including commitments, under the Guaranteed Loan program, aggregated approximately $16.0 million and $14.3 million at June 30, 2017 and 2016, respectively. The restricted net position of this program was approximately $12.4 million and $12.3 million as of June 30, 2017 and 2016, respectively.

Charitable Institutional Trust

The Charitable Institutional Trust ("Trust") was established on July 8, 1997 as an irrevocable trust. The Trust's net position is subject to restrictions regarding its use. The Trust is authorized to make payments to charitable organizations or governmental entities such as public colleges and universities to assist in the form of gifts, grants, and loans. The General Operations Program may be eligible to receive the income and up to 10% of the principal from the Trust at the trustees' direction. All payments to the General Operations Program shall be used by the Agency only to reduce charges it would otherwise have to impose upon institutions using the Agency's services, and all payments to charitable institutions or governmental entities must be for their charitable and governmental purposes, respectively.

During the years ended June 30, 2017 and 2016, the Trust awarded grants of $497,000 and $483,000, respectively, to charitable institutions. The Trust also started issuing loans beginning with fiscal year 2014. The net loan receivable balance as of June 30, 2017 and 2016 was $330,939 and $508,961, respectively. As of June 30, 2017 and 2016, approximately $9.5 million and $9.8 million are available for future payments, respectively. The grants are reported as other grant awards in the accompanying statements of revenues, expenses and changes in net position. The restricted net position of this trust was approximately $9.9 million and $10.4 million as of June 30, 2017 and 2016, respectively.

Credit Enhancement of Charter School Facilities Program

In 2005, the Agency was awarded $10.0 million from the U.S. Department of Education ("DOE") to enable the Agency to facilitate the financing of charter schools through the issuance of loan guarantees. This program has a total capitalization of $14,525,000 through a two tier structure. The first tier included the $10.0 million from the DOE plus interest earned, and a $500,000 matching guarantee provided by the Agency's General Operations Program. The second tier includes a $1.0 million guarantee from Local Initiatives Support Corporation, a $2.5 million guarantee from The Boston Foundation and a $500,000 guarantee from the Agency's General Operations Program.

During fiscal year 2014, the Agency was awarded another $5.0 million towards this program by the DOE. These funds are held as short-term investments by the Agency under the terms of the grant and can be used to pay claims on its guarantees. During fiscal year 2015 and 2016, the Agency was awarded another $3.9 million and $1.1 million, respectively. These funds were received in fiscal year 2016.

As of June 30, 2017 and 2016, approximately $21.4 million are available for loan guarantees, respectively. Total Agency assets at risk due to outstanding guarantees, including commitments, aggregated approximately $26.8 million and $18.9 million at June 30, 2017 and 2016, respectively. The restricted net position of this program was approximately $21.0 million and $18.5 million as of June 30, 2017 and 2016, respectively.

Advanced Manufacturing Futures Program

The Advanced Manufacturing Futures Program ("Futures Program") was established pursuant to Chapter 38 Acts of 2013 under section 45 of the MGL chapter 23G. The purpose of this program is to support Commonwealth companies engaged in manufacturing in all regions of the Commonwealth. The program (1) promotes the development of advanced manufacturing through supporting technical assistance for small and mid-sized manufacturers; (2) fosters collaboration and linkages among larger manufacturing companies and smaller supplier manufacturers; 3) advances workforce development initiatives through training, certification, and education programs and 4) encourages development of innovative products, materials and production technologies by manufacturers through the transfer of technological innovations and partnerships with research universities, colleges and laboratories and promoting regional approaches through sector strategies that allow for various programs, resources and strategies to be aligned and leveraged. The Agency provides grants or loans and administers the program for the purpose of facilitating growth and competitiveness in the field of manufacturing. During fiscal year 2017 and 2016, the Futures Program awarded grants of $1.0 million each year to eligible manufacturing entities. As of June 30, 2017 and 2016, approximately $4.1 million and $4.3 million, respectively, were available for disbursement. The restricted net position of this program was approximately $4.1 million and $4.3 million as of June 30, 2017 and 2016, respectively.

Devens Electric Utility Division

In February 2001, the Agency issued Electrical System Revenue Bonds, Series 2001 for the purpose of financing the design, construction, installation and associated costs of the electrical system at Devens, as part of its Devens operations. As required by Section 609 of the Master Trust Indenture by and between the Agency and the Trustee, the Agency accounts for all related revenues and expenditures associated with the electric utilities at Devens as a separate division within the Agency. Net position of the Devens Electric Utility Division was approximately $20.0 million and $19.1 million as of June 30, 2017 and 2016, respectively. Please also refer to Footnote 18 Segment Reporting.

Devens Gas, Water and Wastewater Utility Divisions

Devens also provides natural gas, water and sewer services to the residents and businesses of Devens, MA, as part of its Devens operations. The utility divisions pursue programs aimed at increasing energy supply, reliability and efficiency while limiting costs. The Agency tracks each utility division as a separate and distinct program. The net position of these utility divisions was approximately $21.9 million and $22.4 million as of June 30, 2017 and 2016, respectively.

Military Bond Bill Capital Projects Program
The Military Bond Bill Capital Projects Program ("MBB") was established pursuant to Massachusetts General Law chapter 6, section 216. The purpose of this program is to establish a military asset and security task force and provides that the Agency oversee and implement military installations mission improvement and expansion projects or base realignment preparation and mitigation projects, including, the acquisition, management and disposition of all or any portion of military installations, buildings and utility systems, equipment and personal property, as well as, acquire title to land, buildings and improvements that comprise all or any portion of military installations upon the transfer or disposition of any portion of the military installations by the federal government. During fiscal years 2017 and 2016, MBB awarded grants totaling $0.2 million and $5.1 million, respectively. The restricted net position of this program was approximately $0 as of June 30, 2017 and 2016, respectively.

Transformative Development Initiative Program
The Transformative Development Initiative Program ("TDI") was established pursuant to Massachusetts General Law chapter 287, acts of 2014. The purpose of this program is to redevelop Gateway cities to enhance local public-private engagement and community identity; stimulate an improved quality of life for residents; and spur increased investment and economic activity. As of June 30, 2017 and 2016, approximately $9.1 million and $8.6 million, respectively, were available for disbursement. During fiscal years 2017 and 2016, TDI awarded grants totaling $1.4 million and $0.5 million, respectively. The restricted net position of this program was approximately $15.5 and $9.9 million as of June 30, 2017 and 2016.

Bond Issuance Program
The Bond Issuance Program allows the Agency to offer composite bond issues to the public using Agency insurance and a letter of credit from a rated financial institution. The program provides fixed rate long-term financing for eligible projects.

4. Cash, Cash Equivalents and Investments

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

June 30, 2017	**Carrying Amount**
Cash Deposits	$124,456,792

June 30, 2016	**Carrying Amount**
Cash Deposits	$ 49,825,174

The primary objectives of the Agency's formal investment policy, approved by the Board, is to ensure preservation of capital, to grow funds available to meet the expanding needs of lending capital in the Commonwealth, to ensure liquidity of investments to meet current and estimated cash flow needs by investing in instruments with structured maturities that are readily marketable and to provide maximum yield while maintaining safety and liquidity.

General Operations Program allowable investments include: U.S. Treasuries, U.S. government agency issues, bank certificates of deposit or time deposits, banker's acceptance, short-term corporate obligations, repurchase agreements, asset backed securities, and money market funds. The maximum maturity of any investment is 5 years with the exception of floating rate notes, with 10% of the portfolio always being available in one day.

Restricted Operations Programs allowable investments include: bonds, notes and similar debt instruments issued by corporations, trusts, partnerships, and limited liability companies; commercial paper; U.S. time deposits, certificates of deposit and banker's acceptances; fixed, variable and indexed rate notes; repurchase agreements; and securities issued by companies, trusts and other entities registered under the 1940 Act or exempt from the 1940 Act under Section 3(c). The maximum allowable dollar-weighted average maturity is 90 days. The maximum maturity of any investment is 397 days, with 10% of the portfolio always being available in one day.

Depository Accounts

	June 30, 2017	**June 30, 2016**
Insured	$ 32,803,738	$ 34,128,345
Uninsured	91,653,054	15,696,829
	$124,456,792	$ 49,825,174

At June 30, 2017 and 2016, investments of approximately $45.9 million and $99.2 million, respectively, were designated for purposes such as specific loan, guarantee or grant programs and are included in investments in the statements of net position.

At June 30, 2017 and 2016, current investments included approximately $42.3 million and $111.4 million, respectively, of restricted investments. Non current restricted investments were approximately $9.3 million and $7.9 million as of June 30, 2017 and 2016, respectively.

The Agency invests some of its funds in the Star Fund. The Star Fund is designed to comply with all Massachusetts statutes and regulations for the allowable investment of funds by the Agency. The Agency's Star Fund holdings as of June 30, 2017 and 2016 were approximately $75.9 million and $2.0 million, respectively. During fiscal year 2017 the Agency moved funds from money market investment accounts to the Star Fund in order to earn a higher rate of return on the funds. The Agency's investments in the Star Fund in 2017 and 2016 qualified to be reported as cash equivalents as the Star Fund is a qualifying external investment pool that measures for financial reporting purposes all of its short-term money market portfolio at amortized cost. A copy of the financial statements of the Star Fund can be obtained from the Office of the Chief Financial Officer, MassDevelopment Finance Agency, 99 High Street, 11th Floor, Boston, MA 02110.

Custodial Credit Risk-Deposits
The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The Agency's cash, cash equivalents and investments are held by reputable financial institutions, whose credit has been reviewed by management.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency manages its exposure to interest rate risk by investing operating funds primarily in short term investments.

Credit Risk
Credit risk is the risk that the Agency's investments will be negatively impacted due to the default of the Agency's investments. According to the Agency's investment policy, investments must be prime quality and rated no less than A by either Moody's, Standard and Poor's, or Fitch.

Concentration of Credit Risk
Concentration of credit risk is assumed to arise when the amount of cash and investments that the Agency has with any one issuer exceeds five percent of the total value of the Agency's investments. As of June 30, 2017, the cash, cash equivalents and investments held in any one issuer over five percent of the total value of the Agency's investments included $21.4 million invested in a government money market fund (17.7%), $6.5 million in a U.S. Treasury Bond (5.4 %) and $6.3 million in a United States Government agency bond (5.2%)

As of June 30, 2016, the cash, cash equivalents and investments held in any one issuer over five percent of the total value of the Agency's investments included $59.3 million invested in a money market fund (28.3%) and $21.4 million invested in a government money market fund (10.2%).

Foreign Currency Risk
The investment policy of the Agency limits the Agency's foreign currency risk by excluding foreign investments as an investment option.

As of June 30, 2017, the Agency's investments by maturity are summarized as follows:

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5 *	More Than 5	Level Inputs (1, 2, 3)
U.S. Treasury Bonds	$ 19,659,291	$ -	$ 19,659,291	$ -	1
Federal Agency Bonds/Notes	28,934,887	-	28,934,887	-	2
Corporate Notes	4,003,628	4,003,628	-	-	2
Commercial Paper	11,203,468	10,907,886	295,582	-	2
Certificates of Deposit	21,804,159	8,877,803	12,926,356	-	2
Asset Backed Securities	9,577,961	-	9,577,961	-	2
PFM Government Money Market Fund	21,436,835	21,436,835	-	-	2
US Bank First American U.S. Treasury Fund	3,469,887	3,469,887	-	-	2
Other Guarantee Investment Contracts	235,646	-	-	235,646	N/A
Common Stock	989,140	-	-	989,140	1
	$ 121,314,902	$ 48,696,039	$ 71,394,077	$ 1,224,786	

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

The Devens Electric Utility Division's investments has guaranteed investment contract (GIC) with multiple providers who maintain the contributed investments. These amounts are credited with earnings on the underlying investments and charged for withdrawals and expenses. The providers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Devens Electric Utility Division. The contract value represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. In accordance with GASB No. 72, these investments are measured at such contract value outside of the fair value hierarchy.

