

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

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

June 30, 2020

Contents

Independent auditor's report	1-2
Management's discussion and analysis (unaudited)	3-15
Financial statements	
Statements of net position	16
Statements of revenues, expenses and changes in net position	17
Statements of cash flows	18-19
Statements of fiduciary net position	20
Statements of changes in fiduciary net position	21
Notes to financial statements	22-51
Required supplementary information (unaudited)	
Pension plan – schedule of the Authority's proportionate share of the net pension liability (unaudited)	52
Pension plan – schedule of Authority contributions (unaudited)	53
OPEB plan – schedule of changes in the Authority's net OPEB liability and related ratios (unaudited)	54
OPEB plan – schedule of Authority's contributions (unaudited)	55
OPEB plan – schedule of investment returns (unaudited)	56
Other information (unaudited)	
Schedules of revenues, expenses and changes in net position - budget and actual – budgetary basis (unaudited)	57-58
Schedule of salary and other compensation of highly compensated employees (unaudited)	59
Reconciliation of GAAP operating loss to statutory net cost of operations and operating reimbursement requests from the convention center fund (unaudited)	60
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	61-62

Independent Auditor's Report

Board Members
Massachusetts Convention Center Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and fiduciary activities of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2020 and 2019, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America (GAAP) require that the management's discussion and analysis (located on pages 3 through 15), and certain pension and other postemployment benefits information (located on pages 52 through 56) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of revenues, expenses, and changes in net position – budget and actual – for the years ended June 30, 2020 and 2019, schedule of salary and other compensation of highly compensated employees and the reconciliation of GAAP operating loss to statutory net cost of operations, and operating reimbursement requests from the Convention Center Fund (hereinafter referred to as other information), located on pages 57 through 60, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Boston, Massachusetts
October 22, 2020

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

Management's Discussion and Analysis (Unaudited)

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on the Massachusetts Convention Center Authority's (MCCA or the Authority) operations, performance, and financial condition for the fiscal years ended June 30, 2020 and 2019.

The MD&A is presented in four sections:

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

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

Summary of Financial Performance reviews the key measures we use to assess our performance and how our results in 2020 compare to our results in 2019, and how our results in 2019 compare to our results in 2018. It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our four facilities.

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

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

About the Financial Statements

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

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

BACKGROUND

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

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

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

Management's Discussion and Analysis (Unaudited)

BACKGROUND (CONTINUED)

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

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

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

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

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

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

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

Management's Discussion and Analysis (Unaudited)

BACKGROUND (CONTINUED)

On October 21, 2019 the Governor of Massachusetts filed legislation that would provide for the sale of the John B. Hynes Veterans Memorial Convention Center and allow the proceeds to be used to fund a portion of the cost of an expanded Boston Convention & Exhibition Center, among other thing (see directly below). This legislation is still under study with the appropriate committee in the State legislature.

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

ABOUT OUR BUSINESS

WHAT WE DO

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

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

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

MANAGEMENT'S OBJECTIVES AND STRATEGY

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

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

Management's Discussion and Analysis (Unaudited)

SUMMARY OF FINANCIAL PERFORMANCE

Condensed Financial Information

Summary of Net Position (Deficit)

	2020	2019	2018
Cash and investments	\$ 55,267,203	\$ 59,216,218	\$ 50,298,896
Receivables and other assets	662,937,700	703,653,445	717,438,077
Total assets	718,204,903	762,869,663	767,736,973
Deferred outflows of resources	7,452,904	6,187,719	6,938,043
Total assets and deferred outflows of resources	725,657,807	769,057,382	774,675,016
Current liabilities	18,213,636	37,482,941	27,946,350
Noncurrent liabilities	45,123,552	44,692,290	49,919,184
Total liabilities	63,337,188	82,175,231	77,865,534
Deferred inflows of resources	5,285,084	7,423,002	3,437,013
Total liabilities and deferred inflows	68,622,272	89,598,233	81,302,547
Net position (deficit)	\$ 657,035,535	\$ 679,459,149	\$ 693,372,469

2020

The impact of the COVID-19 pandemic on the Authority's business (see later discussion) resulted in a substantial reduction in operating revenues in fiscal year 2020 in comparison to the previous year and recent trends. Where the Authority had achieved a record-high level of operating revenue in fiscal year 2019, revenues fell by 28.4% in fiscal year 2020. The corresponding reduction in operating expenses, while meaningful, did not offset the lost revenue, with the result being a substantially greater operating loss in fiscal year 2020 than the 2019 result. In fiscal year 2020, the Authority drew \$20.9 million from the CCF to support its operations, up substantially from the fiscal year 2019 draw of \$3.5 million. Finally, the Authority's coverage ratio (more discussion on this statistic follows) fell to 0.66 or a 26% decline from the previous year.

2019

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

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

Please refer to page 60 for the 2020 and 2019 calculation of the Authority's net cost of operations and operating reimbursement requests from the CCF.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS

Summary of Activities

	2020	2019	2018
Operating revenues	\$ 56,628,599	\$ 79,057,183	\$ 76,487,307
Operating expenses	131,328,949	137,200,325	138,151,583
Operating loss	(74,700,350)	(58,143,142)	(61,664,276)
Nonoperating revenues, net	33,308,527	21,393,669	17,296,510
Loss before capital contributions	(41,391,823)	(36,749,473)	(44,367,766)
Capital contributions:			
Massachusetts CCF – capital contribution	18,968,209	22,836,153	8,409,272
Change in net position (deficit)	(22,423,614)	(13,913,320)	(35,958,494)
Net position, beginning of year	679,459,149	693,372,469	729,330,963
Net position, end of year	\$ 657,035,535	\$ 679,459,149	\$ 693,372,469

Operating Revenues – 2020

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

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

With limited exceptions, operating revenues in fiscal year 2020 were lower than corresponding fiscal year 2019 revenue at each of the Authority's venues and across all major operating revenue categories. At the BCEC, revenues earned fell by 31% to \$29.5 million, from an all-time high of \$42.5 million in fiscal year 2019. In addition to the event cancellations, the BCEC's revenue was also impacted by the drop in commercial revenue earned from hotel tenants, which were similarly impacted by COVID-19 closures. Operating revenue at the Hynes fell by 33%, from \$17.1 million in 2019 to \$11.5 million in 2020. Similar to the BCEC, the bulk of the year-over-year drop was related to the loss of business due to the COVID-19 pandemic. The Hynes' performance was also affected by the loss of rental income from commercial (restaurant) tenants of the building, which decreased from \$1.6 million in 2019 to \$1.4 million in 2020. Revenues at the Lawn on D fell to \$1.3 million in 2020, from \$1.8 million, a decline of 26%. At the MMC, total revenue earned was \$4.2 million, which represents a 19% decline from the fiscal year 2019 amount of \$5.3 million. Finally, the BCG was also affected substantially by COVID-19, experiencing a year-over-year decline in revenue of \$2.3 million or 19%, from \$12.3 million in 2019 to \$10.0 million in 2020.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

With the exception of Other Revenues, all major revenue categories decreased at the Authority, including convention support services, food and beverage, rental, parking fees and commercial revenue. The most dramatic decline occurred in food and beverage in which revenues earned in 2020 totaled \$8.0 million, or 40% below the 2019 amount of \$13.4 million. The impact was most substantial at the BCEC, which experienced a year-over-year decline of 54% in food and beverage revenue, falling from \$7.0 million in 2019 to \$3.2 million in 2020. While the Authority had budgeted for a year-over-year decline in food and beverage revenues, through February they had been out-performing these projections substantially. COVID-19 impacts curtailed a substantial quarter for projected food and beverage revenues. The Authority did earn a limited amount of revenue from the food and beverage services provided to the Boston Hope COVID-19 Alternate Care Site (ACS), these were more than outweighed by the fixed costs of the food and beverage operations during the same period.

