

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE
COMMONWEALTH OF MASSACHUSETTS)**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

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**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Massachusetts Life Sciences Center
(A Component Unit of the Commonwealth of Massachusetts)
Waltham, Massachusetts

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Massachusetts Life Sciences Center (the Center), a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Qualified Opinion on Business-Type Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Center as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Fiduciary Activities

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary activities of the Center as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Matter Giving Rise to Qualified Opinion on Business-Type Activities

The Center has loan agreements within the Life Sciences Investment Fund, established under Section 24 of Massachusetts General Laws Chapter 123 of the Acts of 2006, as well as convertible notes. Those loan agreements include warrants and convertible features that qualify as reportable derivative instruments under Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. We were unable to obtain sufficient appropriate audit evidence as it relates to the fair value of the warrants and convertible notes held by the Center as of June 30, 2024, as financial information to support valuation was not readily available. Consequently, the Center has not recognized or disclosed any values associated with these unexercised warrants or convertible features as the financial effects of recognizing and disclosing such information are not reasonably estimable.

Prior Period Financial Statements

The financial statements of the Center for the year ended June 30, 2023, were audited by other auditors whose report dated September 29, 2023, expressed a qualified opinion of business-type activities and an unmodified opinion of fiduciary activities on those financial statements. Matters giving rise to the qualified opinion related to the warrants and convertible features that qualify as reportable derivative instruments.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

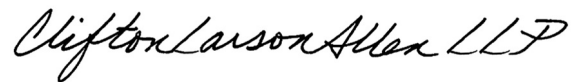
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is 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.

Management has omitted the special funding pension information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
September 27, 2024

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2024 AND 2023**

As the management of the Massachusetts Life Sciences Center (the Center), we offer the following narrative overview and analysis of the financial activities of the Center for the fiscal years ended June 30, 2024, 2023, and 2022. This unaudited management discussion and analysis should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

The Center was created on June 24, 2006, in the Economic Stimulus Bill, Chapter 123, Section 24 of the Acts of 2006, and codified in the Massachusetts General Laws, Chapter 23I. The Center is a body politic and corporate. Exercise of the powers conferred by Chapter 23I is considered to be the performance of an essential governmental function. The purpose of the Center is to promote the life sciences industry within the Commonwealth of Massachusetts (the Commonwealth). It is tasked with investing in life sciences research and economic development initiatives. This work includes making financial investments in public and private institutions growing life sciences research, development and commercialization, as well as building ties between sectors of the Massachusetts life sciences community.

On June 16, 2008, the Life Sciences Act enacted by the Massachusetts Legislature was signed into law by Governor Deval Patrick. The Commonwealth committed to investing \$1 billion over a 10-year period to create jobs, drive innovation and promote biomedical breakthroughs that improve people's lives. The Center is the steward of the \$1 billion and uses three statutory funding vehicles to achieve the Commonwealth's mission: the Life Sciences Investment Fund (the Investment Fund), the Capital Program and the Life Sciences Tax Incentive Program.

The Investment Fund is to be used in making appropriations, allocations, grants or loans to leverage development and investments in life sciences in Massachusetts. The Capital Program is for municipalities and institutions for buildings, equipment, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Tax Incentive Program allows the Center to award tax incentives to companies on behalf of the Department of Revenue (DOR) at every stage of development.

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

The Center is governed by a seven-member Board of Directors (the Board), consisting of: the Secretary of Administration and Finance or her/his designee; the Secretary of Economic Development or her/his designee; the president of the University of Massachusetts or her/his designee, and four members appointed by the Governor, one of whom is a physician licensed to practice medicine in Massachusetts and affiliated with an academic medical center, one of whom is a CEO of a Massachusetts-based life sciences corporation and is a member of the board of directors of the Massachusetts Biotechnology Council, one of whom is a researcher involved in the commercialization of biotechnology, pharmaceuticals or medical diagnostic products and one of whom has significant financial experience in the life sciences sector.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2024 AND 2023**

FINANCIAL HIGHLIGHTS

Fiscal year 2024 is the 16th year of the initiative, and reflects a year of significant operating activities of the Center as grants were made both from the Investment Fund and Capital Program, and a 15th round of awards under the Life Sciences Tax Incentive Program were granted.

Investment Fund: Section 24 of Chapter 123 of the Acts of 2006 established the Massachusetts Life Sciences Investment Fund to be administered by the Center to finance its activities. The Life Sciences Act of 2008 contemplates an annual appropriation from the legislature totaling \$250 million over 10 years. The Investment Fund is also to be used to support the administrative expenses and investment in property and equipment of the Center.

In fiscal year 2024, the Center incurred \$11.0 million of grant expense through the Investment Fund, compared to \$4.5 million of grant expense in fiscal year 2023, and \$6 million of grant expense in fiscal year 2022. The expenses were for research grants, workforce development programs and programs that support innovation in life sciences. The \$6.5 million increase from fiscal year 2023 to 2024 was due to \$3.2 million for the new Pathmaker workforce initiative and an increase in Internship Challenge expense due to higher volume. The \$1.5 million decrease from 2022 to 2023 was due to timing of awards and a return to normal levels of programming. The remaining payment for commitments as of June 30, 2024, on the outstanding investment fund grants is \$10.8 million.

Capital Program: The Capital Program was created by the Life Sciences Act and is for municipalities and nonprofit institutions to construct and/or renovate buildings, purchase equipment, make upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Act provides for \$500 million to the Capital Program and an additional \$473 million was provided by the reauthorization. The Capital Program is funded by the Commonwealth.

In fiscal year 2024, the Center incurred \$33.0 million of grant expense in the Capital Program compared to \$29.5 million of grant expense in fiscal year 2023, and \$34.1 million of grant expense in fiscal year 2022. The increase of \$3.5 million from fiscal year 2023 to 2024 was due to more research infrastructure and workforce capital expenses partially offset by a decline in NIIMBL expense. The \$4.6 million decrease from fiscal year 2022 to 2023 is due to programming activities and timing of award expenditures. The remaining payment for commitments as of June 30, 2024, on the outstanding Capital Program grants is \$54.3 million.

The Life Sciences Act also provides for a Life Sciences Education Fund for providing grants for purchasing or leasing equipment to train students in life sciences and research. In fiscal year 2024, the Center incurred \$1.2 million of expenses. The Center incurred \$1.8 million and \$2.2 million of expense in fiscal years 2023 and 2022, respectively.

Life Sciences Tax Incentive Program: The Life Sciences Tax Incentive Program was created by the Life Sciences Act and allows the Center to award tax incentives to companies at every stage of development on behalf of the DOR. The Center can award 9 different tax incentives with a cumulative cap of \$25 million per year for 10 years. The reauthorization increased the annual cap to \$30 million for the next five years. The tax incentives have no financial impact on the Center. The Center awarded \$24.5 million to 22 companies in fiscal year 2024, \$24.5 million to 43 companies in fiscal year 2023 and \$24.2 million to 36 companies in fiscal year 2022. The Center launched the fourth round of a tax incentive program for Angel Investors in fiscal year 2024 and awarded \$512 thousand of tax credits to 65 individuals.