As of June 30, 2016, the Agency's investments by maturity are summarized as follows:

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5 *	More Than 5	Level Inputs (1, 2, 3)
U.S. Treasury Bonds	$ 19,131,800	$ -	$ 19,131,800	$ -	1
Federal Agency Bonds/Notes	48,443,161	6,501,482	41,941,679	-	2
Corporate Notes	5,305,408	5,305,408	-	-	2
Commercial Paper	10,523,617	10,188,452	335,165	-	2
Certificates of Deposit	34,484,153	21,064,022	13,420,131	-	2
Asset Backed Securities	7,294,782	76,832	7,217,950	-	2
PFM Prime Institutional Class Money Market Fund	59,290,605	59,290,605	-	-	2
PFM Government Money Market Fund	21,404,345	21,404,345	-	-	2
US Bank First American U.S. Treasury Fund	3,649,271	3,649,271	-	-	2
Other Guarantee Investment Contracts	230,413	-	-	230,413	N/A
Common Stock	55,276	-	-	55,276	1
	$ 209,812,831	$ 127,480,417	$ 82,046,725	$ 285,689	

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

As of June 30, 2017, the Agency's investments by quality rating are summarized as follows:

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated *
U.S. Treasury Bonds	$ 19,659,291	$ -	$ 19,659,291	$ -	$ -
Federal Agency Bonds/Notes	28,934,887	-	28,934,887	-	-
Corporate Notes	4,003,628	-	2,002,274	2,001,354	-
Commercial Paper	11,203,468	-	-	10,907,886	295,582
Certificates of Deposit	21,804,159	-	6,807,715	14,996,444	-
Asset Backed Securities	9,577,961	9,577,961	-	-	-
PFM Government Money Market Fund	21,436,835	21,436,835	-	-	-
US Bank First American U.S. Treasury Fund	3,469,887	3,469,887	-	-	-
Other Guarantee Investment Contracts	235,646	-	-	235,646	-
Common Stock	989,140	-	-	-	989,140
	$ 121,314,902	$ 34,484,683	$ 57,404,167	$ 28,141,330	$ 1,284,722

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

As of June 30, 2016, the Agency's investments by quality rating are summarized as follows:

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated *
U.S. Treasury Bonds	$ 19,131,800	$ -	$ 19,131,800	$ -	$ -
Federal Agency Bonds/Notes	48,443,161	-	48,443,161	-	-
Corporate Notes	5,305,408	-	-	5,305,408	-
Commercial Paper	10,523,617	-	-	10,188,452	335,165
Certificates of Deposit	34,484,153	-	8,832,110	25,652,043	-
Asset Backed Securities	7,294,782	7,294,782	-	-	-
PFM Prime Institutional Class Money Market Fund	59,290,605	59,290,605	-	-	-
PFM Government Money Market Fund	21,404,345	21,404,345	-	-	-
US Bank First American U.S. Treasury Fund	3,649,271	3,649,271	-	-	-
Other Guarantee Investment Contracts	230,413	-	-	230,413	-
Common Stock	55,276	-	-	-	55,276
	$ 209,812,831	$ 91,639,003	$ 76,407,071	$ 41,376,316	$ 390,441

* This rating category includes a structured investment vehicle in commercial paper. This investment has been adjusted to reflect fair market value.

5. Investments in Joint Ventures

The Agency has a participating interest in nineteen joint ventures, which are accounted for on the equity method. Upon dissolution of the respective joint venture, proceeds will be distributed according to the terms of the joint venture agreements of each respective member.

The following is a summary of the Agency's investment in joint ventures at June 30:

	June 30, 2016	Capital Contributions	Distributions	Impairment Loss	Share of Operating (Loss) Income	June 30, 2017
Investment in Hospital Hill LLC	$ 4,957,394	$ 81,682	$ (927,377)	$ -	$ (963,215)	$ 3,148,484
Investment in Commonwealth Fund III LLC	3,112,154	416,185	-	-	423,160	3,951,499
Investments in NMTC entities	22,427	3,600	(4,677)	(1,031)	283	20,602
	$ 8,091,975	$ 501,467	$ (932,054)	$ (1,031)	$ (539,772)	$ 7,120,585

	June 30, 2015	Capital Contributions	Distributions	Impairment Loss	Share of Operating (Loss) Income	June 30, 2016
Investment in Hospital Hill LLC	$ 5,632,513	$ 183,834	$ (712,394)	$ -	$ (146,559)	$ 4,957,394
Investment in Commonwealth Fund III LLC	1,950,050	813,792	-	-	348,312	3,112,154
Investments in NMTC entities	20,659	2,810	(1,142)	(286)	386	22,427
	$ 7,603,222	$ 1,000,436	$ (713,536)	$ (286)	$ 202,139	$ 8,091,975

The Agency is a 73.099% participant and the managing member in Hospital Hill LLC (the "LLC"). The LLC was formed to acquire and redevelop the former Northampton State Hospital site in Northampton, Massachusetts.

The redevelopment effort focuses on office/light industrial space, mixed use space and retail space, approximately 300 housing units consisting of both multi-family housing units and single-family houses and 83 assisted living units. No separate financial statements are issued for this LLC.

The Agency is a 98% member in the Commonwealth Fund III LLC ("Fund"). The managing member is Massachusetts Technology Development Corporation. The primary purpose of the Fund is to invest in entities broadly related to the technology industry such as robotics, instrumentation, telecom, computers, software, healthcare information technology and mobile applications. The Agency has committed a total of $5.0 million to the Fund investment from ETP. As of June 30, 2017 and 2016, $3,708,234 and $3,292,049, respectively, had been contributed to the Fund.

The Agency has a 0.01% to 0.10% investment allocation in the Investments in New Markets Tax Credit entities ("NMTC entities"). The Agency, via subsidiary entities MassDevelopment New Markets LLC ("MDNM") and Mass HEFA New Markets CDE LLC ("HEFA CDE"), was awarded since the inception of the program the right to allocate federal NMTC's against $341.0 million and $66.0 million, respectively, of its investors' investments by the United States Department of the Treasury.

NMTC have been made available to banks, corporations, partnerships and funds that invest in MDNM and HEFA CDE. The proceeds of their investments will be reinvested in business and commercial development in low-income census tracts. As of June 30, 2017, the Agency had investments in twenty such entities. See Note 19.

6. Loans Receivable

The following is a summary of the Agency's loans receivable as of June 30:

	June 30, 2016	Disbursements/ Assumptions (Provisions, net)	(Collections)/ Write-offs	June 30, 2017
Loans receivable	$ 113,767,626	$ 25,349,266	$ (42,905,972)	$ 96,210,920
Less: allowance for loan loss	(8,492,680)	(94,944)	460,756	(8,126,868)
	$ 105,274,946	$ 25,254,322	$ (42,445,216)	$ 88,084,052

	June 30, 2015	Disbursements (Provisions, net)	(Collections)/ Write-offs	June 30, 2016
Loans receivable	$ 104,564,235	$ 22,601,495	$ (13,398,104)	$ 113,767,626
Less: allowance for loan loss	(9,931,842)	611,677	827,485	(8,492,680)
	$ 94,632,393	$ 23,213,172	$ (12,570,619)	$ 105,274,946

Most loans are collateralized by a first or shared first position in the underlying collateral. As of June 30, 2017 and 2016, respectively, 15 loans totaling $7.3 million and 17 loans totaling $4.4 million are collateralized by second positions in the underlying property. Also, as of June 30, 2017 and 2016, respectively, 4 loans totaling $0.8 million and 7 loans totaling $1.1 million are collateralized by third and fourth positions. As of June 30, 2017 and 2016, respectively, 0 loans and 1 loan totaling $3.0 million are unsecured.

There were approximately $7.2 million and $10.7 million net loans receivable that were considered nonaccrual loans as of June 30, 2017 and 2016, respectively. All payments received from borrowers for nonaccrual loans are applied to the principal balance of the loan.

7. Interest Receivable

The following is a summary of the Agency's interest receivable at June 30:

	2017	2016
Investment interest	$ 298,614	$ 345,635
Loan interest	236,281	4,346,022
	$ 534,895	$ 4,691,657

Interest receivable includes amounts earned but not received on both investments and loans, net of an allowance for doubtful accounts. When the Agency believes the collectability of the interest is unlikely, a reserve against interest is charged as a component of the allowance for doubtful accounts. As of June 30, 2017 and 2016, no allowance was deemed necessary.

8. Predevelopment and Brownfield Receivables

The following is a summary of the Agency's predevelopment and brownfield receivables as of June 30:

	June 30, 2016	Disbursements (Provision, net)	(Collections)/ Write-offs	June 30, 2017
Predevelopment and Brownfield receivables	$ 8,410,302	$ 4,657,147	$ (902,605)	$ 12,164,844
Less: accumulated provision	(6,474,187)	(4,114,214)	(2,000)	(10,590,401)
	$ 1,936,115	$ 542,933	$ (904,605)	$ 1,574,443

	June 30, 2015	Disbursements (Provision, net)	(Collections)/ Write-offs	June 30, 2016
Predevelopment and Brownfield receivables	$ 6,193,625	$ 2,349,893	$ (133,216)	$ 8,410,302
Less: accumulated provision	(4,780,927)	(1,674,260)	(19,000)	(6,474,187)
	$ 1,412,698	$ 675,633	$ (152,216)	$ 1,936,115

Predevelopment and Brownfield receivables represent amounts advanced to organizations for the purpose of conducting market analysis and feasibility studies for expansion of operations.

Advanced funds are recovered in accordance with individual terms as stated in the memoranda of agreement and evaluation of collectability.

In addition to the advances noted above, the Agency awarded approximately $0.9 million and $5.8 million of Predevelopment and Brownfield grant awards during fiscal years 2017 and 2016, respectively, which are included in the statements of revenues, expenses and changes in net position.