Convention services revenues fell by 39% in fiscal year 2020, for a total of \$14 million compared to \$22.9 million in 2019. The loss of earnings is directly attributable to the impact of COVID-19 cancellations, most notably at the BCEC. Similarly, rental revenue fell to \$13.8 million in 2020 from \$20.7 million, or a 34% decline.

Parking fees, primarily earned at the BCG, totaled \$10.8 million in 2020, which compares to \$13.2 million in 2019. This 19% drop from the previous year resulted from the dramatic decline in daily and monthly parkers occurring over the last quarter of the fiscal year. Commercial revenues earned from hotel and restaurant tenants at the BCEC and Hynes, respectively, fell to \$3.0 million from \$3.4 million, or 12%. This is attributable to lack of hotel sales, which directly results in lower percentage rent earned by the Authority as well as rental concessions provided by the Authority to restaurant tenants.

Other revenues, which include insurance claim proceeds and the fees earned by the Authority in providing transportation services (ferry and shuttles) to employers that are located in Boston's Waterfront, increased by 31%, from \$5.4 million in 2019 to \$7.1 million in 2020. In 2020, the Authority received \$625,000 for an insurance claim related to flooding at the Hynes. Additionally, the Authority has seen an increase in the demand for transportation services, including a full year of operating the Waterfront ferry service for employees travelling from Boston's North Station to Waterfront locations. Total revenues for Waterfront transportation services performed in 2020 were \$5.0 million, a 24% increase from the 2019 total of \$4.0 million.

Operating Revenues – 2019

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

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

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

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

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

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

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

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

Operating Expenses – 2020

In fiscal year 2020 total operating expenses fell to \$131.3 million from \$137.2 million, a reduction of 4.3%. With the impacts of the COVID-19 pandemic beginning in March 2020, the Authority experienced lower costs or reduced spending across most major categories. However, the operation of the ACS at the BCEC increased spending by the Authority to support this purpose.

Total salaries and benefits expenses in 2020 amounted to \$34.0 million, compared to \$32.4 million, an increase of 5%. The year over year increase is attributable to the increased pension and OPEB expenses, in accordance with GAAP, which grew by \$1.8 million from the previous year. In fiscal year 2020, the Authority faced cost increases associated with collective bargaining agreements with union employees and modest increases in employee benefits associated with health insurance premiums and the first year of implementation of the Massachusetts family and medical leave tax program.

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

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

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

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

Operating Expenses – 2019

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

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

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

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

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

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

Non-operating Revenues (Expenses), Net – 2020

Total fiscal year 2020 non-operating revenues grew by 55.7%, from \$21.4 million in 2019 to \$33.3 million in 2020. This year over year change reflects the substantial increase in funding that the Authority requested from the CCF in lieu of the substantial losses that Authority occurred over the last four months of the fiscal year. In total, the Authority drew \$31.2 million in 2020, \$10.3 million of which was used to make additional contributions to the Authority's long-term retiree pension and health care liabilities. This compares to an amount of \$17.5 million in 2019.

Investment Income and Interest on Loans

Total investment income in 2020 was \$846,000, or \$133,000 less than 2019's level of \$979,000. The Authority in 2020 received and ultimately granted a request from the Boston Tea Party Ships and Museums for forbearance on the repayment of its loan beginning with the payment due on April 1, 2020. Further discussion follows in a later section addressing this event and the loan.

Non-operating Revenues (Expenses), Net – 2019

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

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

Management's Discussion and Analysis (Unaudited)

RESULTS OF OPERATIONS (CONTINUED)

Investment Income and Interest on Loans

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

COMPARISON TO BUDGET

Operating Revenues – 2020

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

Operating Revenues – 2019

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

Operating Expenses – 2020

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

Operating Expenses – 2019

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

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

Management's Discussion and Analysis (Unaudited)

COMPARISON TO BUDGET (CONTINUED)

Non-operating Revenues (Expenses), Net – 2020

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

Non-operating Revenues (Expenses), Net – 2019

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

KEY PERFORMANCE METRICS

	2020	2019	2018
Operating Coverage Ratio Calculation:			
Operating revenue (including investment income and interest on loans)	\$ 57,474,615	\$ 80,036,063	\$ 77,481,622
Operating expense (excluding depreciation, certain amounts paid for restricted net position and amounts paid from the capital budget)	\$ 86,456,165	\$ 89,234,284	\$ 86,552,531
MCCA operating coverage ratio	0.66	0.90	0.90
Rev. PGSF (BCEC)	\$ 41.51	\$ 59.77	\$ 59.47
Rev. PGSF (Hynes), excluding commercial space	\$ 40.20	\$ 59.83	\$ 57.38
Rev. PGSF (MMC)	\$ 23.86	\$ 32.25	\$ 28.95
Revenue per attendee (MMC) - Arena	\$ 18.32	\$ 12.12	\$ 8.16
Avg. revenue per space per day (BCG)	\$ 20.04	\$ 24.62	\$ 23.82

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

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

Management's Discussion and Analysis (Unaudited)

KEY PERFORMANCE METRICS (CONTINUED)

In 2020, 2019, and 2018, the Authority's operating coverage ratios (defined above) were 0.66, 0.90, and 0.90, respectively. The 2020 result marks a precipitous fall from the previous year as well as a reversal of a multi-year trend during which the Authority has increased this ratio meaningfully. The result reflects a 26% decline from the previous year and explains the corresponding increase in the funds requested by the Authority from the CCF to support its operations. Prior to 2020, the Authority had experienced meaningful increases from historical levels, helped by improving performance across the Authority's facilities, most notably the BCEC. Continued strong show quality, particularly with respect to consumption of food and beverage and event support services, offset by net pension and OPEB liabilities, helped make the MCCA's 2019 coverage ratio the highest level achieved by the Authority since the BCEC opened in 2004. While this metric had seen a notable decline in 2020, the Authority expects that it will remain a critical measure by which to assess the Authority's financial performance for comparison to prior year as well as historical results generally.

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

In fiscal year 2020, the BCEC's Rev. PGSF decreased from \$59.77/sq. ft. to \$41.51/sq. ft., or 31%. This decrease reflects the impacts of COVID-19 and associated show cancellations over the last four months of the fiscal year. The Hynes experienced revenue of \$40.20 sq. ft., a 33% fall from the previous year's total of \$59.83/ sq. ft. Similar to the BCEC, the Hynes result also reflects the loss of business over the last four months of fiscal year 2020.

In fiscal year 2020, the MMC's arena top-line performance, as measured by revenue per attendee, increased to \$18.32 from \$12.12 in 2019, or 51%. Using Rev. PGSF as the measurement, performance on the convention center side decreased by 26% from \$32.25 in 2019 to \$23.86 in 2020.

The BCG performance is measured by its Revenue per Space per Day, which is the total parking revenue achieved in the fiscal year divided by the facility's total number of available spaces per year (1,367 spaces times 365 days). Management believes this metric is a good reflection of our ability to "turn" the space during the day to maximize daily occupancy. In fiscal year 2020, BCG Revenue per Space was \$20.04 falling from 2019's total of \$24.62, a 19% decline, due to the substantial fall in daily and monthly parkers following the COVID-19 closures of offices and other attractions in March 2020.

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

Management's Discussion and Analysis (Unaudited)

CONSTRUCTION ACTIVITIES

During fiscal year 2017, the Authority reviewed and revised its existing capital projects planning program to ensure the efficient and effective future investment of resources in the technology and infrastructure needs across all four of its facilities. The program provides the Authority with the projected future capital requirements necessary to keep the Authority's assets in excellent working condition. During fiscal year 2020, the Authority added \$6.4 million assets in service and wrote off \$4.6 million. Net construction in process balance for 2020 is \$30.4 million. Total net capital assets equals \$632.7 million (see Note 4, page 33). In addition, the Authority has a number of on-going capital projects representing \$84.5 million in restricted projects of which \$12.6 million has been spent to date (see Note 13, page 49).