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JUNE 30, 2024 AND 2023**

Investment Income: Investment income in fiscal year 2024 was \$1,931,208, compared to \$1,101,695 in fiscal year 2023 and \$77,267 in fiscal year 2022. Investment income relates primarily to interest earned throughout the fiscal year on the Center's cash and cash equivalent balance. The increase from 2023 to 2024 is due to increase in cash balance held and interest rates. The increase from 2022 to 2023 is due to increase in cash balances held and interest rates.

Administrative Expenses and Investments in Property and Equipment: In accordance with the Life Sciences Act, administrative expenses and purchases of property and equipment are provided by the Investment Fund. In fiscal year 2024, the Center incurred \$5.9 million in administrative expenses and purchases of property and equipment. In fiscal year 2023, the Center incurred \$4.6 million in administrative expenses and purchases of property and equipment. In fiscal year 2022, the Center incurred \$3.7 million of administrative expenses and purchases of property and equipment. The increase in expenditures from 2023 to 2024 is primarily due to higher wage and benefit expenses as more positions were filled and higher marketing costs driven in part by campaigns to support the new Pathmaker program. The increase in expenditures from 2022 to 2023 is primarily due to higher wage and benefit expenses as more positions were filled and higher sponsorship and event costs as the pandemic eased.

For the fiscal years ended June 30, 2024, 2023 and 2022, the headcount of the Center at the end of the fiscal year was 26, 24, and 22, respectively.

Budgets and Appropriations: Annual operating budgets are developed on a basis consistent with accounting principles generally accepted in the United States of America (U.S. GAAP). The Center's annual operating budgets are developed through an internal process and reviewed and modified as appropriate by the Center's executive management. The annual operating budget is presented to the Center's Board for final approval and adoption. The budget approved by the Board is used for the purposes of management accountability. The budget passed by the Board is not, however, considered a legally adopted budget and, therefore, is not presented as required supplemental information to the financial statements.

Using The Financial Statements

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

The statements of net position present the financial position of the Center as of June 30, 2024 and 2023. It provides information about the nature and the number of resources (assets), plus deferred outflows (as applicable), obligations (liabilities), plus deferred inflows (as applicable) and net position.

The statements of revenues, expenses, and changes in net position present the changes in net position over the course of the years ended June 30, 2024 and 2023. The change in net position may be useful in assessing whether the financial position improved or deteriorated for the year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2024 AND 2023**

The statements of cash flows present the cash activities segregated by four major cash flow categories: operating activities, noncapital financing activities, capital and related financing activities, and investing activities. These statements may be useful in determining the changes in liquidity and in understanding how cash and cash equivalents were used during the years ended June 30, 2024 and 2023.

Fiduciary activities are used to account for resources held for the benefit of parties outside of the Center. These activities are excluded from the business-type activities because the resources of these funds are restricted and cannot be used to finance the Center's operations. The fiduciary activities of the Center include the activities of the Massachusetts Neuroscience Consortium (the Consortium), a collaboration between seven global pharmaceutical companies. The Center is not a member of the Consortium. The financial burden and administrative control do not reside with the Center. The designated members of the Consortium are responsible for all decisions regarding disbursement of funds. The Center acts solely as a custodian of the Consortium funds, which are segregated in a separate bank account; the Center does not receive any fees for custodial services provided.

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

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

**MASSACHUSETTS LIFE SCIENCES CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2024 AND 2023**

FINANCIAL SUMMARY

The following summarizes the statements of net position and revenue, expenses and changes in net position for fiscal years 2024, 2023, and 2022:

Statements of Net Position

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets:			
Current Assets	\$ 54,452,300	\$ 53,122,613	\$ 63,119,285
Noncurrent Assets	699,681	677,603	1,196,786
Right-to-Use Leased and SBITAs Assets, Net of Amortization	1,539,952	1,859,786	2,191,570
Property and Equipment, Net	87,653	82,913	40,879
Total Assets	<u>\$ 56,779,586</u>	<u>\$ 55,742,915</u>	<u>\$ 66,548,520</u>
Liabilities:			
Current Liabilities	\$ 21,262,284	\$ 19,679,335	\$ 32,635,959
Noncurrent Liabilities	1,329,197	1,663,765	2,460,610
Total Liabilities	<u>22,591,481</u>	<u>21,343,100</u>	<u>35,096,569</u>
Net Position:			
Net Investment in Capital Assets	(48,142)	(42,636)	(54,661)
Unrestricted	34,236,247	34,442,451	31,506,612
Total Net Position, as Restated	<u>34,188,105</u>	<u>34,399,815</u>	<u>31,451,951</u>
Total Liabilities and Net Position	<u>\$ 56,779,586</u>	<u>\$ 55,742,915</u>	<u>\$ 66,548,520</u>

Statements of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Revenues and Expenses:			
Operating Revenues	\$ 36,484,758	\$ 32,884,796	\$ 37,576,764
Operating Expenses	(51,264,433)	(41,015,502)	(46,516,665)
Operating Loss	<u>(14,779,675)</u>	<u>(8,130,706)</u>	<u>(8,939,901)</u>
Nonoperating Revenues (Expenses)	1,867,965	1,028,570	(5,683)
Capital Contributions	12,700,000	10,050,000	10,000,000
Increase (Decrease) in Net Position	<u>\$ (211,710)</u>	<u>\$ 2,947,864</u>	<u>\$ 1,054,416</u>

The Center's net position decreased \$0.2 million, approximately 1%, for the fiscal year ended June 30, 2024, as compared to an increase of \$2.9 million, approximately 9%, for the fiscal year ended June 30, 2023, and an increase of \$1.1 million, approximately 3%, for the fiscal year ended June 30, 2022.

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JUNE 30, 2024 AND 2023**

The changes in net position are primarily due to the Center's operating expenses exceeding operating revenues offset by capital contributions appropriated from the legislature for the Center's investment fund. The Center received \$12.7 million of appropriations in fiscal year 2024, and \$10 million of appropriations in fiscal years 2023 and 2022. The Center ended the year with total net position of \$34.2 million as of June 30, 2024, \$34.4 million as of June 30, 2023, and \$31.5 million as of June 30, 2022.

Liquidity of the Investment Fund: From inception through June 30, 2024, the Investment Fund has received appropriations from the Commonwealth of \$178.6 million. In addition, the Center has earned an investment income of \$7.8 million and collected \$26.8 million through loan repayments, sponsorship, insurance proceeds, and corporate consortium revenues for total inflows of \$213 million. The Center reserves all the funds required for a grant or loan commitment at the time of the Board's authorization. From inception through June 30, 2024, the Center has disbursed or reserved \$201.6 million, resulting in \$11.7 million of available funds as of June 30, 2024.

