

APPROVED MINUTES
MEETING
of the
FINANCE AND AUDIT COMMITTEE
of the
MASSACHUSETTS TECHNOLOGY PARK CORPORATION

April 6, 2023
Zoom Videoconference

The Massachusetts Technology Collaborative (“Mass Tech Collaborative” or “MassTech”) Finance and Audit Committee (“F&A”) Meeting was held on April 6, 2023, via Zoom videoconference, pursuant to notice duly given to the Directors and publicly posted on the MassTech website with corresponding notice provided to the Office of the Secretary of State and the Executive Office for Administration and Finance.

The following Finance and Audit Committee Members were present and participated: Joe Dorant, Nate Walton, and Julie Chen.

The following Mass Tech Collaborative staff were present: Carolyn Kirk, Lisa Erlandson, Mary Creamer, Jennifer Saubermann, and Kelly Kleanthous.

The following RSM staff were present: Valerie Colimon and Philip King.

Mr. Dorant called the meeting of the Finance and Audit Committee to order at 11:01 a.m.

Agenda Item I Approval of Minutes

Following a period of brief discussion and upon a motion duly made and seconded, it was VOTED by roll call without abstention:

The Finance and Audit Committee of the Massachusetts Technology Collaborative Board of Directors hereby adopts the Draft Minutes of the meeting of the Finance and Audit Committee held on June 24, 2022, by Zoom videoconference as the formal Minutes thereof.

Agenda Item II FY22 Financial Statement Audit Discussion with RSM

Ms. Kirk began the discussion by stating MassTech had some expected uncertainty attributable to the volume of federal grants coming through as well as the turnover in

administrations, but that overall the organization is comfortable where it is. She then turned things over to Ms. Erlandson.

Ms. Erlandson indicated that RSM was present to walk through the FY22 audit process and results. She stated one of the major things to note in this audit is implementation of GASB 87, which had an impact on the way we display MassTech's lease-like transactions in the financial statements. She then stated that in addition to our standard financials there is also the uniform guidance, which relates to the federal grants that MassTech is administering, so there will be two components to the financial statement reports discussed. She then turned it over to RSM.

Ms. Colimon spoke first on behalf of RSM, starting with an executive summary. She stated the audit was completed in accordance with the proper standards. RSM's opinion was clean and dated January 25, 2023, which Ms. Colimon indicated was a bit later than normal because of the adoption of GASB 87. She stated that at the onset of the audit they always provide a letter to the organization setting forth the audit plan, issued in this case on August 8, 2022. Through the GASB 87 adoption there were accounts that were new to MassTech, such as right to use lease assets, lease liability, lease receivables, and deferred inflow of resources. All of these accounts were hit as it relates to GASB. Ms. Colimon explained that GASB requires restatement of these transactions, and in this case the impact of the restatement was not that large, only \$135,000 as related to last year's amounts. Ms. Colimon said that RSM was not aware of any uncorrected misstatements other than things that were trivial, so nothing to bring to the Board's attention. In addition, management used the correct ways to account for transactions, there were no new significant accounting policies that were controversial emerging or that lacked authoritative guidance, and there were no significant unusual transactions. Ms. Colimon then passed things over to Mr. King.

Mr. King began by talking through the estimates, which are any of the areas where RSM identified that judgement is required in developing an account balance or the amount that gets recorded for a transaction. He indicated there four areas where they believe this is significant and are evaluated during the audit. The first is where MassTech allocated certain administrative costs across offices using a method based on headcounts. RSM deemed this appropriate and in accordance with previous years. In terms of leases, there is discounting involved, so RSM looked at what MassTech management used for a discount rate against the standards that are prescribed, and they determined that the amounts were appropriately calculated by MassTech. Next he indicated that RSM looked at the allowance deductible accounts, stating that there was no allowance needed nor were the receivables reduced, due to the fact that primarily all invoices went to other state agencies. In addition there were no invoices over 60 days old, and MassTech management felt all invoices were fully collectible, so 100% of the balance was recorded in the assets for receivables, which RSM was comfortable with. The depreciation methods and useful life of assets was evaluated. MassTech uses the straight-line method over the useful life depending on the type of asset, RSM was comfortable with MassTech's policy. Mr. King then stated in the standard opinion there was one minor modification, just to emphasize to the reader that the change from last year was the adoption of the lease as it did have a significant balance. In addition RSM proposed a small adjustment in the way that leases get recorded. Finally, there were no uncorrected misstatements as of the final audit period.

Ms. Colimon then added that there were no significant issues discussed with management arising from the audit aside from the adoption of GASB 87 and the federal audit, there were no disagreements with management, and no difficulties performing the audit. RSM was not aware of any consultations by MassTech with any other accountants. Ms. Colimon explained that RSM completed the uniform grant guidance audit, as it relates to a particular grant that has been audited for the last two years by the team, and there were no irregularities found. Due to the influx of federal funds, Ms. Colimon stated she foresaw the expansion of testing and review in this area. Finally, there were no significant written communications between MassTech and RSM.