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

RISK ASSESSMENT

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

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

REQUESTS FOR INFORMATION

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

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

Statements of Net Position
June 30, 2020 and 2019

	Business-Type Activities	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,597,524	\$ 32,423,153
Restricted cash and cash equivalents	587,277	587,277
Restricted investments	36,082,402	26,205,788
Receivables, net of allowance for uncollectible amounts:		
Grants from the Commonwealth	10,261,354	15,624,852
Convention	2,434,757	9,669,657
Loans	450,539	397,815
Prepaid expenses	1,920,200	2,989,196
Total current assets	70,334,053	87,897,738
Noncurrent assets:		
Loan receivable, net of allowance for uncollectible amounts	15,130,306	15,272,915
Capital assets not being depreciated	208,403,301	197,728,058
Capital assets, net of accumulated depreciation	424,337,243	461,970,952
Total noncurrent assets	647,870,850	674,971,925
Total assets	718,204,903	762,869,663
Deferred outflows of resources:		
Pension related	6,346,105	6,063,889
OPEB related	1,106,799	123,830
Total deferred outflows of resources	7,452,904	6,187,719
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	5,747,480	17,944,154
Unearned revenue	11,301,648	18,525,064
Accrued compensated absences	1,164,508	1,013,723
Total current liabilities	18,213,636	37,482,941
Noncurrent liabilities:		
Unearned revenue	-	83,333
Accrued compensated absences	1,360,483	1,361,489
Net pension liability	42,836,764	37,882,242
Net OPEB liability	926,305	5,365,226
Total noncurrent liabilities	45,123,552	44,692,290
Total liabilities	63,337,188	82,175,231
Deferred inflows of resources:		
Pension related	3,810,251	5,674,232
OPEB related	1,474,833	1,748,770
Total deferred inflows of resources	5,285,084	7,423,002
Net position:		
Net investment in capital assets	632,740,544	659,699,010
Restricted for:		
Future pension contributions	36,063,698	26,191,418
Transportation planning/roadway improvements	587,277	587,277
Unrestricted deficit	(12,355,984)	(7,018,556)
Total net position	\$ 657,035,535	\$ 679,459,149

See notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	Business-Type Activities	
	2020	2019
Operating revenues:		
Convention services income	\$ 14,006,691	\$ 22,885,486
Convention rental income	13,752,217	20,749,249
Food and beverage	8,026,170	13,356,528
Parking fees	10,761,718	13,231,346
Commercial revenue	2,995,071	3,412,690
Other	7,086,732	5,421,884
Total operating revenues	56,628,599	79,057,183
Operating expenses:		
Salaries and benefits - operating	21,193,632	21,574,332
Salaries and benefits - administrative	12,873,352	10,831,916
Other operating expenses	18,095,708	17,951,893
Contracted services	26,639,109	28,287,401
Utilities	8,502,258	10,588,741
Depreciation	44,024,890	47,966,042
Total operating expenses	131,328,949	137,200,325
Operating loss	(74,700,350)	(58,143,142)
Nonoperating revenues (expenses):		
Massachusetts Convention Center Fund - operating subsidy	31,227,826	17,544,945
Federal grants	-	228,019
Nonemployer contribution to pension plan	2,039,608	1,829,678
Interest received on loans receivable	640,021	714,517
Investment income	205,995	264,363
Investment (loss) income, net - pension trust (restricted)	(804,923)	812,147
Total nonoperating revenues, net	33,308,527	21,393,669
Loss before capital contributions	(41,391,823)	(36,749,473)
Capital contributions:		
Massachusetts Convention Center Fund - capital contributions	18,968,209	22,836,153
Total capital contributions	18,968,209	22,836,153
Change in net position	(22,423,614)	(13,913,320)
Net position - beginning of year	679,459,149	693,372,469
Net position - end of year	\$ 657,035,535	\$ 679,459,149

See notes to financial statements.

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

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Business-Type Activities	
	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	\$ 56,556,750	\$ 80,830,394
Payments to vendors	(62,477,606)	(52,654,255)
Payments to employees	(34,765,099)	(30,690,166)
Net cash used in operating activities	(40,685,955)	(2,514,027)
Cash flows from noncapital financing activities:		
Massachusetts Convention Center Fund - operating subsidy	27,817,638	13,709,438
Federal grants	-	228,019
Net cash provided by noncapital financing activities	27,817,638	13,937,457
Cash flows from capital and related financing activities:		
Massachusetts Convention Center Fund - capital contributions	27,741,894	18,158,677
Acquisition and construction of capital assets	(18,953,570)	(22,836,154)
Net cash provided by (used in) capital and related financing activities	8,788,324	(4,677,477)
Cash flows from investing activities:		
Purchases of investments	(11,947,711)	(8,812,701)
Sale of investments	1,192,440	1,747,207
Loan repayments	263,219	380,342
Interest received on loans receivable	466,687	714,517
Investment income	279,729	304,904
Net cash used in investing activities	(9,745,636)	(5,665,731)
Net change in cash and cash equivalents	(13,825,629)	1,080,222
Cash and cash equivalents - beginning of year (includes \$587,277 as restricted cash)	33,010,430	31,930,208
Cash and cash equivalents - end of year (includes \$587,277 as restricted cash)	\$ 19,184,801	\$ 33,010,430

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	Business-Type Activities	
	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (74,700,350)	\$ (58,143,142)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Cash from operating activities:		
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources not requiring current cash flows:		
Depreciation	44,024,890	47,966,042
Discontinued capital projects	1,887,148	471,283
Change in net pension liability	6,994,130	7,970
Change in deferred outflows - pension	(282,216)	836,353
Change in deferred inflows - pension	(1,863,981)	2,237,219
Change in net OPEB liability	(4,438,921)	(3,160,246)
Change in deferred outflows - OPEB	(982,969)	(86,029)
Change in deferred inflows - OPEB	(273,937)	1,748,770
Effect of changes in operating assets and liabilities:		
Convention receivables, net	7,234,900	(2,840,388)
Prepaid assets	1,068,995	(843,511)
Accounts payable and accrued expenses	(12,196,674)	4,546,009
Unearned revenue	(7,306,749)	4,613,598
Accrued compensated absences	149,779	132,045
Total adjustments	34,014,395	55,629,115
Net cash used in operating activities	\$ (40,685,955)	\$ (2,514,027)

See notes to financial statements.

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

Statements of Fiduciary Net Position
June 30, 2020 and 2019

	OPEB Trust Fund	
	2020	2019
Assets		
Investments:		
Common collective trusts	\$ 11,158,796	\$ 6,052,799
Fixed income mutual funds	571,095	291,181
Equity mutual funds	366,548	186,572
Total investments	<u>12,096,439</u>	<u>6,530,552</u>
Total assets	<u>12,096,439</u>	<u>6,530,552</u>
Liabilities		
Accrued expenses	<u>7,578</u>	<u>3,562</u>
Net Position		
Restricted for:		
Postemployment benefits other than pensions	<u>12,088,861</u>	<u>6,526,990</u>
Total net position	<u>\$ 12,088,861</u>	<u>\$ 6,526,990</u>

See notes to financial statements.

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

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2020 and 2019

	OPEB Trust Fund	
	2020	2019
Additions		
Employer contributions	\$ 6,445,316	\$ 2,171,741
Investment income:		
Net (depreciation) appreciation of investments	(460,761)	180,733
Interest and dividends	35,184	21,414
Less investment expenses	(24,858)	(12,025)
Net investment income	(450,435)	190,122
Total additions	5,994,881	2,361,863
Deductions		
Benefits payments	426,633	277,070
Administrative expenses	6,377	4,907
Total deductions	433,010	281,977
Change in net position	5,561,871	2,079,886
Restricted net position - beginning of year	6,526,990	4,447,104
Restricted net position - end of year	\$ 12,088,861	\$ 6,526,990

See notes to financial statements.