9. Capital Assets

A summary of changes in capital assets for the years ending June 30, respectively, is as follows:

	Useful Life Range in Years	June 30, 2016	Additions/ (Transfers)	Disposals/ Transfers	June 30, 2017
Capital:					
Land	N/A	$ 7,438,758	$ 44,064	$ -	$ 7,482,822
Building	20-40	38,585,849	59,472,408	-	98,058,257
Buildings/land/tenant improvements	1-20	4,995,453	39,615	-	5,035,068
Infrastructure	5-20	141,064,538	1,769,698	-	142,834,236
Equipment	3-10	4,990,625	321,967	(149,833)	5,162,759
Office equipment	3-5	4,133,690	220,139	-	4,353,829
Construction in progress		-	5,824,671	-	5,824,671
Assets held for sale		8,373,698	908,386	(1,264,970)	8,017,114
Subtotal		209,582,611	68,600,948	(1,414,803)	276,768,756
Less: accumulated depreciation					
Building		(24,474,166)	(2,833,132)	-	(27,307,298)
Buildings/land/tenant improvements		(4,166,464)	(216,702)	-	(4,383,166)
Infrastructure		(64,477,334)	(5,220,179)	-	(69,697,513)
Equipment		(4,364,622)	(231,242)	149,833	(4,446,031)
Office equipment		(3,869,531)	(196,799)	-	(4,066,330)
		(101,352,117)	(8,698,054)	149,833	(109,900,338)
Total		$ 108,230,494	$ 59,902,894	$ (1,264,970)	$166,868,418

	Useful Life Range in Years	June 30, 2015	Additions/ (Transfers)	Disposals/ Transfers	June 30, 2016
Capital:					
Land	N/A	$ 7,492,426	$ -	$ (53,668)	$ 7,438,758
Building	20-40	38,179,730	1,025,668	(619,549)	38,585,849
Buildings/land/tenant improvements	1-20	4,454,811	545,808	(5,166)	4,995,453
Infrastructure	5-20	134,885,788	6,336,580	(157,830)	141,064,538
Equipment	3-10	4,996,716	125,957	(132,048)	4,990,625
Office equipment	3-5	4,044,132	104,250	(14,692)	4,133,690
Construction in progress		923,788	(923,788)	-	-
Assets held for sale		6,582,848	6,582,784	(4,791,934)	8,373,698
Subtotal		201,560,239	13,797,259	(5,774,887)	209,582,611
Less: accumulated depreciation					
Building		(23,109,050)	(1,390,396)	25,280	(24,474,166)
Buildings/land/tenant improvements		(4,039,516)	(129,349)	2,401	(4,166,464)
Infrastructure		(59,499,829)	(4,982,568)	5,063	(64,477,334)
Equipment		(4,265,246)	(231,424)	132,048	(4,364,622)
Office equipment		(3,514,341)	(369,872)	14,682	(3,869,531)
		(94,427,982)	(7,103,609)	179,474	(101,352,117)
		$ 107,132,257	$ 6,693,650	$ (5,595,413)	$108,230,494

Devens
As of June 30, 2017 and 2016, the Agency had cumulative net costs associated with the development of Devens, including utilities, of approximately $88.6 million and $92.5 million, respectively, which are included in capital assets. The related depreciation expense for the years ended June 30, 2017 and 2016 was approximately $6.3 million and $6.2 million, respectively.

There were no lot sales at Devens during fiscal year 2017. Gains on sale totaling $1.6 million from prior fiscal year sales were recognized during fiscal year 2017 as the conditions in the repurchase clauses had been satisfied.

The Agency had one lot sale at Devens in fiscal year 2016 resulting in gross sales proceeds of $225,000 and a net loss of $15,488 which was recognized during the fiscal year due to the loss on sale. There were three other lot sales at Devens during the fiscal year resulting in gross sales proceeds of $1.7 million and net gains of $1.5 million which were deferred due to repurchase clauses in the purchase and sale agreements. The gains on the sale were being reported as other liabilities at June 30, 2016 as the conditions in the repurchase clauses had not been satisfied at year end.

Boston
The Agency purchased two buildings in Boston, MA in December 2016 for a purchase price of $57.4 million. The buildings will be redeveloped and GE will relocate its headquarters and rent the buildings under a twenty year lease. The Agency has cumulative net costs associated with these buildings of approximately $60.3 million as of June 30, 2017, which are included in capital assets. The related depreciation expense for the year ended June 30, 2017 was approximately $1.7 million. The Agency received $125.0 million from two Massworks grant commitments from the Commonwealth in support of the acquisition and redevelopment of the buildings. Approximately $31.4 million in grant income was recognized during the fiscal year in relation to the redevelopment.

Springfield
The Agency purchased a building at 1550 Main Street in Springfield, Massachusetts in September 2009 for a purchase price of $2.5 million. The Agency has cumulative net costs associated with 1550 Main Street of approximately $5.5 million and $5.3 million as of June 30, 2017 and 2016, respectively, which is included in capital assets. The related depreciation expense for the years ended June 30, 2017 and 2016 was approximately $534,000 and $473,000, respectively.

Taunton

In January 2012, the Agency, in partnership with TDC, purchased from the Commonwealth the former Dever State School core campus in Taunton, MA. The property consisted of approximately 220 acres with approximately 40 dilapidated buildings and underground tunnels. A new non-profit corporation called TDMDC was formed to own and redevelop the property. The Agency has cumulative net redevelopment work on the property of approximately $8.0 million and $8.4 million, respectively, as of June 30, 2017 and 2016, which are included in assets held for sale. Approximately $68,250 and $5.4 million in grant income was recognized during fiscal years 2017 and 2016, respectively in relation to the redevelopment.

During fiscal year 2017, the Agency had one lot sale of approximately 6.77 acres at the Taunton property with gross proceeds of $947,800 and a net loss of $505,557 as of June 30, 2017 which was recognized during the fiscal year.

During fiscal year 2016, the Agency had two lot sales of approximately 16 acres at the Taunton property with gross proceeds of $1,859,200 and a net loss of $3,900 as of June 30, 2016 which were recognized during the fiscal year. A $246,554 loss on the sale of approximately 115 acres from the prior fiscal year was recognized during fiscal year 2016 as post closing demolition work created a loss on sale that caused immediate recognition of the loss.

Leases

The Agency leases (leased) office, commercial, and retail space at Springfield, Devens and Taunton. At June 30, 2017, the Agency had minimum future rental income, under long-term non-cancelable operating leases with various expiration dates through fiscal year 2062, for facilities over the next five years as follows:

Operating Leases

Fiscal Year	Rental Income
2018	$ 1,453,374
2019	1,359,762
2020	1,163,698
2021	698,538
2022	606,923
Total	$ 5,282,295

10. Outstanding Loans, Commitments and Revenue Bonds Issued

The Agency issued loans under its economic development programs aggregating $20.9 million and $22.6 million during fiscal years 2017 and 2016, respectively, and has committed to issuing an additional $10.7 million and $9.6 million of loans as of June 30, 2017 and 2016, respectively.

Leases

At June 30, 2017, the Agency had minimum future rental commitments under long-term non-cancelable operating leases for facilities as follows:

Fiscal Year	Rent Expense
2018	$ 1,481,775
2019	1,494,295
2020	1,470,925
2021	1,472,611
2022	1,365,342
2023-2025	3,934,993
Total	$ 11,219,941

Rent expense included in the accompanying statements of revenues, expenses and changes in net position was approximately $1.6 million and $1.5 million for fiscal years 2017 and 2016, respectively.

The Agency also leases office space in Boston and Devens, Massachusetts and various other cities for regional offices throughout Massachusetts. Rent expense for the years ended June 30, 2017 and 2016 for the Boston office space was approximately $1.0 million and $1.1 million, respectively. Rent expense for the years ended June 30, 2017 and 2016 for the Devens office space was approximately $255,000 in each year. These amounts are included in the $1.6 million and $1.5 million noted above.

The Agency's Bond Issuance Program assisted in the issuance of taxable and tax-exempt bonds and lease transactions on behalf of client institutions through its bond financing program on 97 projects aggregating $4.2 billion during fiscal year 2017 and 108 projects aggregating $3.9 billion during fiscal year 2016. These debt obligations are conduit transactions and do not constitute a debt or liability of the Agency, therefore, these financing transactions are not included in the accompanying consolidated financial statements. The Agency has earned bond issuance fee revenues related to these financings of approximately $8.4 million and $10.5 million in fiscal years 2017 and 2016, respectively, and are included as a component of bond issuance and new markets tax credit fees in the statements of revenues, expenses and changes in net position.

The Devens Electric Utility Division uses Master Power Supply Agreements to procure necessary power supply requirements from time to time as market and load growth conditions dictate. Currently, the Devens Electric Utility Division has a confirmation in place to secure between 30% - 45% of the load requirements through 2018 with Exelon Generation Company, LLC. There is an additional confirmation in place with Shell Energy to provide varying quantities of on peak and off peak blocks of power through 2021. There is also a third confirmation in place with NextEra for varying quantities of on peak and off peak blocks of power through 2022. Finally, a fourth confirmation is in place with BP Energy for 15%-20% of the supply needs through 2019. The net effect is to cover approximately 40% – 85% of the expected load profile through 2022 with a diversified portfolio of qualified suppliers. The balance of needs is purchased in the ISO New England managed market at the real time market price.

The Agency has concluded that the contracts noted above are not subject to GASB 53, *Accounting and Financial Reporting for Derivative Instruments*. The hedging contracts noted above entered into by the Devens Electric Utility Division are considered normal purchases and sales contracts for utilities as part of the ongoing operations of the Devens Electric Utility Division. These activities are subject to the normal use exclusion provided for in GASB 53 and are not required to be reported as derivative instruments.

The Devens Electric Utility Division has also entered into an Operation and Maintenance Agreement with the town of Wellesley, MA for the management and operation of the Electric System. The current agreement expires March 31, 2019.

11. Bonds Payable

The following is a summary of the Agency's bonds payable activity for the years ended June 30:

	Weighted Average Interest Rate at June 30, 2017	June 30, 2016	Additions	Principal Payments/ Amortization	June 30, 2017	Current Portion
Devens Electric System Utility Bond	3.67%	$ 6,755,000	$ -	$ (360,000)	$ 6,395,000	$ 370,000
Plus						
Premium		9,715	-	(1,190)	8,525	-
Less						
Devens Electric System Utility Bonds Discount		(10,796)	-	1,562	(9,234)	-
		$ 6,753,919	$ -	$ (359,628)	$ 6,394,291	$ 370,000

	Weighted Average Interest Rate at June 30, 2016	June 30, 2015	Additions	Principal Payments/ Amortization	June 30, 2016	Current Portion
Devens Electric System Utility Bond	3.59%	$ 7,110,000	$ -	$ (355,000)	$ 6,755,000	$ 360,000
Plus						
Premium		10,904	-	(1,189)	9,715	-
Less						
Devens Electric System Utility Bonds Discount		(12,575)	-	1,779	(10,796)	-
		$ 7,108,329	$ -	$ (354,410)	$ 6,753,919	$ 360,000

Electric System Utility Bond

During fiscal 2001, the Agency issued Electric System Revenue Bonds, Series 2001 for the Devens project which totaled approximately $10.6 million. The Series 2001 Bonds were used to finance the design, construction, installation and associated costs of certain capital improvements to the Electric System at Devens.

In an effort to lower the weighted average interest rate on the bonds, the Agency refunded the bonds in December 2011 and issued Devens Electric System Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds"). Principal of $8,775,000 was repaid in relation to the Series 2001 Bonds and new principal of $8,145,000 was issued.

The Series 2011 Bonds are collateralized by a pledge of the Electric System's revenues and certain funds and accounts established under the bond. The Series 2011 Bonds carry a long-term Standard & Poor's rating of A. The credit rating was upgraded from A- to A as part of the issuance of the bonds during fiscal year 2012. Total principal and interest remaining on the bonds is approximately $8,347,959, payable through June 30, 2031. For the current fiscal year, principal and interest paid was $601,356 and total funds and debt service related accounts of the Devens Electric Utility System were $5,692,690. Total revenues of the Devens Electric Utility System were $17,330,786 for the current fiscal year.

The bond documents require the maintenance of certain funds of the Project. Below are certain funds balances as of June 30, 2017 and 2016:

- The Revenue Fund had balances of $5,450,941 and $3,160,993, respectively. All revenues generated by the Electric System, exclusive of interest income, are deposited into the Revenue Fund. Funds are transferred from the Revenue Fund to other funds of the Electric System according to the bond resolution agreement.

- The Capital Upgrade Reserve Fund had balances of $3,316,778 and $3,460,775, respectively. The Capital Upgrade Reserve Fund may be used to fund capital improvements to the Electric System. If excess funds exist in the Capital Upgrade Reserve Fund these excess funds may be used to cover any operating shortfalls. There were no transfers during fiscal year 2017. In fiscal year 2016, $804,000 and $680,786 was transferred into the Capital Upgrade Reserve Fund from the Revenue Fund and Operating Reserve Fund, respectively, for future capital improvements. The Capital Upgrade Reserve Fund was decreased by $279,722 for payment of infrastructure improvements.