After a brief discussion Ms. Colimon and Mr. King left the meeting.

Agenda Item III FY23 Financial Update through February 28, 2023

Ms. Erlandson next stated an update would be provided on where MassTech stands financially through February 2023. At a high level, when preparing the FY23 budget, we made a number of estimates related to timing as to when programs would be approved by federal agencies, contracted for with the state, and implemented. She stated that some of these things have happened on a different timeline from what the budget included, and this is driving many of the variances related to both revenue and expenditures.

Ms. Erlandson said that MassTech's state appropriations status is good as we received all the appropriations that were pending before the legislature's budget conference committee when the board approved our FY23 budget, plus an additional \$1.2M for the Center for Advanced Manufacturing ("CAM"), which was a new line item that we did not include in MassTech's FY23 budget. MassTech is hopeful that this new CAM line item will be included in FY24. On the state bond funding side, one item was included in MassTech's capital budget that did not get funded, a new program for Competitive and Secure Futures. Offsetting that in FY23 is the fact that MassTech, which has been administering and managing grants for the M2I2 program funded by the Executive Office of Housing and Economic Development ("EOHED"), will now have the EOHED M2I2 bond fund revenues and expenditures for these grants flowing through our books. In time that will offset the state bond funding amounts not received, with MassTech getting approximately \$5.6M more in FY23 and close to \$10M projected for FY24. Funding will be paid out to MassTech in quarterly allotments, rather than costs reimbursement which provides more cash flow flexibility for the expenditure of these funds. Ms. Erlandson stated that the reason revenues are not at the anticipated levels to date is timing issues of corresponding grant expenditures across both R&D and Tech and Innovation under the Innovation Institute, under MBI Last Mile and Middle Mile program areas, and under CAM's MMAP program. Specifically for the MMAP program, MassTech budgeted to make one round of awards early in the fiscal year but actually made two rounds, with the second round pending.

She then stated that under federal funding, again a lot of the variance is around the timing and nature of the programs. For example, under the American Rescue Plan Act ("ARPA") funding for MBI programs, MassTech anticipated implementing a state subsidy to partner with the federal subsidy being offered to low income residents to pay for internet connections, but that program was not implemented. All of the other funding is in process for MBI, but again timing is at a different pace than anticipated in the budget. Ms. Erlandson then indicated that CAM

received a \$600,000 award from the State of Vermont for a program to support the New England Regional Defense Industry Collaboration (“NERDIC”), which is leveraging some of the MassBridge work, but was not included in the FY23 budget.

Moving to the expenditure side, Ms. Erlandson indicated that the biggest variance is under financial assistance. This is across all the divisions but most notably across MBI due to timing of the federal programs, and across CAM because of the lack of funding for Competitive and Secure Futures but also the timing around the MMAP program awards. Cyber also contemplated making a higher level of awards and expenditures in this fiscal year associated with the Security Operations Center and Cyber Range programs. The initial awards were made for the capital aspects of the project and now MassTech is looking to make awards on the operating side. She stated it is important to note we do not anticipate any impact from these delays on actual eventual receipt of those funds, as the majority of state bond funding is being paid in quarterly allotments, and the federal funding is multiyear that we will be able to draw down at a different rate. Ms. Erlandson then went on to state that the FY23 budget did indicate a significant increase in staffing, primarily around MBI, but the timing of those hires has been slower than anticipated. Therefore we are under budget in this area, by a total of eight FTEs right now, six of which are in MBI. Regarding MassTech’s consolidated balance sheet, the cash balance has improved, some of which relates to the forward funding of ARPA funds that have not yet been committed. In receivables, we had a lot accrued at the end of the year, and we have collected the majority of that. Under liabilities, we have a significant portion of unearned revenue which relates to some of the bond funding received but not yet committed. Ms. Erlandson stated those are the big shifts, and that MassTech feels comfortable where we are on a financial basis. She said the organization is running lower both on revenues and expenditures, but that is primarily attributed to timing, and is not a material concern. She indicated we will be working on the FY24 budget, but because of the new programs, it will be based upon many assumptions.

There being no other business to discuss and upon a motion duly made and seconded, it was unanimously and without abstention voted to adjourn the meeting at 11:47 a.m.

A TRUE COPY

ATTEST: (Secretary)

DATE:

Materials and Exhibits Used at this Meeting:

1. Draft Minutes- June 24, 2022 Finance and Audit Committee Meeting
2. Presentation- FY22 Financial Statement Audit
3. Presentation- FY23 Financial Statement Overview