Requests for Information: To obtain further information regarding current and future programs, prior year financials and contact information for the Center's employees, please refer to our website at: www.masslifesciences.com.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 15,450,675	\$ 12,614,578
Accounts Receivable	2,000	-
Grant Reimbursement Receivable from Commonwealth of Massachusetts	-	4,797,413
Prepaid Expenses and Other Current Assets	701,324	869,898
Assets Committed Under Programs and Awards: Cash and Cash Equivalents	38,298,301	34,840,724
Total Current Assets	54,452,300	53,122,613
NONCURRENT ASSETS		
Loans Receivable, Net of Allowance	37,529	47,688
Interest Receivable, Net of Allowance	75,467	70,805
Convertible Notes Receivable	586,685	559,110
Capital Assets		
Right-to-Use Leased Assets, Net of Amortization	1,515,968	1,820,655
Subscription-Based IT Asset, Net of Amortization	23,984	39,131
Property and Equipment, Net of Depreciation	87,653	82,913
Total Noncurrent Assets	2,327,286	2,620,302
Total Assets	\$ 56,779,586	\$ 55,742,915
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 678,936	\$ 392,011
Grants Payable and Accrued Grant Expense	17,441,733	18,893,254
Leases, Current Portion	332,542	299,378
Subscription-Based IT Arrangements, Current Portion	14,008	22,192
Unearned Revenue	2,795,065	72,500
Total Current Liabilities	21,262,284	19,679,335
NONCURRENT LIABILITIES		
Leases	1,329,197	1,649,757
Subscription-Based IT Arrangements	-	14,008
Total Noncurrent Liabilities	1,329,197	1,663,765
Total Liabilities	22,591,481	21,343,100
NET POSITION		
Net Investment In Capital Assets	(48,142)	(42,636)
Unrestricted	34,236,247	34,442,451
Total Net Position	34,188,105	34,399,815
Total Liabilities and Net Position	\$ 56,779,586	\$ 55,742,915

See accompanying Notes to Financial Statements.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
OPERATING INCOME		
Capital Program Revenues from Commonwealth of Massachusetts	\$ 36,257,521	\$ 32,873,545
Grant Revenues	160,000	201,000
Sponsorship	35,000	21,250
Interest Gain (Loss)	32,237	(210,999)
Total Operating Income	<u>36,484,758</u>	<u>32,884,796</u>
OPERATING EXPENSES		
Grant Expense	45,491,671	35,856,108
Salary and Related Employee Expenses	3,749,165	3,166,110
Professional and Consulting Fees	421,107	250,376
Communications Programs, Sponsorships and Contributions	995,043	526,263
General and Administrative Expenses	269,493	280,530
Loan Loss Reserve Adjustments	(43,881)	574,184
Depreciation and Amortization	381,835	361,931
Total Operating Expenses	<u>51,264,433</u>	<u>41,015,502</u>
OPERATING LOSS	(14,779,675)	(8,130,706)
NONOPERATING (EXPENSES) REVENUES		
Interest Expense on Lease and SBITAs	(63,243)	(73,125)
Investment Income	1,931,208	1,101,695
Total Nonoperating Revenues	<u>1,867,965</u>	<u>1,028,570</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(12,911,710)	(7,102,136)
CONTRIBUTIONS FROM THE COMMONWEALTH OF MASSACHUSETTS	<u>12,700,000</u>	<u>10,050,000</u>
INCREASE (DECREASE) IN NET POSITION	(211,710)	2,947,864
Net Position - Beginning of Year	<u>34,399,815</u>	<u>31,451,951</u>
NET POSITION - END OF YEAR	<u>\$ 34,188,105</u>	<u>\$ 34,399,815</u>

See accompanying Notes to Financial Statements.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for Reimbursements from The Commonwealth	\$ 43,750,000	\$ 35,000,001
Payments for Grants	(46,943,192)	(49,317,475)
Payments for Salary and Related Employee Expenses	(3,634,347)	(3,060,604)
Payments for Professional Consulting Fees	(421,107)	(250,376)
Payments for General and Administrative Expenses	(321,517)	(411,618)
Payments for Communication Programs, Sponsorships, and Contributions	(779,898)	(526,263)
Receipts for Grant Revenues	160,000	173,537
Receipts for Sponsorship and Miscellaneous	62,500	20,963
Net Cash Used by Operating Activities	(8,127,561)	(18,371,835)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Principal on Leases and SBITAs	(322,333)	(301,775)
Payment of Interest on Leases and SBITAs	(63,243)	(73,125)
Receipt of Contributions from The Commonwealth of Massachusetts	12,700,000	10,050,000
Net Cash Provided by Capital and Related Financing Activities	12,314,424	9,675,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(53,996)	(72,182)
Receipt of Repayment of Loans	54,040	34,145
Receipt of Investment Income	2,106,767	1,063,038
Net Cash Provided by Investing Activities	2,106,811	1,025,001
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,293,674	(7,671,734)
Cash and Cash Equivalents - Beginning of Year	47,455,302	55,127,036
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 53,748,976	\$ 47,455,302
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (14,779,675)	\$ (8,130,706)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense Amortization Expense	381,835	361,931
Loan Loss Reserve	(43,881)	574,184
Loan Interest Reserve	13,986	259,204
Investment Gains/Losses	43,038	38,669
Changes in Assets and Liabilities:		
Accounts Receivable	(2,000)	73,537
Grant Reimbursement from Commonwealth	4,797,413	2,126,456
Interest Receivable	(18,648)	(65,078)
Convertible Note Interest Receivable	(27,575)	16,861
Prepaid Expenses and Other Current Assets	(50,023)	(175,199)
Accounts Payable and Accrued Expenses	286,925	110,673
Grants Payable and Accrued Grant Expense	(1,451,521)	(13,461,367)
Unearned Revenues	2,722,565	(101,000)
Total Adjustments	6,652,114	(10,241,129)
Net Cash Used by Operating Activities	\$ (8,127,561)	\$ (18,371,835)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION - CASH AND CASH EQUIVALENTS		
Unrestricted Cash and Cash Equivalents	\$ 15,450,675	\$ 12,614,578
Committed Cash and Cash Equivalents	38,298,301	34,840,724
Total Cash and Cash Equivalents	\$ 53,748,976	\$ 47,455,302

See accompanying Notes to Financial Statements.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
FIDUCIARY ACTIVITIES
NEUROSCIENCE CONSORTIUM CUSTODIAL FUND
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 1,697,264	\$ 2,570,826
Total Assets	\$ 1,697,264	\$ 2,570,826
NET POSITION		
Restricted for the Center's Obligations to the Neuroscience Consortium	\$ 1,697,264	\$ 2,570,826
Total Net Position	\$ 1,697,264	\$ 2,570,826

See accompanying Notes to Financial Statements.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
FIDUCIARY ACTIVITIES
NEUROSCIENCE CONSORTIUM CUSTODIAL FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
ADDITIONS		
Neuroscience Consortium Member Contributions	\$ 250,000	\$ 250,000
Interest Income	71,438	45,911
Total Additions	321,438	295,911
DEDUCTIONS		
Payments	1,195,000	-
Total Deductions	1,195,000	-
INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(873,562)	295,911
Restricted Net Position - Beginning of Year	2,570,826	2,274,915
RESTRICTED NET POSITION - END OF YEAR	\$ 1,697,264	\$ 2,570,826

See accompanying Notes to Financial Statements.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On June 24, 2006, the Commonwealth of Massachusetts (the Commonwealth) enacted Section 24 of Chapter 123 of the Acts of 2006, creating the Massachusetts Life Sciences Center (the Center) and establishing the Massachusetts Life Sciences Investment Fund (the Investment Fund) to financially support its activities.