- The Operating/Rate Stabilization Reserve Fund had balances of $3,197,101 and $3,193,007, respectively. There were no transfers during fiscal year 2017. In fiscal year 2016, $680,786 was transferred into the Capital Upgrade Reserve Fund, as noted above. The Operating/Rate Stabilization Reserve Fund may be used to fund operating expenses of the Electric System when there are not sufficient funds available from operations. No funds were used in fiscal years 2017 and 2016 for this purpose.

Excess balances in the Revenue Fund may be transferred to the Agency, free and clear of the lien of the bond resolution, if all funding requirements are met and the debt service coverage requirement of 1.5 has been met, cumulatively, during the twelve consecutive months prior to the transfer date.

Principal payments are due annually through 2030. Interest expense related to this bond was $241,356 and $248,506 for the years ended June 30, 2017 and 2016, respectively.

The Devens Electric System Utility Bond agreement requires the maintenance of a minimum debt service coverage ratio. Failure to comply with the minimum debt service covenant does not constitute a default, as long as the Agency complies with specific requirements included in the agreement. As of June 30, 2017 and 2016, the necessary debt service coverage was met.

Scheduled principal (excluding discounts and premiums) and estimated interest payments on all the bonds payable are shown below.

Fiscal Year	Principal	Interest	Total Debt Service
2018	$ 370,000	$ 233,131	$ 603,131
2019	380,000	222,806	602,806
2020	390,000	211,256	601,256
2021	400,000	199,406	599,406
2022	410,000	187,256	597,256
2023-2027	2,275,000	704,198	2,979,198
2028-2031	2,170,000	194,906	2,364,906
	$ 6,395,000	$ 1,952,959	$ 8,347,959

12. Loans Payable

The following is a summary of the Agency's loans payable activity for the years ended June 30:

	2016	Advances	Repayments	2017	Current Portion
Buildings acquisition and construction loan	$ -	$ 43,066,201	$(15,000,000)	$ 28,066,201	$ 5,000,000
Taunton Development Corporation	25,000	-	-	25,000	-
	$ 25,000	$ 43,066,201	$ (15,000,000)	$ 28,091,201	$ 5,000,000

On December 14, 2016, Citizens issued a $90.0 million construction mortgage commitment to the Agency for the acquisition and redevelopment of two buildings in Boston, MA in which GE will relocate its headquarters and rent the buildings under a twenty year lease. The Agency also received $125.0 million from two Massworks grant commitment from the Commonwealth in support of the acquisition and redevelopment of the buildings which will be used to repay the loan. The loan is considered a LIBOR rate loan with interest calculated based on the LIBOR borrowing rate for each monthly interest period plus 65 basis points (1.69467% as of June 30, 2017). This, combined with the interest rate swap (see Note 13), the loan is set at a fixed rate of 2.33%. The loan is collateralized by the first mortgage on the buildings, an assignment of the lease of the building to GE and an assignment of the rights to the proceeds of the grant commitment. The loan matures on August 1, 2020.

The loan has scheduled mandatory payment dates as follows:

August 1, 2017	$ 20,000,000	*
August 1, 2018	$ 30,000,000	
August 1, 2019	$ 25,000,000	
August 1, 2020	$ 30,000,000	

* The Agency prepaid $15,000,000 in June 2017

Interest expense related to this loan was $547,406 for the year ended June 30, 2017. The Agency also pays an unused commitment fee in an amount equal to 0.15% of the unused committed amount of the loan. The unused commitment fee paid was $39,104 for the year ended June 30, 2017 and is included as part of financing costs in the statements of revenues, expenses and changes in net position.

The loan credit agreement requires the maintenance of a minimum cash liquidity amount as of June 30 and December 31 through June 30, 2020. As of June 30, 2017, the necessary minimum cash liquidity was met.

13. Interest Rate Swap

In December 2016, the Agency entered into an interest rate swap agreement ("Swap") with Citizens (the "Counterparty"), in connection with the $90.0 million construction mortgage commitment also provided by Citizens. The intention of the Swap was to effectively fix the Agency's variable interest rate on the loan.

Under the Swap, the Agency pays Citizens an annual fixed interest rate of 1.67675% and receives variable rate payments based upon LIBOR (1.0505% as of June 30, 2017). At inception, the Swap had a notional amount of $42.4 million and the associated loan had a $42.4 million principal amount.

The loan matures on August 1, 2020 and the related interest rate Swap terminates on August 1, 2020.

The fair value of the Swap had an unrealized negative fair value of $14,929 as of June 30, 2017. In accordance with GASB 53, *Accounting and Financial Reporting for Derivative Instruments,* the $14,929 deferral of possible future payments relating to the unrealized negative fair value is shown as a deferred outflow interest rate swap asset in the Agency's statement of net position as of June 30, 2017. The offsetting, $14,929 unrealized negative fair value of the Swap is shown as an interest rate swap liability in the Agency's statement of net position as of June 30, 2017.

14. Advances from the Commonwealth

The following is a summary of the Agency's Advances from the Commonwealth as of June 30:

	2016	Repayments	2017	Current Portion
Massachusetts Dept. of Environmental Protection	$ 9,508,254	$ (504,652)	$ 9,003,602	$ 526,250

During the year ended June 30, 1998, the DEP approved loans to the Agency. In addition, The Massachusetts Water Abatement Trust ("MWAT") issued loans to the Agency. Collectively, these loans were advanced to construct a wastewater treatment facility at Devens. These loans are being paid back to the trust through revenues generated from wastewater usage at Devens and surrounding communities. These loans are part of a pooled loan program bond within the MWAT. The Agency and the Commonwealth have entered into a contract providing that the Commonwealth shall pay contract assistance on behalf of the Agency with respect to partial debt service on these loans. Repayment of the loans began on February 1, 2002.

The loans mature in August 2024 and February 2031. Interest expense related to these loans was $467,486 and $493,865 for the years ended June 30, 2017 and 2016, respectively.

The MWAT loan agreement requires the maintenance of an adequate annual debt service coverage ratio. As of June 30, 2017 and 2016, the necessary debt service coverage was met.

The scheduled principal and interest payments on the DEP loans at June 30, 2017, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2018	$ 526,250	$ 435,051	$ 961,301
2019	542,848	398,186	941,034
2020	559,449	347,292	906,741
2021	580,195	308,430	888,625
2022	596,793	303,095	899,888
2023-2027	3,338,176	913,518	4,251,694
2028-2031	2,859,891	323,095	3,182,986
	$ 9,003,602	$ 3,028,667	$ 12,032,269

15. Tax Incremental Financing Agreements/Special Tax Assessments

The Agency is committed to providing a supportive environment for business and economic development in the Devens Regional Enterprise Zone established by Chapter 498 of the Massachusetts Acts of 1993, as amended. The Agency may agree to temporary exemptions of incremental property taxes ("TIF") or special tax assessments ("STA") with businesses which agree to locate or expand in Devens. The Agency has two TIF agreements and one STA agreement outstanding as of June 30, 2017:

Purpose	Percentage of Tax Reduction		Value
Tax Incremental Financing:			
Biopharmaceutical company to construct and operate large scale cell culture facility	70%		$ 4,630,308
Renovate office, manufacturing, research and development facility	100%	*	63,784
Special Tax Assessment:			
Construct and operate an auto parts distribution center	50%/25%	**	124,746
			$ 4,818,838

* TIF percentage is based on qualifying project incremental value for the fiscal year (change in value each fiscal year only)
** STA percentage was 50% for first quarter FY2017 and then 25% for second-fourth quarters FY2017

Each TIF agreement was negotiated under provisions of MGL Chapter 59, section 5, clause 51 and MGL Chapter 40, section 59 allowing the Agency to grant temporary incremental property tax exemptions. The STA was granted in accordance with Chapter 23A, Section 3E of the MGL, allowing the Agency to grant special tax assessments.

The Agency uses the TIF and STA agreements as an economic development incentive at Devens. The execution of such agreements is intended to promote the creation or retention of full-time jobs in Devens, increase the Devens tax and revenue base and enhance the overall quality of life in Devens. All agreements contain annual reporting requirements to the Agency on employment levels. If a business fails to comply with its obligations under an agreement, the Agency will give written notice of such failure and provide an opportunity to meet with the Agency to discuss such failure. Continued failure to comply with obligations could result in the revocation of the related agreement.

16. Other Related Party Transactions

The following related party transactions are not reflective of consideration of what these arrangements might have been if they occurred in an arms-length transaction.

The Agency oversees the management and development of the State Fish Pier (the "Pier") facilities, which are leased to the Agency by the Department of Conservation and Recreation (representing the Commonwealth). The Pier reimburses the Agency for salaries and other direct costs paid by the Agency, which amounted to $187,944 and $182,653 for the years ended June 30, 2017 and 2016, respectively. The Agency incurred $58,286 and $44,340 for the years ended June 30, 2017 and 2016, respectively, of staff time for which the Agency billed the Pier.

The Agency also oversees management services for Cape Ann Fisheries Development Corporation ("Cape Ann"), a non-profit corporation formed for construction and management of a multi-tenant seafood processing facility at the State Fish Pier in Gloucester. In fiscal year 2001, the Agency provided two loans to Cape Ann in the amounts of $2.3 million and $500,000 for construction expenses and remediation of environmental conditions at the seafood processing facility. In fiscal year 2013 these loans were refinanced into four separate notes (Notes A and B for each loan). The balance on the Notes A loans receivable, net of allowance for loan loss, as of June 30, 2017 and 2016 was $579,535 and $160,902 and $603,832 and $167,648, respectively. The Agency wrote off both Notes B during fiscal year 2013 as they were deemed uncollectible.

In September 2009, the Agency refinanced another Cape Ann loan in the amount of $2.7 million. In fiscal year 2013 this loan was refinanced into two separate notes (Notes A and B). The balance on the Note A loan receivable, net of allowance for loan loss, was $925,081 and $963,868 as of June 30, 2017 and 2016, respectively. The Agency wrote off Note B during fiscal year 2013 as it was deemed uncollectible.

The Agency donated approximately $26,335 and $32,971 of Agency staff time and $33,167 and $32,295 of Pier staff time and direct costs to Cape Ann during fiscal years 2017 and 2016, respectively. These donated costs covered management services provided to Cape Ann during the fiscal year.

The Agency is eligible to receive an administrative fee of up to 0.09% of the average daily assets of the STAR Fund. The Agency's Star Fund holdings held on its own account as of June 30, 2017 and 2016, were approximately $75.9 million and $2.0 million, respectively, and are included in cash and cash equivalents in the statements of net position. The Agency transferred funds from money market funds to the STAR Fund during the fiscal year in order to obtain a higher rate of return on the funds. During the years ended June 30, 2017 and 2016, the Agency received administrative fees of $414,154 and $294,619, respectively, from the STAR Fund. The administrative fees are reported in bond issuance and new markets tax credit fees in the statements of revenues, expenses and changes in net assets.

17. Benefit Plans

The Agency contributed approximately $1.6 million and $1.5 million to employee benefit plans described below during the years ended June 30, 2017 and 2016, respectively.