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Reporting entity

Establishment and Background

The Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts (Commonwealth), is a public authority created by act of the Legislature of the Commonwealth with the original purpose of acquiring and operating a portfolio of assets, specifically, the John B. Hynes Veterans Memorial Convention Center (the Hynes or the Hynes Convention Center) and the Boston Common Garage (BCG or the Garage).

In accordance with the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 30, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements must present the Center and its component units. The Authority, itself, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

The Authority's purpose is to generate significant regional economic activity by attracting conventions, trade shows, and other events to its facilities while maximizing investment return for the Commonwealth.

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

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

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

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

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funding

The Act, as amended by Section 439 of Chapter 26 of the Acts of 2003, created the Convention Center Fund (CCF or the Fund). The purpose of the Fund is to provide funding for the activities of the Authority. Section 439 amended Section 10(c) of the Act, which authorized up to \$23 million annually to defray the Authority's net cost of operations from its activities as well as providing for reserves for capital and current expenses of the Authority. Chapter 195 of Acts of 2014 increased the fiscal years 2016, 2017, 2018, 2019 and 2020 (and on) caps to \$25 million, \$26 million, \$28 million, \$28 million and \$28 million, respectively. During fiscal year 2020, the Authority requested reimbursements from the Fund totaling \$50,196,035 for the net cost of operations (\$20,934,826), Other Postemployment Benefit (OPEB)/Pension Trust funding (\$10,293,000) and the pay-go capital program (\$18,968,209). During fiscal year 2019, the Authority requested reimbursements from the Fund totaling \$40,381,098 for the net cost of operations (\$3,468,600), OPEB/Pension Trust funding (\$14,076,345) and the pay-go capital program (\$22,836,153).

Blended Component Unit

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

Fiduciary Fund Component Unit

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

Implementation of new accounting principles

For the year ended June 30, 2020, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 90, *Majority Equity Interests*: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Authority early implemented the Statement and determined there was no impact on the Authority's financial statements.

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*: The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB statements and implementation Guides that first became effective or were scheduled to become effective for periods beginning after June 15, 2018 and later. The adoption of this Statement resulted in the postponement of GASB Statement Nos. 84 through 93 and was effective immediately.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*: This Statement (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units, and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution plans, and other employee benefit plans (for example, certain Section 457 plans). This Statement also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans.

The provisions of this Statement have different implementation dates. The portion of the standard that was effective immediately pertains to component unit evaluations wherein a potential component unit does not have a governing board. As the Authority does not have any component units that do not have a governing board, that portion of the standard is not applicable and did not impact the Authority.

The remaining provisions of this Statement are effective for fiscal years beginning after June 15, 2021, and the Authority is currently evaluating the impact to its financial statements.

Measurement focus, basis of accounting, and basis of presentation

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

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

Cash and cash equivalents and investments

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

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted assets

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

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

Accounts receivable

Grants from the Commonwealth

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

Convention

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 2020 and 2019, the allowance for doubtful accounts amounted to \$163,663 and \$292,973 respectively.

Loans

The Authority authorized an \$18,000,000 loan to the Boston Tea Party Ship and Museum, Inc. for the construction of the Boston Tea Party museum and historical replica ships. Loan amounts were distributed based on reimbursement requests submitted during the construction period. On April 1, 2020, the Authority and the Boston Tea Party Ship and Museum, Inc. entered into a Deferment Agreement and Amendment to Loan Agreement (the Deferment). The Deferment granted relief and postponement of payments on the loan from April 1, 2020 through June 30, 2020 (the Deferment Period) and extended the maturity date to October 1, 2042. In connection with the Deferment, the Authority capitalized accrued interest of \$173,334 as principal over the Deferment Period. Post Deferment Period monthly payments increased to \$92,261. Outstanding loans at June 30, 2020 and 2019 totaled \$15,580,845 and \$15,670,730, respectively. As of June 30, 2020 and 2019, no allowance for doubtful accounts on outstanding loans was deemed necessary. The Authority has received a request from the parent company of the Boston Team Party Ship and Museum for additional loan forbearance due to continued restrictions it faces under COVID-19 restrictions. The request is currently under consideration by the Authority's leadership.

Prepaid expenses

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

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

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

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

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

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

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

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

Revenue recognition

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

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

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

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

Notes to Financial Statements

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension benefits

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

Other postemployment benefits

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

Compensated absences (vacation pay and sick leave benefits)

All union employees are contractually entitled to receive vacation pay benefits and, upon retirement, sick leave benefits which are capped at varying amounts based upon the applicable contract. In addition, the Authority has extended a similar, but more limited, benefit to all other eligible employees. Vacation pay and sick leave benefits accrued for employees at June 30, 2020 and 2019, totaled approximately \$2,525,000 and \$2,375,000, respectively, and is reflected in the accompanying statements of net position as accrued compensated absences.

Net position

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

Net investment in capital assets represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to asset acquisitions, construction, and improvements.

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

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

Use of estimates

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

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS

Authority (Excluding the Pension and OPEB Trusts)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority does not have a policy for custodial credit risk of deposits. At June 30, 2020 and 2019, bank deposits totaling \$26,021,722 and \$36,911,236, respectively, were not exposed to custodial credit risk. The carrying amount of deposits totaled \$19,184,801 and \$33,010,430 at June 30, 2020 and 2019, respectively.

Pension Trust (Blended Component Unit)

Deposits – custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Pension Trust's deposits may not be recovered. The Pension Trust does not have a policy for custodial credit risk of deposits. At June 30, 2020 and 2019, there were no bank deposits on hand and no exposure to custodial credit risk.

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

Investment Summary

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

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

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

Investment Type	Fair Value
Fixed income mutual funds	\$ 1,098,991
Equity mutual funds	733,324
Common collective trusts	24,333,473
Total investments	<u>\$ 26,205,788</u>

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Pension Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pension Trust does not have a policy for custodial credit risk of investments. As of June 30, 2020 and 2019, the Pension Trust's investments were not exposed to custodial credit risk.

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Pension Trust does not have a policy for credit risk of debt securities. As of June 30, 2020 and 2019, the Pension Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The Pension Trust does not have a policy for concentration of credit risk. As of June 30, 2020 and 2019, the Pension Trust was not exposed to concentration risk.

Investments – fair value measurements

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

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

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

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

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

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

OPEB Trust Fund (OPEB Trust)

Deposits – custodial credit risk

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

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

Investment summary

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

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

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

Investment Type	Fair Value
Fixed income mutual funds	\$ 291,181
Equity mutual funds	186,572
Common collective trusts	6,052,799
Total investments	<u>\$ 6,530,522</u>

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – custodial credit risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the OPEB Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The OPEB Trust does not have a policy for custodial credit risk of investments. As of June 30, 2020 and 2019, the OPEB Trust's investments were not exposed to custodial credit risk.

Investments – credit risk of debt securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The OPEB Trust does not have a policy for credit risk of debt securities. As of June 30, 2020 and 2019, the OPEB Trust's debt securities were unrated.

Investments – concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pension Trust's investment in a single issuer. The OPEB Trust does not have a policy for concentration of credit risk. As of June 30, 2020 and 2019, the OPEB Trust was not exposed to concentration risk.