On June 16, 2008, the *Life Sciences Act* enacted by the Massachusetts Legislature was signed into law by Governor Deval Patrick. In that legislation, the Commonwealth committed to investing \$1 billion over a 10-year period to create jobs, drive innovation and promote biomedical breakthroughs that improve people's lives. The Center is the steward and administrator of the \$1 billion and uses three statutory funding vehicles to achieve the Commonwealth's mission: the Life Sciences Investment Fund (the Investment Fund), the Capital Program and the Life Sciences Tax Incentive Program.

The Investment Fund is to be used in making appropriations, allocations, grants or loans to leverage development and investments in life sciences in the Commonwealth. The Capital Program is for municipalities and institutions for buildings, equipment, upgrades to roads, sewer lines and other infrastructure that supports growth in the life sciences sector. The Life Sciences Tax Incentive Program allows the Center to award tax incentives on behalf of the Department of Revenue (DOR) to companies at every stage of development.

All grants and awards to be made by the Center require approval by its Board of Directors (the Board).

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

The Center is governed by a seven member Board consisting of: the Secretary of Administration and Finance or her/his designee, the Secretary of Economic Development or his/her designee, the president of the University of Massachusetts or his/her designee and four members appointed by the Governor, one of whom is a physician licensed to practice medicine in Massachusetts and affiliated with an academic medical center, one of whom is a CEO of a Massachusetts-based life sciences corporation that is a member of the board of directors of the Massachusetts Biotechnology Council, one of whom is a researcher involved in the commercialization of biotechnology, pharmaceuticals or medical diagnostic products and one of whom has significant financial experience in the life sciences sector.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

In accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an Amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, the financial statements must present the Center and its component units. The Center has no component units. The Center, however, is considered a component unit of the Commonwealth and, accordingly, its financial statements are incorporated into the financial statements of the Commonwealth.

Accounting and Reporting Standards

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

The GASB defines the basic financial statements of a business-type activity as the: statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. The statement of net position is presented to illustrate both the current and noncurrent balances of each asset and liability. All revenues and expenses are classified as either operating or nonoperating activities in the statement of revenues, expenses, and changes in net position. Operating activities are those that support the mission and purpose of the Center. Nonoperating activities represent transactions that are capital, investing, legislative or regulated in nature.

The GASB requires that resources be classified into three categories of net position. Net position represents the residual interest in the Center's assets plus deferred outflows (as applicable) of resources after liabilities plus deferred inflows (as applicable) of resources are deducted and consist of net investment in capital assets, restricted, and unrestricted, as follows:

Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets, right-to-use leased asset, and SBITAs asset, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position. For fiscal years 2024 and 2023, there were no deferred outflows or inflows of resources.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Reporting Standards (Continued)

Restricted

Restricted net position represents the portion of net position that is reported as restricted when there are external third-party limitations (statutory, contractual or bond covenant) on its use. At June 30, 2024 and 2023, the Neuroscience Consortium Custodial Fund's net position is restricted for the Neuroscience Consortium in the statements of fiduciary net position.

Unrestricted

Unrestricted net position represents the portion of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by the Board or may be otherwise limited by contractual agreements with outside parties. The Center's unrestricted net position includes appropriations received from the Commonwealth that are to be used for the general purposes of the Center. Per its enabling legislation, the Center may not expend more than fifteen percent of the amounts to be expended from the Investment Fund (Investment and Capital Program) for the fiscal year for administrative expenditures and property and equipment.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on hand and highly liquid interest investments with maturities of three months or less from the date of acquisition.

Cash and Cash Equivalents Committed Under Awards and Programs

Such amounts represent cash and cash equivalents to be expended for programmatic purposes based upon specific awards being made or programs authorized by the Board.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Pursuant to GASB 79, *Certain External Investment Pools and Pool Participants*, the Center's investments are in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenues, expenses, and changes in net position. The Center's investments as of June 30, 2024 and 2023, meet the definition to be reported as cash equivalents.

Revenue Recognition

Investment income is recognized as earned. Sponsorship revenues represent fees collected from companies for providing tradeshow booths and other space at industry trade shows. Sponsorship revenues are recognized when earned upon occurrence of the event. In fiscal year 2018, the Center created a five-year public-private initiative for the Center's MassNextGen program. The sponsorships received from private sources are recorded as unearned revenue and recognized as sponsorship revenue once the grants are awarded under the program and agreements are executed. If the Center cancels or terminates the program prior to completion, any unused sponsorship funds received will be returned to the sponsors.

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

Capital program revenues are amounts from the Commonwealth for related capital program expenditures by grantees of the Center. Capital program grantees submit requests for reimbursement to the Center after funds have been expended. The Center recognizes the capital program revenue when related capital expenses are incurred.

Contributions from the Commonwealth are recognized when received from the Commonwealth.

Loans Receivable and Interest Receivable, Net

Loans receivable, net, consists of loans issued by the Center through the Investment Fund to facilitate research, development, manufacturing and commercialization in life sciences by early-stage companies. The loans have repayment terms of the earlier of five years or a qualified financing greater than \$5,000,000. The initial stated interest rate on each loan is 10% compounded annually.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Interest Receivable, Net (Continued)

Certain of these loan agreements include warrants that qualify as reportable derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The value of these warrants is ultimately dependent upon the fair value of the companies which have issued the warrants. These loans are generally issued to companies that are otherwise unable to obtain market-based financing. Most of these companies are pre-revenue start-up operations which are being incubated through the Investment Fund to promote economic development in the Commonwealth. Given the nature of these entities, the uncertainties associated with the ultimate viability of these companies precludes the Center from developing reliable estimates of the fair value of the related warrants. As such, it is the policy of the Center to recognize value associated with these warrant agreements only at such time as these warrants are ultimately exercised, at which point a reliable fair value is determined by a transaction, such as an initial public offering or a sale of the company.

As of June 30, 2024 and 2023, \$22.4 million had been authorized and disbursed from the Investment Fund. During fiscal year 2024, three borrowers partially repaid their loans with a repayment of principal of \$54,040. During fiscal year 2023, three borrowers partially repaid their loans with a repayment of principal of \$34,145. There were no new loans awarded or disbursed in fiscal year 2024 and 2023.

Due to the nature of the loans made under this program, reserves are established at the time the loans are granted at a rate commensurate with management's estimate of historic loan loss. On a periodic basis, the Center assesses the collectability of each loan and records adjustments to those reserves based on an assessment of the financial condition of the borrower and loan performance. As of June 30, 2024, \$567,796 of loans receivable were outstanding and \$530,267 had been reserved for losses, resulting in net loans receivable of \$37,529. As of June 30, 2023, \$621,836 of loans receivable were outstanding and \$574,148 had been reserved for losses, resulting in net loans receivable of \$47,688.

The gross interest receivable balance was \$1,387,703 and \$1,369,055 as of June 30, 2024 and 2023, respectively. Periodically, the Center assesses the collectability of the interest receivable and establishes a loss reserve in a manner consistent with loss reserves for loans receivable. The Center reserved \$1,312,236 and \$1,298,250, resulting in a net interest receivable of \$75,467 and \$70,805 as of June 30, 2024 and 2023, respectively. Interest is due at the end of the loan term or upon repayment of the loan due to a qualified financing of greater than \$5,000,000.