Deferred Compensation Plan
The Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, available to all employees of the Agency, permits employees to defer a portion of their salaries. The Agency matches employees' deferrals up to 5% of the participants' salary, which are contributed to the 401(a) defined contribution plan. The participants' rights to the Agency contributions vest immediately. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All contributions made under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

Effective December 31, 1997, Section 401(a) of the IRC was amended by Section 1448 of the Small Business Job protection Act of 1996 which provides that governmental deferred compensation plans must hold all assets and income of the plan in trust for the exclusive benefit of participants and their beneficiaries. In accordance with the legislation described above, the vested assets and associated liability of the deferred compensation plan assets are not included in the statements of net position.

401(a) Defined Contribution Plan
The Agency provides for retirement through a contribution to a 401(a) plan for eligible employees. The contribution is equal to a percentage of the employee's gross compensation earned each pay period. Currently, the Agency's contribution is 7.5% of the employee's gross compensation. Employees who began employment with the Agency on or after January 1, 1999 are subject to a three-year vesting schedule. Certain employees of the Agency are eligible to participate in the Commonwealth State Retirement Systems Pension Plan (the "State Plan") under a special funding situation where the Commonwealth is the non-employer sole contributor under GASB Statement 68. An Actuarial valuation has been performed for the State Plan. The Agency's employees were included in the actuarial analysis and a net pension liability of $4,189,308 and $3,400,569, as of June 30, 2017 and 2016, respectively, is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The State Plan's net pension liability and the State Plan's net position are disclosed in the footnotes and other required supplementary information of the Comprehensive Annual Financial Report of the Commonwealth as there are no liabilities to be recorded in the Agency's statements. The Agency has not included all required GASB Statement 68 disclosures as GASB Statement 68 is deemed immaterial to the Agency. Employees participating in the State Plan are not eligible for the contribution to the 401(a) plan.

Employees may borrow up to 50% of their vested accrued balance in the 401(a) account. Otherwise, the vested balance is not available to employees until termination, retirement, permanent disability, or death.

The unvested portion of the 401(a) plan is recorded as an asset on the statements of net position. The total unvested portion of the 401(a) plan as of June 30, 2017 and 2016 was approximately $311,000 and $259,000, respectively.

As discussed in Note 1, in 1998, Land Bank and MIFA merged to create the Agency. Prior to this merger, all Land Bank employees were participants in the State Plan; MIFA employees were not. All former Land Bank employees were given the option to stay in the State Plan or take part in the retirement plans being offered by the Agency. Any new employees hired after the merger were not eligible to participate in the State Plan, except for the union firefighters at Devens. The State Plan provides benefits including retiree health benefits to qualifying retirees. The programs are carried out by the Commonwealth. There are currently 26 employees in the State Plan. Neither the Land Bank nor the Agency have ever been charged for post-retirement benefits for its current employees or its retirees from the Commonwealth Group Insurance Commission. The Agency's management has reviewed the requirements of GASB 45 *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions ("OPEB")*, and believes the Agency is not liable for OPEB costs for current active or retired employees due to the following: there is no statutory requirement holding the Agency liable for OPEB costs; the Agency has never been billed by the Group Insurance Commission for any OPEB costs; and it is the legal opinion of the Agency's outside attorney that no evidence exists that indicates that the Agency is liable for these costs.

18. Segment Reporting

Devens Electric Utility Division

A separate financial statement for the Devens Electric Utility Division is published and is available upon request.

Summary financial information for the Devens Electric Utility Division is presented below:

Statements of Net Position as of June 30:

	2017	2016
Assets		
Current assets	$ 7,908,033	$ 5,870,170
Noncurrent assets	6,755,628	6,890,275
Capital assets, net	14,088,033	15,097,878
Total assets	28,751,694	27,858,323
Liabilities and Net Position		
Current liabilities	1,838,297	1,769,664
Due to Massachusetts Development Finance Agency	937,980	632,597
Noncurrent liabilities	6,015,764	6,384,202
Total liabilities	8,792,041	8,786,463
Net position		
Net investment in capital assets	7,719,988	8,371,350
Restricted	12,239,665	10,700,510
Total net position	19,959,653	19,071,860
Total liabilities and net position	$ 28,751,694	$ 27,858,323

Condensed Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30:

	2017	2016
Operating revenues	$ 17,276,029	$ 16,019,938
Operating expenses	14,882,603	13,299,753
Depreciation	1,317,472	1,303,152
Operating income	1,075,954	1,417,033
Nonoperating expenses, net	(188,161)	(224,164)
Interfund transfer to Devens Wastewater Utility Division	-	(296,000)
Increase in net position	887,793	896,869
Net position at beginning of year	19,071,860	18,174,991
Net position at end of year	$ 19,959,653	$ 19,071,860

Condensed Statements of Cash Flows for the years ended June 30:

	2017	2016
Net cash provided by operating activities	$ 3,044,088	$ 3,072,321
Net cash used in capital and related financing activities	(943,405)	(1,286,081)
Net cash provided by investing activities	49,430	23,811
Net increase in cash and cash equivalents	2,150,113	1,810,051
Cash and cash equivalents at beginning of year	10,044,257	8,234,206
Cash and cash equivalents at end of year	$ 12,194,370	$ 10,044,257

19. New Markets Tax Credit Program

The Agency has accounted for its 0.01% to 0.10% ownership interests in the NMTC entities using the equity method of accounting. The total amount invested in these NMTC entities was $20,602 and $22,427 as of June 30, 2017 and 2016, respectively.

As part of the closing of the NMTC entities, the Agency receives sub-allocation fees from the capitalized funds and such fees are included in bond issuance and NMTC fees in the statement of revenues, expenses and changes in net position as of June 30, 2017 and 2016. The Agency receives such fees as organizational fees for structuring and organizing the sub-allocation of the new markets tax credits of the NMTC entities. The sub-allocation fees recognized during fiscal years 2017 and 2016 were $2,569,585 and $1,416,665, respectively.

The Agency receives an annual management fee for services related to managing the operations of the NMTC entities, including accounting, legal, management, technical and other services, as needed by the NMTC entities. Total management fees earned for fiscal years 2017 and 2016 were $978,714 and $1,008,534, respectively. As of June 30, 2017 and 2016, management fees of $511,647 and $1,213,311, respectively, remain unpaid to the Agency, and are included in accounts receivable and other assets on the statements of net position.

The Agency also receives loan servicing fees from MassDevelopment New Markets CDE #1, LLC ("CDE#1") for loan processing services the Agency provides to CDE #1. In fiscal years 2017 and 2016, the Agency earned $29,850 and $51,694, respectively for these services. All amounts were paid to the Agency as of June 30, 2017 and 2016.

The Agency may, from time to time, loan operating cash to the NMTC entities for professional services and be reimbursed at a later date. As of June 30, 2017 and 2016, $157,703 and $266,286, respectively, remains unpaid to the Agency. Three NMTC entities also hold $657,000 in an escrow account as security for the Agency's obligations as manager of the entities. These amounts are included in accounts receivable and other assets on the statements of net position.

20. Legal Matters

The Agency is subject to various legal proceedings and claims that arise in the ordinary course of business. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of the Agency.

21. Subsequent Events

Management has evaluated subsequent events through November 17, 2017, the date the financial statements were available for issuance, noting no additional material events to disclose.

Masschusetts Development Finance Agency
Supplementary Information
June 30, 2017
(unaudited)

Statements of Departmental Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	Charitable Institutional Trust	Charter School Facilities	Advanced Manufacturing	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Assets																
Current assets	$ 52,305,735	$ 12,742,716	$ 35,651,622	$ 11,709,250	$ 12,905,168	$ 1,458,192	$ 21,467,641	$ 4,136,655	$ 12,493,000	$ 19,223,501	$ 7,908,033	$ 4,026,173	$ 6,789,618	$ 4,285,857	$ (9,116,371)	$ 197,986,790
Noncurrent assets	141,324,402	2,855,405	6,821,037	-	(326,839)	8,403,441	(379,503)	-	-	8,983,669	6,755,628	5,416,180	1,012,184	-	(9,961,464)	170,904,140
Capital assets, net	66,979,229	-	-	-	-	-	-	-	3,229,591	44,916,897	14,088,033	29,637,553	-	8,017,115	-	166,868,418
Total assets	260,609,366	15,598,121	42,472,659	11,709,250	12,578,329	9,861,633	21,088,138	4,136,655	15,722,591	73,124,067	28,751,694	39,079,906	7,801,802	12,302,972	(19,077,835)	535,759,348
Deferred outflows of resources																
Interest rate swap	14,929	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,929
Total assets	$ 260,624,295	$ 15,598,121	$ 42,472,659	$ 11,709,250	$ 12,578,329	$ 9,861,633	$ 21,088,138	$ 4,136,655	$ 15,722,591	$ 73,124,067	$ 28,751,694	$ 39,079,906	$ 7,801,802	$ 12,302,972	$ (19,077,835)	$ 535,774,277
Liabilities																
Current liabilities	$ 13,544,420	$ 842,346	$ 2,129	$ 8,793,595	$ 59	$ 3,949	$ -	$ 159	$ 236,968	$ 985,608	$ 2,776,277	$ (110,871)	$ 278,308	$ 83,246	$ (9,116,371)	$ 18,319,822
Noncurrent liabilities	24,534,659	27,172	431,824	-	188,285	-	64,323	-	-	1,991,287	6,015,764	17,250,113	6,910	50,000	(9,961,464)	40,598,873
Total liabilities	38,079,079	869,518	433,953	8,793,595	188,344	3,949	64,323	159	236,968	2,976,895	8,792,041	17,139,242	285,218	133,246	(19,077,835)	58,918,695
Net position																
Net investment in capital assets	38,887,709	-	-	-	-	-	-	-	3,229,591	44,916,897	7,719,988	20,367,406	-	7,962,953	27,004	123,111,548
Restricted	315,180	14,728,603	42,038,706	2,915,655	12,389,985	9,857,684	21,023,815	4,136,496	12,256,032	25,230,275	12,239,665	1,573,258	7,124,329	4,206,773	10,876,018	180,912,474
Unrestricted	183,342,327	-	-	-	-	-	-	-	-	-	-	-	392,255	-	(10,903,022)	172,831,560
Total net position	222,545,216	14,728,603	42,038,706	2,915,655	12,389,985	9,857,684	21,023,815	4,136,496	15,485,623	70,147,172	19,959,653	21,940,664	7,516,584	12,169,726	-	476,855,582
Total liabilities and net position	$ 260,624,295	$ 15,598,121	$ 42,472,659	$ 11,709,250	$ 12,578,329	$ 9,861,633	$ 21,088,138	$ 4,136,655	$ 15,722,591	$ 73,124,067	$ 28,751,694	$ 39,079,906	$ 7,801,802	$ 12,302,972	$ (19,077,835)	$ 535,774,277