Investments – fair value measurements

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

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

Investment Type	Fair Value	Assets at Fair Value as of June 30, 2020		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed income mutual funds	\$ 571,095	\$ 571,095	\$ -	\$ -
Equity mutual funds	366,548	366,548	-	-
Total investments by fair value level	937,643	\$ 937,643	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Common/collective trust funds	11,158,796			
Total investments measured at fair value	\$ 12,096,439			
Investment Type	Fair Value	Assets at Fair Value as of June 30, 2019		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed income mutual funds	\$ 291,181	\$ 291,181	\$ -	\$ -
Equity mutual funds	186,572	186,572	-	-
Total investments by fair value level	477,753	\$ 477,753	\$ -	\$ -
Investments measured at the net asset value (NAV)				
Common/collective trust funds	6,052,799			
Total investments measured at fair value	\$ 6,530,552			

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

Notes to Financial Statements

Note 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

Note 3 ACCOUNTS RECEIVABLE

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

Type	Gross Amounts	Allowances for Uncollectibles	Net Amount
Grants receivable from the Commonwealth	\$ 10,261,354	\$ -	\$ 10,261,354
Convention receivables	2,598,421	(163,664)	2,434,757
Loans receivable	15,580,845	-	15,580,845
Total	<u>\$ 28,440,620</u>	<u>\$ (163,664)</u>	<u>\$ 28,276,956</u>

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

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

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

Notes to Financial Statements

Note 4 CAPITAL ASSETS

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

	2020			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 169,404,269	\$ -	\$ -	\$ 169,404,269
Construction in progress	19,715,430	18,968,209	(8,292,966)	30,390,673
Intangible assets	8,608,359	-	-	8,608,359
Total capital assets not being depreciated	197,728,058	18,968,209	(8,292,966)	208,403,301
Capital assets being depreciated:				
Land improvements	3,961,663	-	-	3,961,663
Buildings and improvements:				
Boston Convention and Exhibition Center	713,360,629	2,712,554	-	716,073,183
Hynes Convention Center	248,176,793	1,659,032	-	249,835,825
MassMutual Center	74,452,432	164,599	-	74,617,031
Boston Common Garage	40,954,160	246,895	-	41,201,055
Equipment and fixtures	86,890,136	1,608,101	(4,549,479)	83,948,758
Total capital assets being depreciated	1,167,795,813	6,391,181	(4,549,479)	1,169,637,515
Less accumulated depreciation for:				
Land improvements	(1,386,566)	(396,166)	-	(1,782,732)
Buildings and improvements:				
Boston Convention and Exhibition Center	(351,438,463)	(26,401,661)	-	(377,840,124)
Hynes Convention Center	(216,611,092)	(6,432,774)	-	(223,043,866)
MassMutual Center	(33,438,354)	(2,737,218)	-	(36,175,572)
Boston Common Garage	(30,817,163)	(1,683,588)	-	(32,500,751)
Equipment and fixtures	(72,133,223)	(6,373,483)	4,549,479	(73,957,227)
Total accumulated depreciation	(705,824,861)	(44,024,890)	4,549,479	(745,300,272)
Total capital assets being depreciated, net	461,970,952	(37,633,709)	-	424,337,243
Total capital assets, net	\$ 659,699,010	\$ (18,665,500)	\$ (8,292,966)	\$ 632,740,544

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

Notes to Financial Statements

Note 4 CAPITAL ASSETS (CONTINUED)

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

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

Notes to Financial Statements

Note 5 NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company for provision of naming rights at the new Springfield Civic Center. In consideration for \$5,000,000, the Springfield Civic Center was designated as the MassMutual Center. MassMutual in turn granted the Authority a license to use the intellectual property for limited use. Upon termination of the agreement, the name of the facility shall revert to the Springfield Civic Center. The term of the agreement commenced on September 29, 2005 (the opening date of the new center) and will end on the 15th year anniversary unless terminated earlier. Included in other revenue is the amortization of the naming rights amounting to \$333,333 for the years ended June 30, 2020 and 2019. At June 30, 2020 and 2019, the unamortized balance reported as a component of unearned revenue totals approximately \$83,333 and \$416,666, respectively.

Note 6 LEASES (RENTAL INCOME)

The Authority leases various properties to third parties. For the years ended June 30, 2020 and 2019, the Authority earned approximately \$2,995,000 and \$3,413,000, respectively, in rental income and is included as commercial revenue in the statements of revenues, expenses, and changes in net position. The following represents the future minimum lease payments to be received under non-cancelable operating leases:

Fiscal Year	Payment
2021	\$ 2,474,316
2022	2,725,551
2023	2,726,804
2024	2,793,995
2025	2,797,162
2026-2030	16,598,490
2031-2035	19,195,654
2036-2040	13,487,632
2041-2045	4,713,630
2046-2050	1,971,497
2051-2055	2,136,685
2056-2060	2,315,715
2061-2065	2,509,745
2066-2070	2,720,033
2071-2075	2,947,941
2076-2080	3,194,944
2081-2085	3,462,644
2086-2090	3,752,773
2091-2095	4,067,213
2096-2100	4,407,998
2101-2105	3,237,870
2106-2110	3,108,565
2111-2113	1,988,804
	\$ 109,335,661

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

Notes to Financial Statements

Note 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS

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

	2020								
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Total
Assets:									
Current assets	\$ 2,324,418	\$ 55,765	\$ (60,379)	\$ 5,094,349	\$ 54,308	\$ 26,195,913	\$ -	\$ -	\$ 33,664,374
Restricted assets	-	-	-	-	-	587,277	-	36,082,402	36,669,679
Noncurrent assets (excluding capital assets)	-	-	-	-	-	15,130,306	-	-	15,130,306
Capital assets	480,621,042	300,432	90,862,701	45,974,430	14,284,005	697,934	-	-	632,740,544
Total assets	\$ 482,945,460	\$ 356,197	\$ 90,802,322	\$ 51,068,779	\$ 14,338,313	\$ 42,611,430	\$ -	\$ 36,082,402	\$ 718,204,903
Deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,452,904	\$ -	\$ -	\$ 7,452,904
Liabilities:									
Current liabilities	\$ 8,470,219	\$ 443,396	\$ 3,314,589	\$ 1,859,359	\$ 252,576	\$ 3,007,426	\$ 847,368	\$ 18,703	\$ 18,213,636
Noncurrent liabilities	-	-	-	-	-	45,123,552	-	-	45,123,552
Total liabilities	\$ 8,470,219	\$ 443,396	\$ 3,314,589	\$ 1,859,359	\$ 252,576	\$ 48,130,978	\$ 847,368	\$ 18,703	\$ 63,337,188
Deferred inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,285,084	\$ -	\$ -	\$ 5,285,084
Net position:									
Net investment in capital assets									632,740,544
Restricted:									
Future pension contributions									36,063,698
Other									587,277
Unrestricted									(12,355,984)
Total net position									\$ 657,035,535

	2020								
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Total
Operating revenues	\$ 29,529,212	\$ 1,349,056	\$ 11,470,009	\$ 4,244,710	\$ 9,998,231	\$ 37,381	\$ -	\$ -	\$ 56,628,599
Operating expenses	(65,351,189)	(910,118)	(21,249,015)	(12,121,319)	(4,589,344)	(12,675,480)	(7,688,236)	(6,744,248)	(131,328,949)
Operating income	(35,821,977)	438,938	(9,779,006)	(7,876,609)	5,408,887	(12,638,099)	(7,688,236)	(6,744,248)	(74,700,350)
Nonoperating revenues/(expenses):									
Interest on loans receivable	-	-	-	-	-	640,021	-	-	640,021
Investment income	-	-	-	-	-	205,995	-	(804,923)	(598,928)
CCF - operating subsidy	-	-	-	-	-	31,227,826	-	-	31,227,826
Nonemployer contribution	-	-	-	-	-	2,039,608	-	-	2,039,608
Loss before capital contributions	(35,821,977)	438,938	(9,779,006)	(7,876,609)	5,408,887	21,475,351	(7,688,236)	(7,549,171)	(41,391,823)
CCF - capital contributions	9,103,271	72,439	3,181,256	3,343,805	1,600,487	1,666,951	-	-	18,968,209
Change in net position	\$ (26,718,706)	\$ 511,377	\$ (6,597,750)	\$ (4,532,804)	\$ 7,009,374	\$ 23,142,302	\$ (7,688,236)	\$ (7,549,171)	(22,423,614)
Net position - beginning of year									679,459,149
Net position - end of year									\$ 657,035,535