Convertible Notes Receivable

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

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible Notes Receivable (Continued)

These loan agreements include conversion options that qualify as reportable derivative instruments under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The value of these conversion options ultimately depends upon the fair value of the companies that have issued the option. These loans are generally issued to pre-seed companies that are otherwise unable to obtain market-based financing. Most of these companies are pre-revenue start-up operations which are being incubated through the Seed Fund to promote economic development in the Commonwealth. Given the nature of these entities, the uncertainties associated with the ultimate viability of these companies preclude the Center from developing reliable estimates of the fair value of the related conversion options. As such, it is the policy of the Center to recognize the face value of the note associated with these conversion options until the conversion is exercised, at which point a reliable, fair value is determined by a transaction, such as an initial public offering or a sale of the company.

No new loan was awarded or disbursed in fiscal year 2024 or 2023. None of the loans had been repaid as of June 30, 2024. No reserves for convertible loans were outstanding as of June 30, 2024 and 2023.

Property and Equipment, Net

Property, equipment, and leasehold improvements with a value greater than \$500 are all stated at cost. Depreciation is recorded over the estimated useful lives of the assets by the straight-line method. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense totaled \$49,256 and \$30,148 for the years ended June 30, 2024 and 2023, respectively. Estimated useful lives used for computing depreciation on property, equipment and leasehold improvements are as follows:

Computer Equipment and Software	3 Years
Office Equipment	3 Years
Office Furniture	3 Years
Leasehold Improvements	Shorter of the Remaining Term of Lease or Asset Life

Grant Expense and Grants Payable

Grant expenses represent the current period cost of qualifying grant expenditures pursuant to the terms of each grant program. The Center had grant expense of \$45,491,671 and \$35,856,108 for fiscal years 2024 and 2023, respectively. As of June 30, 2024 and 2023, \$17,441,733 and \$18,893,254, respectively, was recorded as grants payable and accrued grant expense, representing grant expense incurred but not yet paid.

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Pursuant to Massachusetts General Laws chapter 231 §6(a), the operations of the Center constitute the performance of an essential government function and are therefore exempt from taxation by and within the Commonwealth.

Defined Benefit Plan

All employees of the Center participate in either the Commonwealth of Massachusetts State Retirement systems under a special funding situation where the Commonwealth of Massachusetts is a 100% nonemployer contributor under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, or the statutorily prescribed optional defined contribution plan provided by the Center. The Center makes no contributions for employees participating in the Commonwealth of Massachusetts State Retirement systems' pension plan (the State Plan). An actuarial valuation has been performed for the State Plan. The Center's employees were included in the actuarial analysis and a net pension liability of \$2,279,350 and \$1,236,779 as of June 30, 2024 and 2023, respectively, is owed by the Commonwealth and noted as part of the total State Plan's net pension liability. The State Plan's net pension liability and net position are disclosed in the footnotes and other required supplementary information of the Annual Comprehensive Financial Report of the Commonwealth as there are no liabilities to be recorded in the Center's statements. The required supplementary information for special funding situations has been excluded from this report due to the lack of availability of certain historical data.

Defined Contribution Plan

In fiscal year 2010, as provided by the 2008 Life Sciences Act, the Center established the optional defined contribution pension plan. The Center annually contributes an amount equal to 12% (5% statutorily mandated) of an employee's annual gross salary less the cost of life and disability insurance. Total optional defined contribution expense by the Center for the years ended June 30, 2024 and 2023, was \$135,542 and \$112,308, respectively. Vesting is immediate upon contribution. The Center pays administrative expenses of the Plan for the plan participants and VOYA is the custodian of the plan's assets. The balances of the plan are not included in the financial statements of the Center.

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Massachusetts Neuroscience Consortium

In June 2012, the Center announced the formation of a separate initiative, the Massachusetts Neuroscience Consortium (the Consortium), a collaboration between seven global pharmaceutical companies. The Consortium will fund pre-clinical neuroscience at Massachusetts academic and research institutions. Each consortium member has agreed to contribute \$250,000 to the Consortium for the first-year membership contribution. The Center is not a member of the Consortium. The financial burden and administrative control do not reside with the Center. The designated members of the Consortium are responsible for all decisions regarding disbursement of funds. The Center acts solely as a custodian of the Consortium funds which are segregated in a separate bank account, and the Center does not receive any fees for custodial services provided. In fiscal years 2024 and 2023, the Consortium received \$250,000 and \$250,000, respectively. These balances, plus interest from membership contributions to date, are held within a segregated bank account of the Center. The Center issued \$1,195,000 and \$0 of payments to the Consortium during fiscal years 2024 and 2023, respectively. The asset and corresponding net position balances of the Consortium are accounted for as a fiduciary activity—custodial fund included in the statements of fiduciary net position and statements of changes in fiduciary net position of the Center as of June 30, 2024 and 2023. If the Consortium was to terminate, all remaining funds would be due back to the contributing members on a pro-rata basis.

Reclassifications

Certain reclassifications were made to the 2023 financial statement to conform with the 2024 financial statement presentation.

NOTE 2 RELATED-PARTY TRANSACTIONS

Certain of the Center's Board members have relationships with institutions that have received grants from the Center. Absent any statutory exemptions to the conflict-of-interest law, in circumstances where approval of such votes would create a conflict of interest, the Center's Board members are required to recuse themselves.

NOTE 3 CASH AND CASH EQUIVALENTS

The Board of the Center is empowered under Chapter 23I of the Massachusetts General Law (MGL), which shall have all powers necessary or convenient to carry out and effectuate its purposes, including, without limiting the generality of the foregoing, the powers: to invest any funds held in reserves or sinking funds, or the Investment Fund, or any funds not required for immediate disbursement, in such investments as may be provided in any financing document relating to the use of such funds, or, if not so provided, as the Board may determine. During fiscal years 2024 and 2023, the majority of these assets were allocated to short-term investments/money market accounts which qualify as cash equivalents carried at amortized cost.

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk—Deposits

Custodial credit risk for deposits exists when, in the event of failure of a depository financial institution, the Center's deposits may not be recovered. The Center does not have a policy for custodial risk. At June 30, 2024, bank deposits were \$31,444,089 which excludes the amount held in the Massachusetts Municipal Depository Trust (MMDT or the Trust). The Center invests some of its funds in the MMDT, an external investment pool for political subdivisions of the Commonwealth designed as a legal means to invest temporarily available cash. The State Treasurer serves as trustee of MMDT, and has sole authority pertaining to the rules, regulations and operations of the Trust. Investment options the MMDT offers are a cash portfolio which offers participation in a diversified portfolio of high-quality money-market instruments that seek the highest possible level of current income consistent with preservation of capital and liquidity and Short-Term Bond Portfolio which offers participation in a diversified portfolio of investment-grade, short term, fixed-income securities that seeks to generate performance exceeding the Barclays 1-5 Year Government/Credit Bond Index, presenting a fixed-income alternative with a longer time horizon than the cash portfolio. A participant's holdings in the Trust are not subject to creditors of the Commonwealth, nor will the Trust itself be affected by the financial difficulties of any participant. Amounts held at MMDT are uninsured and uncollateralized. The Center's investment balance as of June 30, 2024 at MMDT was solely in the cash portfolio. The cash portfolio is not registered with the Securities and Exchange Commission as an investment company but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The cash portfolio adheres to GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which amends Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. A copy of the financial statements of MMDT can be obtained from the Office of the State Treasurer, 1 Ashburton Place, Boston, Massachusetts 02110.