Statements of Departmental Revenues, Expenses and Changes in Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	Charitable Institutional Trust	Charter School Facilities	Advanced Manufacturing	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Operating revenues	$ 30,443,730	$ 254,105	$ 1,720,103	$ -	$ 359,520	$ 3,145	$ 102,561	$ 1,272,230	$ 7,003,650	$ 11,830,217	$ 17,276,029	$ 11,020,432	$ 121,164	$ (399,007)	$ (20,216,881)	60,790,998
Operating expenses	(23,478,804)	(4,535,868)	506,444	(595,919)	(261,226)	(67,782)	(233,235)	(515,577)	(3,105,288)	(13,644,634)	(16,200,075)	(11,407,223)	(2,429,234)	(106,466)	1,120,780	(74,954,107)
Operating income (loss)	6,964,926	(4,281,763)	2,226,547	(595,919)	98,294	(64,637)	(130,674)	756,653	3,898,362	(1,814,417)	1,075,954	(386,791)	(2,308,070)	(505,473)	(19,096,101)	(14,163,109)
Nonoperating revenues (expenses)	(340,280)	104,572	4,714,135	17,728	24,387	37,143	85,900	28,421	68,680	129,924	(188,161)	(80,524)	23,231	(2,155)	60,224	4,683,225
Capital contributions (distributions)	(4,522,214)	(55,191)	-	852,056	(24,387)	(496,603)	2,610,040	(991,336)	1,572,327	511,577			2,653,353	68,252	19,035,877	21,213,751
Increase (decrease) in net position	2,102,432	(4,232,382)	6,940,682	273,865	98,294	(524,097)	2,565,266	(206,262)	5,539,369	(1,172,916)	887,793	(467,315)	368,514	(439,376)	-	11,733,867
Net position-beginning of year	220,442,784	18,960,985	35,098,024	2,641,790	12,291,691	10,381,781	18,458,549	4,342,758	9,946,254	71,320,088	19,071,860	22,407,979	7,148,070	12,609,102	-	465,121,715
Net position-end of year	$ 222,545,216	$ 14,728,603	$ 42,038,706	$ 2,915,655	$ 12,389,985	$ 9,857,684	$ 21,023,815	$ 4,136,496	$ 15,485,623	$ 70,147,172	$ 19,959,653	$ 21,940,664	$ 7,516,584	$ 12,169,726	$ -	$ 476,855,582

Masschusetts Development Finance Agency
Supplementary Information
June 30, 2016
(unaudited)

Statements of Departmental Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	Charitable Institutional Trust	Charter School Facilities	Advanced Manufacturing	Military Bond Bill Capital Projects	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Assets																	
Current assets	$ 83,965,778	$ 16,752,606	$ 30,340,131	$ 3,452,356	$ 12,710,230	$ 2,272,740	$ 21,436,018	$ 4,349,098	$ 66,561	$ 9,167,229	$ 21,514,370	$ 5,870,170	$ 4,692,659	$ 6,681,223	$ 5,019,500	$ (1,722,569)	$ 226,568,100
Noncurrent assets	137,062,108	2,643,761	6,293,570	-	(286,132)	8,113,063	(324,745)	-	-	-	9,538,360	6,890,275	5,817,873	599,101	-	(10,786,942)	165,560,292
Capital assets, net	6,552,722	-		-	-	-	-	-	-	779,070	45,593,475	15,097,878	31,833,651	-	8,373,698	-	108,230,494
Total assets	$ 227,580,608	$ 19,396,367	$ 36,633,701	$ 3,452,356	$ 12,424,098	$ 10,385,803	$ 21,111,273	$ 4,349,098	$ 66,561	$ 9,946,299	$ 76,646,205	$ 27,858,323	$ 42,344,183	$ 7,280,324	$ 13,393,198	$ (12,509,511)	$ 500,358,886
Liabilities																	
Current liabilities	$ 5,424,815	$ 850	$ 732	$ 810,566	$ 182	$ 4,022	$ 132	$ 90	$ 66,561	$ 45	$ 1,329,382	$ 2,402,261	$ 1,692,914	$ 123,486	$ 734,096	$ (1,314,856)	$ 11,275,278
Noncurrent liabilities	1,713,009	434,532	1,534,945	-	132,225	-	42,550	6,250	-	-	3,996,735	6,384,202	18,243,290	8,768	50,000	(11,194,655)	21,351,851
Total liabilities	7,137,824	435,382	1,535,677	810,566	132,407	4,022	42,682	6,340	66,561	45	5,326,117	8,786,463	19,936,204	132,254	784,096	(12,509,511)	32,627,129
Deferred inflows of resources																	
Charter School Facilities guarantee awards	-	-	-	-	-	-	2,610,042	-	-	-	-	-	-	-	-	-	2,610,042
Net position																	
Net investment in capital assets	6,552,722	-	-	-	-	-	-	-	-	779,070	45,593,475	8,371,350	22,045,032	-	8,321,691	25,926	91,689,266
Restricted	235,588	18,960,985	35,098,024	2,641,790	12,291,691	10,381,781	18,458,549	4,342,758	-	9,167,184	25,726,613	10,700,510	362,947	6,756,062	4,287,411	2,739,677	162,151,570
Unrestricted	213,654,474	-	-	-	-	-	-	-	-	-	-	-	-	392,008	-	(2,765,603)	211,280,879
Total net position	220,442,784	18,960,985	35,098,024	2,641,790	12,291,691	10,381,781	18,458,549	4,342,758	-	9,946,254	71,320,088	19,071,860	22,407,979	7,148,070	12,609,102	-	465,121,715
Total liabilities and net position	$ 227,580,608	$ 19,396,367	$ 36,633,701	$ 3,452,356	$ 12,424,098	$ 10,385,803	$ 21,111,273	$ 4,349,098	$ 66,561	$ 9,946,299	$ 76,646,205	$ 27,858,323	$ 42,344,183	$ 7,280,324	$ 13,393,198	$ (12,509,511)	$ 500,358,886

Statements of Departmental Revenues, Expenses and Changes in Net Position

	General Operations	Brownfield Redevelopment	Emerging Technology	Cultural Facilities	Mortgage Insurance	Charitable Institutional Trust	Charter School Facilities	Advanced Manufacturing	Military Bond Bill Capital Projects	Transformative Development Initiative	Devens	Devens Electric Utility Division	Devens Gas, Water, Wastewater Utility Divisions	Other	Taunton Corp.	Eliminations	Total
Operating revenues	$ 22,204,726	$ 377,606	$ 1,280,205	$ -	$ 5,337,231	$ 6,024	$ 95,343	$ 41,216	$ -	$ 13,145,000	$ 9,139,995	$ 16,019,938	$ 13,361,447	$ (185,541)	$ (165,908)	$ (20,677,644)	59,979,638
Operating expenses	(23,372,744)	(2,334,031)	2,826,318	(664,508)	(185,582)	(58,674)	(218,777)	(399,117)	-	(2,829,732)	(13,526,609)	(14,602,905)	(12,340,926)	(1,531,200)	(140,395)	3,540,957	(65,837,925)
Operating income (loss)	(1,168,018)	(1,956,425)	4,106,523	(664,508)	5,151,649	(52,650)	(123,434)	(357,901)	-	10,315,268	(4,386,614)	1,417,033	1,020,521	(1,716,741)	(306,303)	(17,136,687)	(5,858,287)
Nonoperating revenues (expenses)	1,679,514	80,405	65,999	21,252	12,518	145,113	29,219	21,254	-	11,943	73,198	(224,164)	(92,697)	6,781	(7,333)	47,585	1,870,587
Capital contributions (distributions)	(23,044,222)	(5,846,348)	-	25,687	(12,518)	(483,283)	2,389,958	(1,138,725)	(4,913,427)	548,430	2,983,247	(296,000)	(386,043)	(460,639)	5,428,082	17,089,101	(8,116,700)
Special items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net position	(22,532,726)	(7,722,368)	4,172,522	(617,569)	5,151,649	(390,820)	2,295,743	(1,475,372)	(4,913,427)	10,875,641	(1,330,169)	896,869	541,781	(2,170,599)	5,114,446	(1)	(12,104,400)
Net position-beginning of year	242,975,510	26,683,353	30,925,502	3,259,359	7,140,042	10,772,601	16,162,806	5,818,130	4,913,427	(929,387)	72,650,257	18,174,991	21,866,198	9,318,669	7,494,656	1	477,226,115
Net position-end of year	$ 220,442,784	$ 18,960,985	$ 35,098,024	$ 2,641,790	$ 12,291,691	$ 10,381,781	$ 18,458,549	$ 4,342,758	$ -	$ 9,946,254	$ 71,320,088	$ 19,071,860	$ 22,407,979	$ 7,148,070	$ 12,609,102	$ -	$ 465,121,715

Annual Business Plan FY2017

Charlie Baker, Governor

Karyn Polito, Lt. Governor

Jay Ash, Chairman and Secretary, EOHED

Marty Jones, President and CEO

MassDevelopment

Way to grow.

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This document was prepared to align with the statewide economic development plan and in accordance with MGL C.6A, §16G.

Please give feedback regarding the plan to rmcgrail@massdevelopment.com or tweet us at @MassDev #StrategicPlan

Who We Are

Way to grow.

MISSION

MassDevelopment's mission is to stimulate economic development and industrial growth, increase employment, build communities, promote prosperity and general welfare, and eradicate blight across the Commonwealth.

VALUES

In order to serve Massachusetts, its communities, businesses, residents, and other customers, we:

- Manage and accept risks that others won't or can't.
- Are agile, flexible, and innovative so we can provide bold and effective solutions.
- Possess and share great sophistication and knowledge about financing and development.
- Have ability to link resources and provide interdisciplinary solutions.
- Work creatively, diligently, and honestly.

FY 2015
PERFORMANCE HIGHLIGHTS

294 PROJECTS FINANCED OR MANAGED

OVER $2.5 BILLION INVESTED

OVER 106,000 EXISTING JOBS IMPACTED BY FINANCING

NEARLY 13,000 NEW PERMANENT & CONSTRUCTION JOBS CREATED

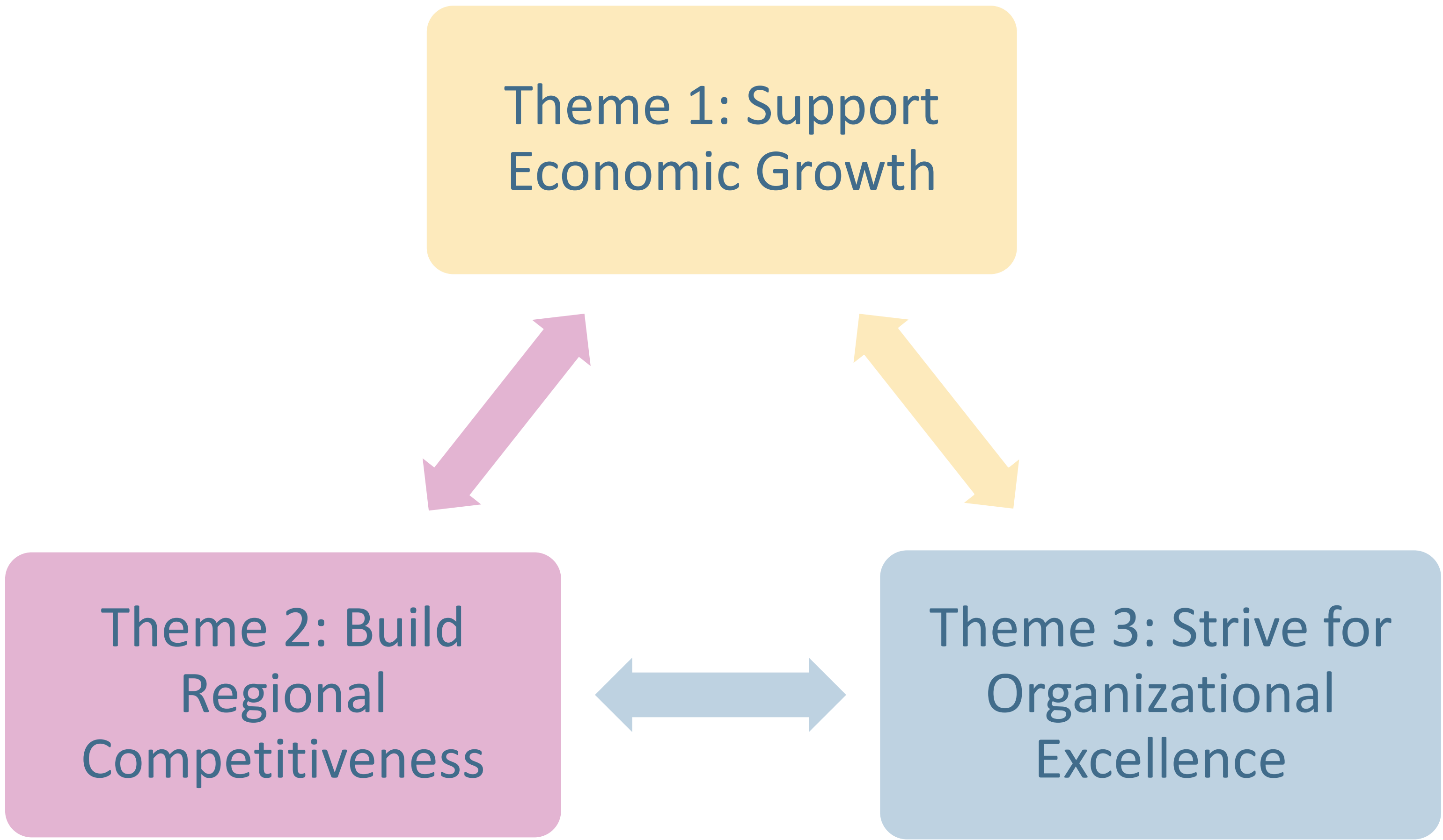
OVER 2,300 NEW &/OR REHABILITATED HOUSING UNITS

STRATEGIC THEMES

Strategic Themes

MassDevelopment's 3 Strategic Themes articulate clear statements of external program goals and internal organizational process improvements that MassDevelopment focuses on to advance its mission.