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

Notes to Financial Statements

Note 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS (CONTINUED)

	2019								
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Total
Assets:									
Current assets	\$ 7,308,674	\$ 158,535	\$ 1,723,126	\$ 4,205,424	\$ 48,446	\$ 47,460,468	\$ 200,000	\$ -	\$ 61,104,673
Restricted assets	-	-	-	-	-	587,277	-	26,205,788	26,793,065
Noncurrent assets (excluding capital assets)	-	-	-	-	-	15,272,915	-	-	15,272,915
Capital assets	500,606,692	343,172	95,982,884	46,434,989	14,633,045	1,698,228	-	-	659,699,010
Total assets	\$ 507,915,366	\$ 501,707	\$ 97,706,010	\$ 50,640,413	\$ 14,681,491	\$ 65,018,888	\$ 200,000	\$ 26,205,788	\$ 762,869,663
Deferred outflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,187,719	\$ -	\$ -	\$ 6,187,719
Liabilities:									
Current liabilities	\$ 15,924,373	\$ 833,932	\$ 9,408,966	\$ 5,885,760	\$ 1,071,745	\$ 3,271,839	\$ 1,071,956	\$ 14,370	\$ 37,482,941
Noncurrent liabilities	-	-	-	-	-	44,692,290	-	-	44,692,290
Total liabilities	\$ 15,924,373	\$ 833,932	\$ 9,408,966	\$ 5,885,760	\$ 1,071,745	\$ 47,964,129	\$ 1,071,956	\$ 14,370	\$ 82,175,231
Deferred inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,423,002	\$ -	\$ -	\$ 7,423,002
Net position:									
Net investment in capital assets									659,699,010
Restricted:									
Future pension contributions									26,191,418
Other									587,277
Unrestricted									(7,018,556)
Total net position									\$ 679,459,149

	2019								
	BCEC	Lawn on D	Hynes	MMC	BCG	Central Administration	Sales and Marketing	Pension Trust	Total
Operating revenues	\$ 42,517,619	\$ 1,827,409	\$ 17,069,421	\$ 5,261,951	\$ 12,286,530	\$ 94,253	\$ -	\$ -	\$ 79,057,183
Operating expenses	(66,801,054)	(1,437,260)	(27,211,045)	(13,370,672)	(4,616,569)	(13,220,100)	(7,477,685)	(3,065,940)	(137,200,325)
Operating income	(24,283,435)	390,149	(10,141,624)	(8,108,721)	7,669,961	(13,125,847)	(7,477,685)	(3,065,940)	(58,143,142)
Nonoperating revenues/(expenses):									
Federal grants	-	-	-	-	-	228,019	-	-	228,019
Interest on loans receivable	-	-	-	-	-	714,517	-	-	714,517
Investment income	-	-	-	-	-	264,363	-	812,147	1,076,510
CCF - operating subsidy	-	-	-	-	-	17,544,945	-	-	17,544,945
Nonemployer contribution	-	-	-	-	-	1,829,678	-	-	1,829,678
Loss before capital contributions	(24,283,435)	390,149	(10,141,624)	(8,108,721)	7,669,961	7,455,675	(7,477,685)	(2,253,793)	(36,749,473)
CCF - capital contributions	7,575,653	39,500	8,271,300	3,280,214	2,256,044	1,413,442	-	-	22,836,153
Change in net position	\$ (16,707,782)	\$ 429,649	\$ (1,870,324)	\$ (4,828,507)	\$ 9,926,005	\$ 8,869,117	\$ (7,477,685)	\$ (2,253,793)	(13,913,320)
Net position - beginning of year									693,372,469
Net position - end of year									\$ 679,459,149

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

Notes to Financial Statements

Note 8 LONG-TERM OBLIGATIONS

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion
Net pension liability	\$ 37,882,242	\$ 5,967,509	\$ (1,012,987)	\$ 42,836,764	\$ -
Net OPEB liability	5,365,226	7,657,518	(12,096,439)	926,305	-
Compensated absences	2,375,212	149,779	-	2,524,991	1,164,508
	<u>\$ 45,622,680</u>	<u>\$ 13,774,806</u>	<u>\$ (13,109,426)</u>	<u>\$ 46,288,060</u>	<u>\$ 1,164,508</u>

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

Note 9 ENVIRONMENTAL REMEDIATION

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

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

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS

Plan description

On November 15, 2017, the OPEB Trust was established to administer the single-employer defined benefit OPEB plan that is used to provide postemployment benefits. The Authority's net OPEB liability/(asset) was measured as of June 30, 2020 and the total OPEB Liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of July 1, 2018.

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

	2020	2019
Active employees	258	258
Retirees	61	61
	319	319

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

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

For the fiscal year ended June 30, 2020 and 2019, the employer contributions totaled \$6,445,316 and \$2,171,741, respectively. The Trust did not receive contributions from any other sources.

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Investment Policy – The OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote. It is the policy of the Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Trustees' adopted asset allocation policy as of June 30, 2020 and 2019:

Asset Class	Target Allocation	
	2020	2019
Domestic equity – large cap	17.0%	16.5%
Domestic equity – small/mid cap	35.0	36.5
International equity – developed market	14.0	14.0
International equity – emerging market	3.0	3.0
Domestic fixed income	30.0	29.0
Cash and cash equivalents	1.0	1.0
	<u>100.0%</u>	<u>100.0%</u>

Rate of Return – For the year ended June 30, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was (4.54%) and 4.80%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

	2020	2019
Total OPEB liability	\$ 13,022,744	\$ 11,895,777
Plan fiduciary net position	12,096,439	6,530,551
Authority's net OPEB liability	<u>\$ 926,305</u>	<u>\$ 5,365,226</u>
Plan fiduciary net position as a percentage of the total OPEB Liability	92.89%	54.90%

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

Methods and assumptions

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

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

The total OPEB liability was determined by performing update procedures to roll the liability forward from the actuarial valuation as of July 1, 2018 to the June 30, 2019 measurement date. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Individual entry age normal
Investment rate of return:	6.92%
Healthcare/medical cost trend rate:	5.0%
Inflationary rate:	2.75% annually
Pre-retirement mortality:	RP-2014 employees mortality table projected generationally with scale BB and a based year of 2016 for males and females
Post-retirement mortality:	RP-2014 healthy annuitant mortality table projected generationally with scale BB and a based year of 2016 for males and females
Disability mortality:	RP-2014 healthy annuitant mortality table projected generationally with scale BB and a based year of 2016 for males and females

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 and 2019, are summarized in the following table:

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2020	2019	2020	2019
Domestic equity – large cap	17.0%	16.5%	4.80%	4.00%
Domestic equity – small/mid cap	35.0	36.5	5.29	6.00
International equity – developed market	14.0	14.0	5.45	4.50
International equity – emerging market	3.0	3.0	6.42	7.00
Domestic fixed income	30.0	29.0	2.05	2.00
Cash and cash equivalents	1.0	1.0	0.00	0.00
	<u>100.0%</u>	<u>100.0%</u>		

Discount Rate – The discount rate used to measure the total OPEB liability was 6.49% and 6.61% at June 30, 2020 and 2019, respectively. The discount rate was selected using a blend of the Municipal Bond Index Rate (2.66% and 2.79% at June 30, 2020 and 2019, respectively) for unfunded periods and the Investment Rate of Return (6.49% and 6.92% at June 30, 2020 and 2019, respectively) for funded periods.