The following summarizes the cash and cash equivalents of the Center at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash Deposits	\$ 31,444,089	\$ 27,319,626
MMDT Cash Portfolio	24,002,151	22,706,502
Total	<u>\$ 55,446,240</u>	<u>\$ 50,026,128</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2024 and 2023, were as follows:

	2024 Balance Beginning of Year	Additions	Deletions	2024 Balance End of Year
Capital Assets, Being Depreciated:				
Computer Equipment	\$ 215,434	\$ 45,598	\$ -	\$ 261,032
Office Furniture	284,799	8,398	-	293,197
Leasehold Improvements	12,380	-	-	12,380
Total Capital Assets, Being Depreciated	<u>512,613</u>	<u>53,996</u>	<u>-</u>	<u>566,609</u>
Less: Accumulated Depreciation:				
Computer Equipment	173,963	28,743	-	202,706
Office Furniture	245,449	18,421	-	263,870
Leasehold Improvements	10,288	2,092	-	12,380
Total Accumulated Depreciation	<u>429,700</u>	<u>49,256</u>	<u>-</u>	<u>478,956</u>
Total Capital Assets, Being Depreciated, Net	82,913	4,740	-	87,653
Right-to-Use Lease Assets:				
Building	2,770,562	-	-	2,770,562
Equipment	-	12,745	-	12,745
Total Right-to-Use Lease Assets	<u>2,770,562</u>	<u>12,745</u>	<u>-</u>	<u>2,783,307</u>
Less Accumulated Amortization:				
Building	949,907	316,636	-	1,266,543
Equipment	-	796	-	796
Total Accumulated Amortization	<u>949,907</u>	<u>317,432</u>	<u>-</u>	<u>1,267,339</u>
Total Right-to-Use Lease Assets, Net	1,820,655	(304,687)	-	1,515,968
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	60,591	-	-	60,591
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	21,460	15,147	-	36,607
Total Subscription Based Information Technology Arrangement Assets, Net	<u>39,131</u>	<u>(15,147)</u>	<u>-</u>	<u>23,984</u>
Total Capital Assets, Net	<u>\$ 1,942,699</u>	<u>\$ (315,094)</u>	<u>\$ -</u>	<u>\$ 1,627,605</u>
	2023 Balance Beginning of Year	Additions	Deletions	2023 Balance End of Year
Capital Assets, Being Depreciated:				
Computer Equipment	\$ 183,109	\$ 32,325	\$ -	\$ 215,434
Office Furniture	244,943	39,856	-	284,799
Leasehold Improvements	12,380	-	-	12,380
Total Capital Assets, Being Depreciated	<u>440,432</u>	<u>72,181</u>	<u>-</u>	<u>512,613</u>
Less: Accumulated Depreciation:				
Computer Equipment	161,997	11,966	-	173,963
Office Furniture	229,359	16,090	-	245,449
Leasehold Improvements	8,196	2,092	-	10,288
Total Accumulated Depreciation	<u>399,552</u>	<u>30,148</u>	<u>-</u>	<u>429,700</u>
Total Capital Assets, Being Depreciated, Net	40,880	42,033	-	82,913
Right-to-Use Lease Assets:				
Building	2,770,562	-	-	2,770,562
Total Right-to-Use Lease Assets	<u>2,770,562</u>	<u>-</u>	<u>-</u>	<u>2,770,562</u>
Less Accumulated Amortization:				
Building	633,271	316,636	-	949,907
Total Accumulated Amortization	<u>633,271</u>	<u>316,636</u>	<u>-</u>	<u>949,907</u>
Total Right-to-Use Lease Assets, Net	2,137,291	(316,636)	-	1,820,655
Subscription Based Information Technology Arrangement Assets				
Subscription Based Information Technology Arrangements	60,591	-	-	60,591
Less Accumulated Amortization:				
Subscription Based Information Technology Arrangements	6,313	15,147	-	21,460
Total Subscription Based Information Technology Arrangement Assets, Net	<u>54,278</u>	<u>(15,147)</u>	<u>-</u>	<u>39,131</u>
Total Capital Assets, Net	<u>\$ 2,232,449</u>	<u>\$ (289,750)</u>	<u>\$ -</u>	<u>\$ 1,942,699</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

As of June 30, 2024 and 2023, accounts payable and accrued expenses totaled \$678,936 and \$392,011, respectively. Those expenses primarily accounted for accrued salary, professional and consulting fees and marketing expenses.

NOTE 6 GRANTS AND COMMITMENTS

Investment Fund

The following grants were made out of the investment fund:

Workforce Training Grants

The Center runs a year-round Internship Challenge Program which provides summer and academic year internships for students predominately studying sciences, technology, engineering, and mathematics at various life sciences companies. On an annual basis, the Board authorizes the amount that the Center uses to fund these internships. For the years ended June 30, 2024 and 2023, the Center incurred the following expenses relating to the Internship Challenge Program:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
FY21 Internship	\$ 2,963,709	\$ 3,631,561	\$ (667,852)	\$ -	\$ -	\$ -
FY22 Internship	2,667,625	940,194	1,450,992	276,439	-	-
FY23 Internship	3,700,000	-	613,608	3,031,936	825,578	880,034
FY24 Internship	4,900,000	-	-	2,195,739	1,476,205	4,180,466
FY22 Data Science Internship	499,403	-	419,085	80,318	-	-
FY23 Data Science Internship	500,000	-	92,680	401,136	-	6,184
Total	<u>\$ 15,230,737</u>	<u>\$ 4,571,755</u>	<u>\$ 1,908,513</u>	<u>\$ 5,985,568</u>	<u>\$ 2,301,783</u>	<u>\$ 5,066,684</u>

The Center runs programs for High School Apprenticeship Challenge which offers apprenticeships to high school students at life sciences companies and research institutions. On an annual basis, the Board authorizes the amount that the Center uses to fund the apprenticeship program. For the years ended June 30, 2024 and 2023, the Center incurred the following expense relating to the High School Apprenticeship Challenge Program:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
2021 HS Apprenticeship	\$ 331,998	\$ 332,682	\$ (684)	\$ -	\$ -	\$ -
2022 HS Apprenticeship	603,618	395,766	203,801	4,051	-	-
2023 HS Apprenticeship	759,479	-	496,127	178,025	23	85,350
Total	<u>\$ 1,695,095</u>	<u>\$ 728,448</u>	<u>\$ 699,244</u>	<u>\$ 182,076</u>	<u>\$ 23</u>	<u>\$ 85,350</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Investment Fund (Continued)