The interrelationship between the two external facing program themes and the internal theme reflect the Agency's belief that our people and processes are essential to our success at delivering our mission.



Annual Business Plan Goals – Summary by Strategic Theme

Way to grow.

Strategic Theme 1: Support Economic Growth

Foster and cultivate opportunities that equip businesses, nonprofits and communities with the tools they need to sustain and or expand, creating quality jobs to meet the needs of the Commonwealth's economy

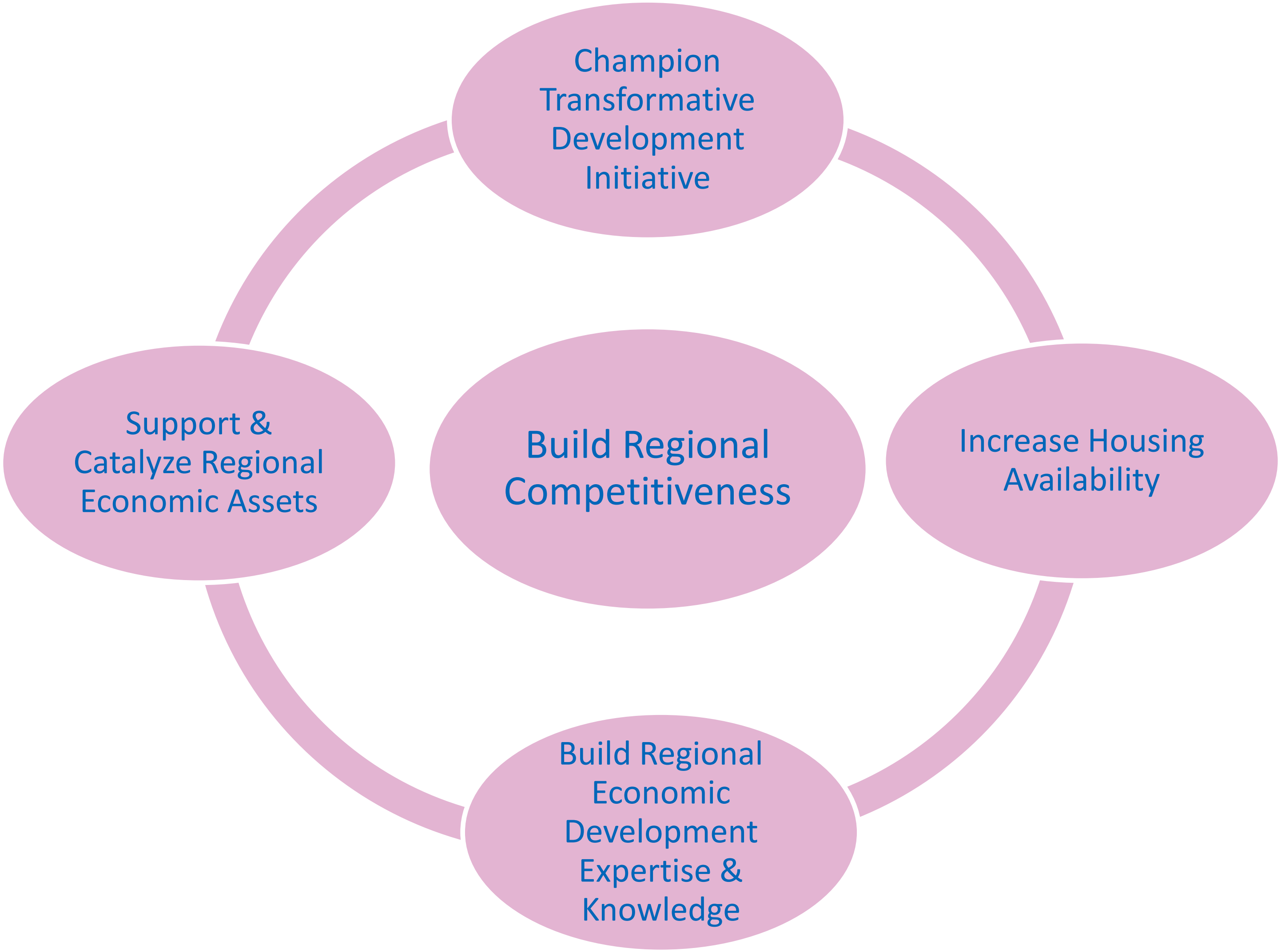
Support Economic Growth

Key Performance Indicators

- New permanent and construction jobs created
- Total dollars provided in financing
- Total Leveraged Investment From Programs
- Sector Specific Outcome Indicators

Strategic Theme 2: Build Regional Competitiveness

Increase Housing Stock and Make Investments In Targeted Communities, Add to their Housing Options and Commercial Property Stock, remediate troubled sites and Apply Effective Redevelopment Practices



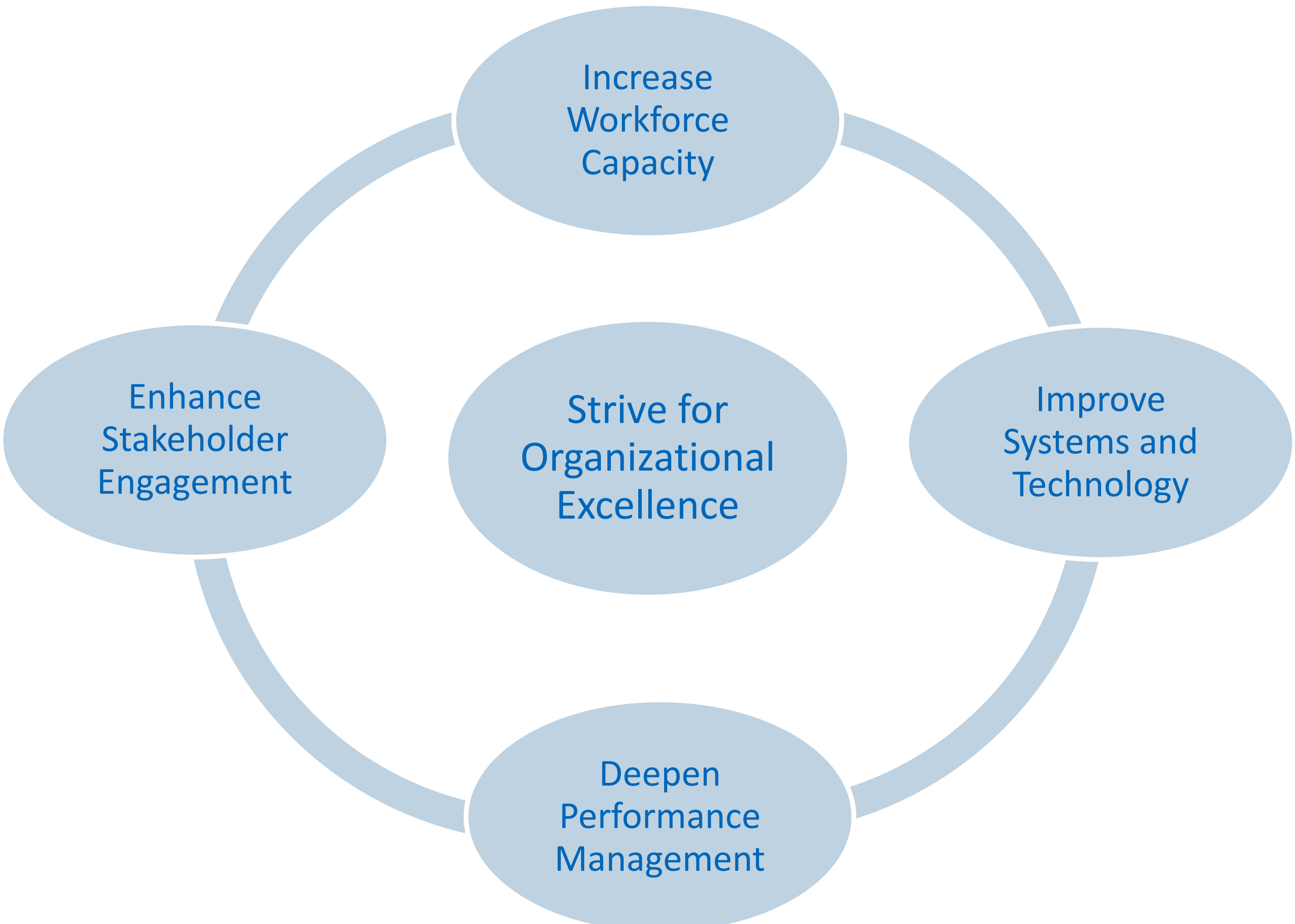
Build Regional Competitiveness

Key Performance Indicators

- New & Preserved Housing Units Financed and/or Constructed
- Transformative Development Project Outcomes
- Regional Knowledge Outcome Indicators
- Regional Assets Outcome Indicators