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

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

	As of June 30, 2019		
	1% Decrease (5.61%)	Current Discount Rate (6.61%)	1% Increase (7.61%)
Net OPEB liability	\$ 7,178,001	\$ 5,365,229	\$ 3,721,173

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

	As of June 30, 2020		
	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB liability	\$ (906,358)	\$ 926,305	\$ 3,261,457

	As of June 30, 2019		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 3,707,230	\$ 5,365,226	\$ 7,472,704

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The Authority's net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018, which through update procedures was rolled forward to the June 30, 2020 and 2019 measurement dates.

Changes in the Net OPEB Liability

	2020		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at June 30, 2019	\$ 11,895,777	\$ 6,530,551	\$ 5,365,226
Changes for the year:			
Service cost	570,143	-	570,143
Interest	809,306	-	809,306
Changes in assumptions	212,423	-	212,423
Differences between expected and actual experience	(20,445)	-	(20,445)
Contributions – employer	-	6,445,316	(6,445,316)
Net investment income	-	(427,504)	427,504
Benefit payments	(444,460)	(426,633)	(17,827)
Administrative expense	-	(25,291)	25,291
Net changes	1,126,967	5,565,888	(4,438,921)
Balances at June 30, 2020	<u>\$ 13,022,744</u>	<u>\$ 12,096,439</u>	<u>\$ 926,305</u>
	2019		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at June 30, 2018	\$ 12,972,576	\$ 4,447,104	\$ 8,525,472
Changes for the year:			
Service cost	541,348	-	541,348
Interest	832,004	-	832,004
Changes in assumptions	(1,484,171)	-	(1,484,171)
Differences between expected and actual experience	(556,060)	-	(556,060)
Contributions – employer	-	2,258,881	(2,258,881)
Net investment income	-	250,742	(250,742)
Benefit payments	(409,920)	(409,920)	-
Administrative expense	-	(16,256)	16,256
Net changes	(1,076,799)	2,083,447	(3,160,246)
Balances at June 30, 2019	<u>\$ 11,895,777</u>	<u>\$ 6,530,551</u>	<u>\$ 5,365,226</u>

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

Notes to Financial Statements

Note 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,106,799	\$ (1,474,833)

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$745,120. At June 30, 2019, the Authority reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 123,830	\$ (1,748,770)

Amounts reported as deferred outflows and inflows of resources related to OPEB at June 30, 2020 will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (22,163)
2022	(22,162)
2023	(31,614)
2024	(55,483)
2025	(264,040)
Thereafter	27,428
Total	<u>\$ (368,034)</u>

Note 11 PENSION PLAN

General Information about the Pension Plan

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

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

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

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

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

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

The MGLs governing employer contribution requirements to MSERS vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology, which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a non-employer contribution from the Commonwealth. The Authority's contributions to the pension plan for the years ended June 30, 2020 and 2019 totaled \$1,119,571 and \$875,332, respectively. Non-employer contributions from the Commonwealth for the year ended June 30, 2020 and 2019, measurement date one year behind, totaled \$2,039,608 and \$1,829,678, respectively.

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

At June 30, 2020 and 2019, the Authority reported a liability of \$42,836,764 and \$37,882,242, respectively, for its proportionate share of the net pension liability. The June 30, 2020 net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2019). The June 30, 2019 net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2018). The Authority's proportion of the net pension liability is based on actual contributions adjusted for non-employer contributions (as described previously). At June 30, 2020, the Authority's proportion was 0.29272%, which compared to a proportion of 0.28634% at June 30, 2019.

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$5,967,509 and \$3,956,700, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

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

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,316,748)
Differences between expected and actual experience	1,201,304	(772,042)
Changes in assumptions	3,839,130	-
Changes in proportion	148,133	(3,585,442)
Contributions made subsequent to measurement date	875,322	-
	<u>\$ 6,063,889</u>	<u>\$ (5,674,232)</u>

The \$1,119,571 and \$875,322 reported as deferred outflows of resources for June 30, 2020 and 2019, respectively, related to pension resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability during fiscal year 2021 and 2020, respectively. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2020 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ 1,789,631
2022	(511,011)
2023	144,147
2024	277,486
2025	(238,970)
	<u>\$ 1,416,283</u>

Actuarial Assumptions – The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

- (a) 7.25% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
- Mortality rates were as follows:

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

- Pre-retirement - RP-2014 Blue Collar Employees table projected generationally with MP-2016 and set forward year for females
- Post-retirement - RP-2014 Blue Collar Healthy Annuitant table projected generationally with scale MP-2016 set forward 1 year for females
- Disability - the mortality rate is assumed to be in accordance with the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year.

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

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

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

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2006 to December 31, 2011, and applied to all periods included in the measurement.

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

Notes to Financial Statements

Note 11 PENSION PLAN (CONTINUED)

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2020	2019	2020	2019
Global equity	39.0%	39.0%	4.9%	4.9%
Core fixed income	15.0	12.0	1.3	3.7
Private equity	13.0	12.0	8.2	0.9
Portfolio completion strategies	11.0	13.0	3.9	6.6
Real estate	10.0	10.0	3.6	3.8
Value added fixed income	8.0	10.0	4.7	3.8
Timber/natural resources	4.0	4.0	4.1	3.4
	<u>100.0%</u>	<u>100.0%</u>		

Discount Rate – The discount rate used to measure the total pension liability was 7.25% and 7.35% for actuarial valuation at January 1, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	As of June 30, 2020		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension liabilities	\$ 57,017,758	\$ 42,836,764	\$ 30,720,671
	As of June 30, 2019		
	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Authority's proportionate share of the net pension liabilities	\$ 51,059,576	\$ 37,882,242	\$ 26,623,607

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

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

Notes to Financial Statements

Note 12 RISK FINANCING

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

The Group Insurance Commission administers health care and other insurance for the Authority's employees and retirees.

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

Note 13 COMMITMENTS

The following represents the Authority's ongoing projects at June 30, 2020:

	Total Committed Amount	Spent Through June 30, 2020	FY21 Commitment	Future Year Commitments
BCEC Campus Master Planning/Feasibility	\$ 2,384,353	\$ 2,141,353	\$ 243,000	\$ -
BCEC Ferry	1,999,999	1,141,844	214,200	643,955
BCEC Fire Alarms	3,299,999	162,450	1,301,200	1,836,349
BCEC Green Rooms Updates	299,999	237,680	30,700	31,619
BCEC Hall A Escalator Addition	3,456,099	256,022	3,110,400	89,677
BCEC High Roof Reseaming	440,519	65,519	375,000	-
BCEC Loading Dock Project	4,999,999	167,007	50,000	4,782,992
BCEC LVLO Pedestrian Passageway	3,183,999	483,164	2,632,100	68,735
BCEC MEP Upgrade	4,499,999	394,732	3,040,300	1,064,967
BCEC Public Carpet	2,885,761	2,780,561	105,200	-
BCEC Roadway Improvement	1,504,376	359,176	1,145,200	-
BCEC Vertical Core Renovation	5,299,999	215,672	751,800	4,332,527
BCEC Water Stations	299,999	1,838	203,200	94,961
BCEC WTC Avenue Pedestrian Walkway	2,614,999	739,650	1,856,800	18,549
BCG Assisted Parking Technology	869,078	794,478	74,600	-
BCG Traffic Membrane	5,999,999	62,124	5,107,900	829,975
BCG Upper Level Waterproofing	4,499,999	998,894	2,904,100	597,005
Hynes Employee Entrance Doors and Walkway	178,850	161,350	17,500	-
Hynes Mass Pike Ceiling Monitoring	749,999	672,339	39,400	38,260
Hynes Mass Pike Tunnel Ceiling Repair	2,099,999	583,693	38,400	1,477,906
MMC Convention Center Carpet Replacement	397,205	65,305	331,900	-
MMC Dasher Boards	108,225	83,225	25,000	-
MMC Garage	44,999,999	7,556	900,000	44,092,443
	\$ 97,073,452	\$ 12,575,632	\$ 24,497,900	\$ 59,999,920

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

Notes to Financial Statements

Note 14 CONTINGENCIES

Various legal actions and claims are pending against the Authority. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2020.