Industry and Innovation Grants

The Center runs a variety of programs on an annual basis to support early-stage companies or researchers to ensure a thriving life sciences ecosystem in the Commonwealth. Currently the Center has two programs to support these companies or researchers, including the First Look Awards, which aims to support translational research at Massachusetts research institutions that furthers our understanding of sex and gender differences, especially for diseases or conditions that affect women solely, disproportionately, or differentially, and the MassNextGen Program, which aims to support women entrepreneurs engaged in the advancement of early-stage life sciences companies. The Center also has one program aimed at attracting companies to relocate to Massachusetts, called the MassTAG program. For the years ended June 30, 2024 and 2023, the Center incurred the following expenses relating to the early-stage grant programs:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining payments as of June 30, 2024
FY23 MassNextGen	\$ 537,500	\$ 468,750	\$ -	\$ 68,750	\$ -	\$ -
FY24 MassNextGen	487,500	-	-	292,500	-	195,000
First Look Awards	492,834	50,000	95,000	197,526	147,741	298,049
MassTAG	1,395,000	1,185,000	45,000	-	-	165,000
Total	<u>\$ 2,912,834</u>	<u>\$ 1,703,750</u>	<u>\$ 140,000</u>	<u>\$ 558,776</u>	<u>\$ 147,741</u>	<u>\$ 658,049</u>

Women's Health Innovation Program

The Center runs a Women's Health Innovation program to provide grants for capital and noncapital projects in Massachusetts that aim to support translational research in women's health and gender biology that will ultimately lead to commercial opportunities that address the lack of innovative technologies. For the years ended June 30, 2024 and 2023, the Center incurred the following expenses in the noncapital part of this grant:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
2021 Women's Health Innovation	\$ 982,476	\$ 504,915	\$ 477,561	\$ -	\$ -	\$ -
2023 Women's Health Innovation	894,758	-	-	436,930	342,300	800,128
2024 Women's Health Innovation	998,014	-	-	-	-	998,014
Total	<u>\$ 2,875,248</u>	<u>\$ 504,915</u>	<u>\$ 477,561</u>	<u>\$ 436,930</u>	<u>\$ 342,300</u>	<u>\$ 1,798,142</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Investment Fund (Continued)

Other Grants

The Center has made grants to various sciences, technology, engineering and math (STEM) related education grants, diversity, equity, and inclusion workforce grants, and business plan competitions. For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
STEM and Workforce						
Development Grants	\$ 1,983,557	\$ 623,240	\$ 294,716	\$ 195,440	\$ 65,983	\$ 936,144
Other Discretionary Grants	3,042,240	2,456,961	389,186	188,653	-	7,440
Competitions & Challenges	1,455,000	955,000	150,000	240,000	20,000	130,000
Pathmaker	5,289,000	-	-	3,173,400	-	2,115,600
Total	<u>\$ 11,769,797</u>	<u>\$ 4,035,201</u>	<u>\$ 833,902</u>	<u>\$ 3,797,493</u>	<u>\$ 85,983</u>	<u>\$ 3,189,184</u>

Capital Fund

The following grants were made of the Capital Fund:

Biomanufacturing Capital Programs

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

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

For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses for its biomanufacturing programs:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
NIIMBL FY23 Authorization	\$ 1,925,245	\$ -	\$ 1,758,942	\$ 146,973	\$ 42,281	\$ 61,611
Total	<u>\$ 1,925,245</u>	<u>\$ -</u>	<u>\$ 1,758,942</u>	<u>\$ 146,973</u>	<u>\$ 42,281</u>	<u>\$ 61,611</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Capital Fund (Continued)

Workforce Development Capital Grant Program

The Workforce Development Capital Grant Program is a program designed to further the development and expansion of life sciences education and training programs offered by post-secondary academic institutions and nonprofit organizations through capital investment in industry-aligned certificate and degree programs. For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses for this program:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
Workforce Capital FY22 Authorization	\$ 12,279,299	\$ -	\$ 8,479,283	\$ 3,049,577	\$ 1,575,680	\$ 2,326,119
Workforce Capital FY23 Authorization	10,261,469	-	-	8,576,448	4,337,265	6,022,286
Workforce Capital FY24 Authorization	10,350,469	-	-	-	-	10,350,469
Total	<u>\$ 32,891,237</u>	<u>\$ -</u>	<u>\$ 8,479,283</u>	<u>\$ 11,626,025</u>	<u>\$ 5,912,945</u>	<u>\$ 18,698,874</u>

Big Data Capital Program

Bits to Bytes is a program designed to provide grants for capital projects in Massachusetts thereby enabling and supporting the generation and analysis of large datasets to answer pressing life sciences questions, and to attract and train data scientists in the Commonwealth. For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
Bits to Bytes FY19 Authorization	\$ 5,917,667	\$ 5,917,693	\$ (26)	\$ -	\$ -	\$ -
Bits to Bytes FY20 Authorization	4,633,567	4,240,875	392,692	-	-	-
Bits to Bytes FY21 Authorization	3,663,172	1,837,279	1,221,704	604,189	307,959	307,959
Bits to Bytes FY22 Authorization	2,530,083	-	1,912,976	539,102	391,013	469,018
Bits to Bytes FY23 Authorization	4,021,720	-	-	1,784,247	1,034,247	3,271,720
Bits to Bytes FY24 Authorization	3,050,510	-	-	-	-	3,050,510
Total	<u>\$ 23,816,719</u>	<u>\$ 11,995,847</u>	<u>\$ 3,527,346</u>	<u>\$ 2,927,538</u>	<u>\$ 1,733,219</u>	<u>\$ 7,099,207</u>

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NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Capital Fund (Continued)

Women's Health Programs

The Center currently runs two capital programs to support women's health research and innovation. The program aims to improve the discovery, technical innovation and/or analysis of datasets to answer pressing life sciences questions around women's health. The Center also runs the Women's Health Innovation grant program to provide grants for capital projects in Massachusetts that aim to support translational research in women's health and gender biology that will ultimately lead to commercial opportunities that address the lack of innovative technologies. For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses for its women's health programs:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
Women's Health FY20 Authorization	\$ 3,854,697	\$ 3,249,152	\$ 605,545	\$ -	\$ -	\$ -
Women's Health FY21 Authorization	2,399,582	1,477,108	601,272	321,202	321,202	321,202
Women's Health FY22 Authorization	748,114	-	316,418	372,740	316,626	375,582
Women's Health FY23 Authorization	1,958,259	-	-	649,997	369,024	1,677,286
Women's Health FY24 Authorization	805,660	-	-	-	-	805,660
Women's Health Innovation FY21 Authorization	1,820,021	865,325	831,887	21,168	21,168	122,809
Women's Health Innovation FY23 Authorization	1,602,088	-	-	957,987	805,534	1,449,635
Women's Health Innovation FY24 Authorization	1,638,249	-	-	-	-	1,638,249
Total	<u>\$ 14,826,670</u>	<u>\$ 5,591,585</u>	<u>\$ 2,355,122</u>	<u>\$ 2,323,094</u>	<u>\$ 1,833,554</u>	<u>\$ 6,390,423</u>