Strategic Theme 3: Strive For Organizational Excellence

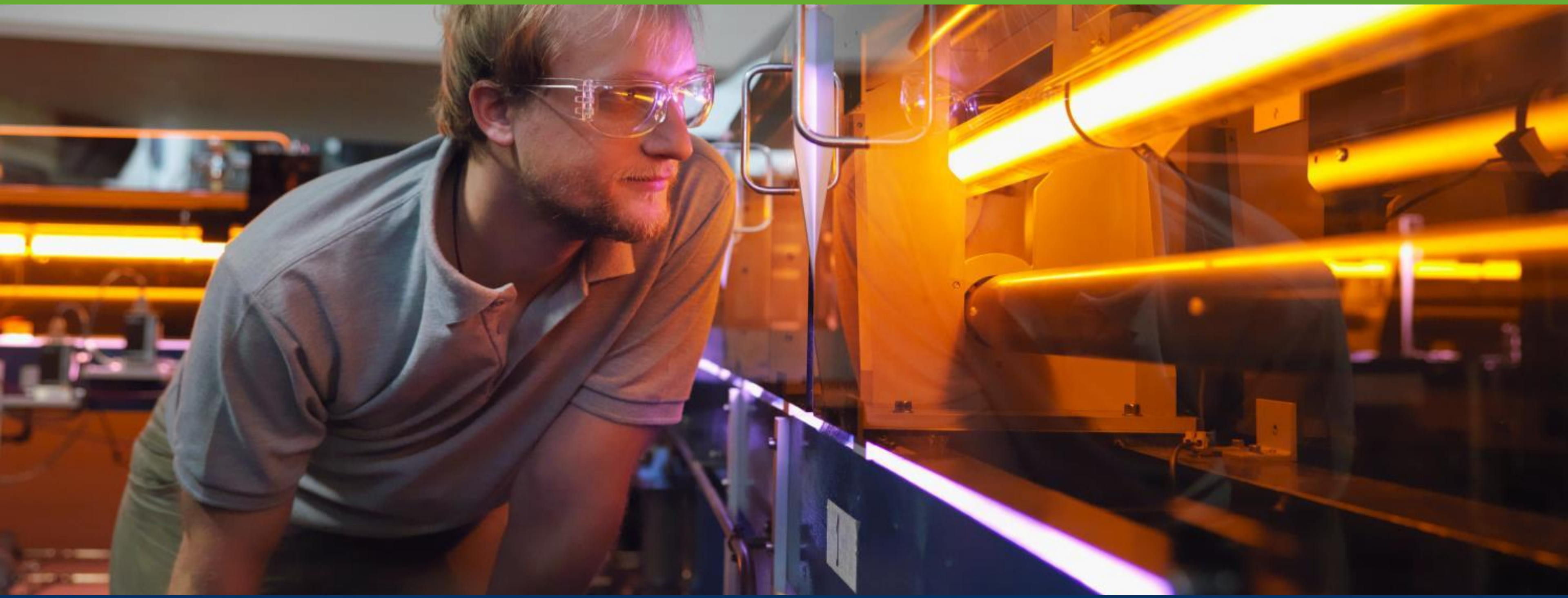
Create a high-performing organization with efficient, effective and integrated delivery of services to external and internal customers and a diverse, highly-qualified workforce with the right skills in the right jobs.



Strive for Organizational Excellence

Key Performance Indicators

- Workforce Capacity Outcome Indicators
- Systems & Technology Outcome Indicators
- Stakeholder Engagement Outcome Indicators
- Performance Management Outcome Indicators



Annual Business Plan Goals & How We Measure Impact

Way to grow.

THEME 1 - SUPPORT ECONOMIC GROWTH
PROVIDE ACCESS TO MARKETS

ACTION	PERFORMANCE INDICATOR

Provide Bond Financing	• Tax Exempt Bonds Issued
	  • *Issued Hospital/University Bonds: Volume, number, % to targeted sectors/places*
	  • *Issued All Other Bonds: Volume, number, % to targeted sectors/places*

Provide Loan Financing	• General Fund Loans Made
	  • *% to targeted sectors/places, risk rating, volume targets by program*
	• Restricted Fund Loans/Guarantees Made
	  • *% to targeted sectors/places, risk rating, volume targets by program*

Provide Community Development and Other Financing	• Community Development Investments
	  • *% by investment type, to targeted sectors/places, volume targets by program*
	• New Market Tax Credits Investments
	• MDFA Real Estate Investments
	  • *Major Projects Invested – volume targets by project*
	  • *Funds Invested in Strategic Services (Technical Assistance, Defense Sector Initiatives)*

Theme 1 - Support Economic Growth
Support Job Creation

Action	Performance Indicator
Support Creation of New Permanent Jobs	• New Permanent Jobs Created (projected by borrower at application) • *By Sector, By Region* • *% change in new permanent job creation (year over year)*
Support Creation of Construction Jobs	• Construction Jobs Created (calculated by staff based on project cost) • *By Region* • *% change in construction job creation (year over year)*

Theme 1 - Support Economic Growth
Strengthen & Champion Key Economic Sectors

Action	Performance Indicator

Implement Advanced Manufacturing Futures Programs	• Direct Support To Companies
	  • *Companies enrolling in energy collaborative/Total Annual Projected kWh Savings from projects/Innovation Voucher program results*
	• Manufacturing Employment Sustained
	  • *Manufacturing dollars invested (financing programs)*
	  • *Manufacturing jobs created (financing programs)*
	• Manufacturing Sector Opportunities Promoted
	  • *AmpItUp! events, Dream It Do It events*
	  • *Facilitation of Advanced Manufacturing Collaborative, Develop work plan and execute on deliverables*

Promote & Sustain Defense Sector & Related Industries	• Operational Costs at Installations Reduced
	  • *Energy related projects deployed in partnership with DOER*
	    • *Total Annual Projected kWh Savings from projects*
	  • *Military Bond Bill capital projects*
	• Companies/Contracting Entities Connected
	  • *Contractor events held/Companies attending*
	  • *Rate of contracts received as a result of previous year events*
	  • *Deployment of OEA planning grant resources to programs*

Theme 1 - Support Economic Growth
Increase Opportunity In The Innovation Economy

Action	Performance Indicator

Facilitate and Fund Collaborative Workspaces	• Collaborative/Maker Workspaces assisted*
	  • *Total Investments: by sector, by region*
	  • *Square footage of CoWork facilities improved*
	  • *Membership/attendance baseline at CoWork funded spaces*
	  • *Convenings/webinars to share learning*

Connect Entrepreneurs to Business Opportunity and Skill Development	• New Business/Organization Development Supported*
	  • *New starts*
	  • *Entrepreneurs connected to business growth or skill development events and/or resources*
	  • *Total volume in targeted new small business lending tools: by sector, by region*

Provide Emerging Technology Fund Loans	• Emerging Technology Fund Loans Made • *% to targeted industries in sector, risk rating, % of total volume target achieved by program*

*(*from CoWork/Innovation Infrastructure funded spaces)*

Theme 2 – Build Regional Competitiveness
Champion Transformative Development Initiative

Action	Performance Indicator
Deploy TDI Equity Investments	• Equity Investments • *Investments identified & completed – Amount, type, region, sector/use, leverage*

Support TDI Fellows and Technical Assistance	• Fellows Program Implemented
	  • *Retain 6 Fellows and monitor Fellows' successes in completing local work plans*
	• Technical Assistance Completed
	  • *Development/Launch of TDI Dashboard to track program performance and data*
	  • *TDI workshops to facilitate knowledge sharing*

Leverage TDI Funding	• Leverage Opportunities Identified
	  • *Targeting Fellows, Equity Investments and Small Business Support Initiatives*
	  • *Develop plan to target investors/funders and complete initial pitches*
	  • *Raise $3M in additional resources to support TDI program*

Theme 2 – Build Regional Competitiveness
Increase Housing Availability

Action	Performance Indicator

Support Construction and/or Rehabilitation of Housing Units	• Total Units Built &/or Preserved As Affordable
	  • *Total Units – New Construction*
	  • *Total Units – Rehab*
	  • *Total Units – by Region*
	• Brownfields made ready for housing
	  • *# of communities by region*
	• Units built on brownfields

Finance Housing and Increase Leverage of Housing Programs	• Housing Bonds Issued
	  • *Total Volume Issued*
	• Housing Loans Made
	  • *General Fund Loans – Total Closed*
	  • *Restricted Fund Lending/Guarantees – Total Closed*
	  • *Analysis & implementation of Housing Development Incentive Program lending tools*

Provide Technical Assistance and Expertise	• Housing Related Technical Assistance Provided • *# of communities by region, implementation of planning or other TA recommendations*

Theme 2 – Build Regional Competitiveness
Build Regional Knowledge and Facilitate Regionally Based Economic Growth

Action	Performance Indicator

Offer Capacity and Knowledge Building Events	• Regional/Statewide Capacity Building Events Held
	  • *Manufacturing Summit, Developer Tours, Regional Convenings, TAConnect Workshops*
	  • *Participation rates at events*
	  • *Customer feedback on event quality*

Deploy Technical Support and TAConnect	• TAConnect Implemented & Improved
	  • *Communities accessing the interface, referred to services through portal*
	  • *New Real Estate Service projects generated from TAConnect*
	• Real Estate Services Projects Undertaken
	  • Projects moved to implementation and results

THEME 2 – BUILD REGIONAL COMPETITIVENESS

SUPPORT & CATALYZE REGIONAL ASSETS TO DRIVE EQUITABLE LOCAL ECONOMIC GROWTH

ACTION	PERFORMANCE INDICATOR

Identify, Improve & Position Local Development Assets	• Site Readiness & Real Estate Services Programs Implemented
	  • *Develop and implement site selection process, investments deployed to communities and measure impacts*
	• Brownfields Program Implemented
	  • *Brownfields funds deployed as a leveraged tool to support regional economic and job growth priorities*
	  • *Follow On Projects Moved To Redevelopment*

Cultivate Small Business Growth Tools	• Small Business Direct Support Programs Implemented
	  • *Direct & indirect small business financing - % of portfolio, % of loans by sector/region*
	• Small Business Indirect Support Activities Brokered
	  • *Completed and implemented recommendations from small business landscape analysis, Info sessions/workshops on participation rates*

Increase Devens Developability & Sustainability	• Devens' Development Readiness Activities Completed
	  • *Acres and number of new sites made development ready, land sold/leased, housing units built*
	• Devens' Sustainability/Cost Containment Efforts Implemented
	  • *Tax revenue collected, total assessed valuation % increase, cost of services growth management, operational/municipal efficiency/cost reduction ideas identified and implemented*

Theme 3 – Strive for Organizational Excellence
Build Workforce Capacity

Action	Performance Indicator
Implement Professional Training and Development Resource Center	• Identify obstacles to employee use of training programs & increase utilization of training by staff • *Training utilization %, Analysis of Training Impacts*
Measure Impact of Training Programs	• Employees completing training/professional development programs • *% of employees by workforce segment* • Employees completing workforce satisfaction survey • *% of employees highly satisfied/satisfied ahead of prior year survey*

Theme 3 – Strive for Organizational Excellence
Modernize Systems and Technology

Action	Performance Indicator

Develop Online Customer Interfaces	• Records Reform & Technical Support Efforts Completed
	  • *Full implementation of electronic records*
	  • *Online application implementation for Finance Programs and TAConnect*

Deploy Technology and Systems Upgrades	• Enhancements to CRM capabilities Completed • *Mobile applications implemented, lead generation and sharing, increased leverage of agency resources*

Theme 3 – Strive for Organizational Excellence
Deepen Performance Management

Action	Performance Indicator
Enhance Agency Balanced Scorecard	• Quarterly Departmental Scorecard Reviews • *Results of review pilots, development of knowledge sharing tools* • Engagement and alignment with EOHED performance management
Implement DevensStat	• DevensStat Further Improvements Implemented • *Results analysis & recommendation on agency-wide use of "Stat" model*

Theme 3 – Strive for Organizational Excellence
Enhance Stakeholder Engagement

Action	Performance Indicator
Increase Public Accessibility of Program Information	• Timelines on Workplans – Ongoing Improvements to Agency Websites

Improve Stakeholder Engagement Strategies	• Inter Agency Collaboration Enhanced
	  • *Cross Departmental teams identified and deployed for key program priorities, increased number of program improvements identified and implemented above target*
	• External Partner Collaboration Improved
	  • *Participation with partner agencies on 4 key program and planning efforts & number of referrals to partner agency programs/resources*
	• Stakeholder Engagement Increased
	  • *Opportunities provided for public comment on agency program and strategy development*
	  • *Increased alignment and effectiveness of agency public affairs strategy*