In early April 2020, the Authority's BCEC was converted into an alternate care site (ACS) for persons infected with COVID-19. This purpose is consistent with the U.S. President's declarations of a federal emergency authorization for eligible use of U.S. Federal Emergency Management Agency (FEMA) funding under the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. The Authority has tracked the expenses that it believes are eligible for reimbursement from FEMA, which is typically provided at 75% of eligible expenses. Currently, the Authority estimates eligible expenses total roughly \$2,800,000, primarily for the provision of food and beverage services for patients and staff located at the BCEC during the ACS' operation. The Authority continues to work with the Commonwealth and its federal funding contractors to assist in preparing the Authority's formal request for reimbursement. At this time, it is not yet reasonably certain what portion of the estimated eligible expenses will be found by FEMA to qualify for reimbursement. Any funding awarded by FEMA to the Authority will be recorded as a non-operating federal receipts during its fiscal year 2021.

Note 15 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

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

GASB Statement No.	GASB Statement	Adoption Required in Fiscal Year
87	<i>Leases</i>	2022*
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2022*
91	<i>Conduit Debt Obligation</i>	2023*
92	<i>Omnibus 2020</i>	2022*
93	<i>Replacement of Interbank Offered Rates</i>	2021*, 2022*
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	2022

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

GASB statements with required adoption in fiscal year 2021:

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*:** This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. Paragraph 11B of this Statement, which discusses appropriate benchmark interest rates for a derivative instrument that hedges the interest rate risk of taxable debt is effective for reporting periods beginning after December 31, 2021. The remaining statement is effective for reporting periods beginning after June 15, 2021. The Authority is evaluating the impact of this adoption.

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

Notes to Financial Statements

Note 15 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

The Authority is currently evaluating the applicability and impact of GASB Statements which have required adoption periods after fiscal year 2021.

Note 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2020, the date the financial statements were available for issuance, noting that there have been no events that have occurred that would require recognition or disclosures in the financial statements except those noted below:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While it is unknown how long these conditions will last and what the complete financial effect will be, the Authority has received cancellation notifications for nearly all of its contracted BCEC, Hynes and Lawn on D events scheduled through December 31, 2020. Additionally, a number of events in the first half of calendar year 2021 have been cancelled or event customers are expressing concerns about the ability for the contracted event to be successfully held in Boston. Given the timeframe of these scheduled events that have been cancelled the Authority anticipates that its fiscal year 2021 operating revenues will be substantially reduced from fiscal year 2020 levels. The degree of this decrease is not fully understood and may not be clear until there is more information and certainty available related to the restrictions on large gatherings.

The Authority has received a request from the parent company of the Boston Team Party Ship and Museum for additional loan forbearance due to continued restrictions it faces under COVID-19 restrictions. The request is currently under consideration by the Authority's leadership.

On September 10, 2020, the Authority entered into a purchase agreement with the Springfield Parking Authority (SPA) for the Authority to acquire the Springfield Civic Center Garage (SCCG), which is adjacent to the MMC, for the sum of \$3,500,000. The sale is scheduled to be finalized in November 2020, at which time the Authority expects to assume the operation of the SCCG from the SPA until the garage can be demolished a new parking structure can be constructed in its place.

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

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

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

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

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

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

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

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

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 570,143	\$ 541,348	\$ 733,395
Interest on total OPEB liability, service cost and benefit payments	809,306	832,004	769,989
Benefit payments	(444,460)	(409,920)	(230,973)
Difference between expected and actual plan experience	(20,445)	(556,060)	-
Change in assumptions	212,423	(1,484,171)	-
Net change in OPEB liability	1,126,967	(1,076,799)	1,272,411
Total OPEB liability - beginning of period	11,895,777	12,972,576	11,700,165
Total OPEB liability - end of period	13,022,744	11,895,777	12,972,576
Plan Fiduciary Net Position			
Earnings from Plan investments	(427,504)	250,742	100,622
Employer contributions to Trust	6,445,316	2,258,881	4,594,569
Benefit payments	(426,633)	(409,920)	(230,973)
Administrative expenses	(25,291)	(16,256)	(17,114)
Net change in Plan fiduciary net position	5,565,888	2,083,447	4,447,104
Plan fiduciary net position - beginning of period	6,530,551	4,447,104	-
Plan fiduciary net position - end of period	12,096,439	6,530,551	4,447,104
Net OPEB liability	926,305	5,365,226	8,525,472
Plan fiduciary net position as a percentage of total OPEB liability	92.89%	54.90%	34.28%
Covered-employee payroll	\$ 18,103,966	\$ 17,576,666	\$ 21,608,853
Net OPEB liability as a percentage of cover-employee payroll	5.12%	30.52%	39.45%

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

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

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

Fiscal year end	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Authority's covered- employee payroll	Contributions as a percent of covered- employee payroll
June 30, 2018	\$ 1,332,006	\$ (4,594,569)	\$ (3,262,563)	\$ 21,608,853	21.26%
June 30, 2019	931,064	(2,258,881)	(1,327,817)	17,576,666	12.85%
June 30, 2020	636,685	(6,437,852)	(5,801,167)	18,103,966	35.56%

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

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

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

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

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

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

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

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

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

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

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

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

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

	Amounts Reported in FY 20 Financial Statements			Base Compensation at June 30, 2020
	Base Salary	Other Compensation	Total Compensation	
David Gibbons, Executive Director	\$ 252,013	\$ 25,200	\$ 277,213	\$ 252,013
Dennis Callahan, Deputy Director	188,718	-	188,718	188,718
Robert Noonan, Chief Information Security Officer	173,701	-	173,701	173,701
Michael Esmond, Chief Financial Officer	173,430	-	173,430	173,430
Christopher Donato, General Counsel	173,430	-	173,430	173,430
Diane DiAntonio, General Manager	173,014	-	173,014	173,014
John R. Donahue, Chief of Operations and Capital Projects	161,179	-	161,179	161,179
Christine Pulgini, Associate General Counsel	160,014	-	160,014	160,014
Total Compensation	\$ 1,455,499	\$ 25,200	\$ 1,480,699	\$ 1,455,499

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

**Other Information (Unaudited)
Reconciliation of GAAP Operating Loss to Statutory Net Cost of Operations and
Operating Reimbursement Requests from the Convention Center Fund
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
GAAP operating loss as presented in the statements of revenues, expenses and changes in net position (page 19)	\$ (74,700,350)	\$ (58,143,142)
Adjustments/additions to reconcile to statutory net cost of operations as defined within Chapter 190 of the Acts of 1982:		
Depreciation expense	44,024,890	47,966,042
Annual net pension cost calculated in accordance with GAAP	4,847,938	3,081,542
Annual net OPEB cost calculated in accordance with GAAP	749,489	674,236
Pension trust expenses	1,146,826	894,198
Expenses from abandoned capital projects	1,887,148	471,283
Total adjustments	<u>52,656,291</u>	<u>53,087,301</u>
Statutory net cost of operations (A)	<u>(22,044,059)</u>	<u>(5,055,841)</u>
Adjustments/additions to reconcile to operating reimbursement requests from the Convention Center Fund:		
Principal repayments on loans receivable	263,220	380,342
Federal grants	-	228,019
Interest received on loans receivable and investment income	846,016	978,880
Total adjustments	<u>1,109,236</u>	<u>1,587,241</u>
Total operating reimbursement requests from the Convention Center Fund	<u>\$ (20,934,823)</u>	<u>\$ (3,468,600)</u>

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

Independent Auditor's Report

Board Members
Massachusetts Convention Center Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Massachusetts Convention Center Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Boston, Massachusetts
October 22, 2020