Novel Therapeutics Delivery Capital Program

The Novel Therapeutics Delivery Capital Program is designed to provide grants for capital projects in Massachusetts that aim to foster the development of novel technologies and techniques for the delivery of existing or innovative therapies by working at the intersection of engineering, biology, chemistry, and medicine. For the fiscal years ended June 30, 2024 and 2023, the Center incurred the following expenses:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
Novel Therapeutics Delivery FY 20 Authorization	\$ 3,265,362	\$ 3,118,698	\$ 146,664	\$ -	\$ -	\$ -
Novel Therapeutics Delivery FY 21 Authorization	1,976,628	1,627,509	338,358	10,761	-	-
Novel Therapeutics Delivery FY22 Authorization	2,249,357	-	1,501,574	404,561	94,967	438,189
Novel Therapeutics Delivery FY23 Authorization	2,030,395	-	-	1,557,521	675,925	1,148,799
Novel Therapeutics Delivery FY24 Authorization	4,461,767	-	-	-	-	4,461,767
Total	<u>\$ 13,983,509</u>	<u>\$ 4,746,207</u>	<u>\$ 1,986,596</u>	<u>\$ 1,972,843</u>	<u>\$ 770,892</u>	<u>\$ 6,048,755</u>

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NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Capital Fund (Continued)

Research Infrastructure Program

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

The following table summarizes active grants in fiscal years 2024 and 2023, under the Research Infrastructure program:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining payments as of June 30, 2024
Beth Israel Deaconess Medical Center	\$ 1,705,471	\$ 1,704,009	\$ 1,462	\$ -	\$ -	\$ -
Beth Israel Deaconess Medical Center	3,307,756	3,298,313	9,443	-	-	-
Beth Israel Deaconess Medical Center	1,401,046	1,368,178	32,868	-	-	-
Brigham & Women's Hospital	3,026,942	1,552,974	22,647	1,451,321	1,451,321	1,451,321
Massachusetts General Hospital	3,633,519	2,465,553	1,034,447	133,519	133,519	133,519
Massachusetts Biomedical Initiatives	3,000,000	1,000,603	1,999,397	-	-	-
University of Massachusetts Medical School	2,017,040	1,936,174	80,866	-	-	-
North Shore Innoventures	3,100,000	539,180	810,985	1,749,835	-	-
Dana-Farber Cancer Institute, Inc.	2,811,397	2,476,039	335,358	-	-	-
University of Massachusetts Boston	1,647,200	1,634,118	13,082	-	-	-
Brigham & Women's Hospital	3,346,155	3,053,211	292,944	-	-	-
University of Massachusetts Amherst	1,655,774	-	-	1,655,774	165,577	165,577
Brigham & Women's Hospital	2,402,909	-	2,402,909	-	-	-
University of Massachusetts Amherst	1,554,994	-	-	1,554,994	19,389	19,389
Dana-Farber Cancer Institute, Inc.	2,715,438	-	1,277,214	1,338,095	1,140,157	1,240,286
Harvard School of Public Health	1,850,084	-	-	1,850,084	337,121	337,121
University of Massachusetts Boston	1,288,464	-	182,018	440,422	78,282	744,306
University of Massachusetts Medical School	2,331,572	-	2,147,072	184,500	-	-
Marine Biological Laboratory	4,350,011	-	734,000	3,616,011	355,732	355,732
University of Massachusetts Amherst	4,416,301	-	-	-	-	4,416,301
Massachusetts General Hospital	3,250,000	-	-	-	-	3,250,000
University of Massachusetts Lowell	1,321,200	-	-	-	-	1,321,200
Boston Children's Hospital	2,557,584	-	-	-	-	2,557,584
Total	<u>\$ 58,690,857</u>	<u>\$ 21,028,352</u>	<u>\$ 11,376,712</u>	<u>\$ 13,974,555</u>	<u>\$ 3,681,098</u>	<u>\$ 15,992,336</u>

**MASSACHUSETTS LIFE SCIENCES CENTER
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NOTE 6 GRANTS AND COMMITMENTS (CONTINUED)

Capital Fund (Continued)

STEM Equipment and Supplies Program

The STEM Equipment and Supplies Grant Program enables the purchase of equipment and supplies for high schools and middle schools in the Commonwealth in order to train students in life sciences technology and research, as well as addresses a funding gap in capital dollars for public and nonprofit workforce training and educational institutions. The program also seeks to increase student achievement and student interest in STEM as well as support the implementation of state STEM standards. The following table summarizes active grants in fiscal year 2024 and 2023 under the program:

Program	Award Amount	Expensed Prior to FY23	Expensed FY23	Expensed FY24	Amount in Grants Payable or Accrued Grant Expense as of June 30, 2024	Remaining Payments as of June 30, 2024
FY20 High School Equipment Salem	\$ 61,282	\$ 76,932	\$ (15,650)	\$ -	\$ -	\$ -
FY20 High School Equipment Randolph	90,567	91,973	(1,406)	-	-	-
FY21 High School Equipment Program	2,689,554	2,245,729	443,825	-	-	-
FY22 High School Equipment Program	1,534,576	-	1,397,357	137,219	-	-
FY23 High School Equipment Program	1,563,494	-	-	1,422,407	589,916	731,003
FY24 High School Equipment Program	2,297,118	-	-	-	-	2,297,118
Total	<u>\$ 8,236,591</u>	<u>\$ 2,414,634</u>	<u>\$ 1,824,126</u>	<u>\$ 1,559,626</u>	<u>\$ 589,916</u>	<u>\$ 3,028,121</u>

Total remaining payments and commitments for all capital program grants as of June 30, 2024, is \$57,319,327, which is contingent upon the Commonwealth fulfilling their funding obligations to the Center.

**MASSACHUSETTS LIFE SCIENCES CENTER
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
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NOTE 7 LEASE PAYABLE

The Center entered into a lease agreement with the building their offices are located in which expires in 2029. The Center also entered into a lease of copiers for the office which expires in 2028. The office lease has an incremental borrowing rate of 3.25% while the copiers lease has an incremental borrowing rate of 8.25%. As of June 30, 2024 and 2023, the value of the leases was \$1,661,739 and \$1,949,135, respectively. The Center is required to make monthly principal and interest payments.

The future principal and interest lease payments as of June 30, 2024 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 332,542	\$ 52,856	\$ 385,398
2026	343,043	42,355	385,398
2027	353,894	31,503	385,397
2028	362,861	20,289	383,150
2029	269,399	8,743	278,142
Total	<u>\$ 1,661,739</u>	<u>\$ 155,746</u>	<u>\$ 1,817,485</u>

NOTE 8 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Center entered into a noncancellable subscription-based information technology arrangement which expires in 2025. As of June 30, 2024 and 2023, the value of the arrangement was \$14,008 and \$36,200, respectively. The arrangement has an incremental borrowing rate of 3.25%. The Center is required to make monthly principal and interest payments.

The future principal and interest of those payments as of June 30, 2024 were as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 14,008	\$ 516	\$ 14,524
Total	<u>\$ 14,008</u>	<u>\$ 516</u>	<u>\$ 14,524</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Massachusetts Life Sciences Center
Waltham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the fiduciary activity of the Massachusetts Life Sciences Center (the Center), as of and for the year ended June 30, 2024, and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated September 27, 2024. Our report contained a qualified opinion related to the Center not having recognized or disclosed any values associated with unexercised warrants or conversion feature on associated loans as the financial effect of recognizing and disclosing such information are not reasonably estimable.

Report on Internal Control Over Financial Reporting

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

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

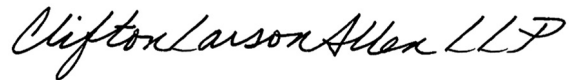
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Boston, Massachusetts
September 27, 2024



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.