

**Massachusetts Clean Energy
Center**
Financial Statements

Massachusetts Clean Energy Center
Table of Contents
June 30, 2015

	Page(s)
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited).....	3-10
Government-wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Governmental Fund Financial Statements	
Balance Sheet - Governmental Fund.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	14
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Fund – Marine Commerce Terminal in New Bedford.....	15
Statement of Revenue, Expenditures, and Changes in Fund Net Position – Proprietary Fund – Marine Commerce Terminal in New Bedford.....	16
Statement of Cash Flows – Proprietary Fund–Marine Commerce Terminal in New Bedford.....	17
Statement of Net Position – Proprietary Fund – Wind Technology Testing Center.....	18
Statement of Revenue, Expenditures, and Changes in Fund Net Position – Proprietary Fund – Wind Technology Testing Center.....	19
Statement of Cash Flows – Proprietary Fund– Wind Technology Testing Center.....	20
Notes to Financial Statements	21-32
Other Supplementary Information	
Schedule of Expenditures of Federal Awards.....	33
Notes to Schedule of Expenditures of Federal Awards.....	34

Massachusetts Clean Energy Center
Table of Contents (Continued)
June 30, 2015

Page(s)

Reporting under Government Auditing Standards

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Finance Statements Performed in Accordance with *Government Auditing Standards* 35-36

Reporting under OMB Circular A-133

Independent Auditors' Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance in Accordance with OMB Circular A-133..... 37-38

Schedule of Findings and Questioned Costs..... 39-41



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

Independent Auditors' Report

The Board of Directors
Massachusetts Clean Energy Center
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Massachusetts Clean Energy Center (the "MassCEC"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the MassCEC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and each major fund of the MassCEC as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise MassCEC's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2015 on our consideration of the MassCEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MassCEC's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

November 17, 2015
Boston, Massachusetts

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Massachusetts Clean Energy Technology Center, doing business as the Massachusetts Clean Energy Center (the "MassCEC"), which has three components: (1) government-wide financial statements, (2) business-type financial statements, and (3) notes to the financial statements.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements present both the governmental activities (governmental fund) and business-type activities (proprietary fund) of MassCEC on a full accrual basis of accounting. The fund-level statements include separate statements for: (i) the governmental activities, which are supported by state appropriations and legislatively mandated surcharges, and (ii) the business-type activities, which rely on fees and charges for support after the initial development period. All activities, both governmental and business-type, are performed as part of carrying out MassCEC's essential governmental function.

General Overview

MassCEC's mission is to accelerate job growth and economic development and to serve as a clearinghouse and support center for the Commonwealth of Massachusetts' (the "Commonwealth") clean energy industry while creating a sustainable path for continued economic growth. Its commitment to leveraging the Commonwealth's outstanding resources in academic research, technology entrepreneurship and workforce skills will result in new technologies, new companies, and highly-skilled workers ready to ensure the Commonwealth's place as a national and international clean energy hub.

Enabling Legislation and Funding Sources

MassCEC was created in 2008 as the result of the passage of several legislative acts described further below. Generally, MassCEC operates outside of the Commonwealth's appropriations process, and is primarily funded through dedicated funding sources received in support of initiatives within MassCEC's mandate. Funding received is presented as revenue in the financial statements. Significant funding sources include:

Alternative Clean Energy Investment Trust Fund

In August 2008, the "Green Jobs Act of 2008" created MassCEC and established the Massachusetts Alternative and Clean Energy Investment Trust Fund ("ACEIT") to financially support its activities. In accordance with the enabling legislation, ACEIT is funded through annual transfers from the Massachusetts Renewable Energy Trust Fund. ACEIT funds support MassCEC's activities to accelerate job growth and economic development in the state's clean energy industry.

Massachusetts Renewable Energy Trust Fund

The Massachusetts Renewable Energy Trust Fund ("RETF") was created through the Electric Utility Restructuring Act of 1997 and provides for a charge on each kilowatt hour of electricity purchased by consumers in the service territories of investor-owned electric distribution utilities, as well as by municipal lighting plants that have opted to participate in the RETF, to support a broad range of activities related to renewable energy. The renewable energy charge is collected by distribution companies and transferred to MassCEC specifically for the use by the RETF. The charge currently stands at \$.0005/kWh.

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2015

In November 2009, "An Act Relative to Clean Energy," transferred the RETF and its staff from the Massachusetts Technology Park Corporation ("MTPC") to MassCEC in an effort to streamline support for the Commonwealth's clean energy economy into one single entity. RETF funds support MassCEC's diverse renewable energy initiatives.

Alternative Compliance Payments

In accordance with guidelines set forth by the Massachusetts Department of Energy Resources ("DOER"), any electric supplier that does not secure enough Renewable Energy Certificates ("RECs") to meet the Commonwealth's Renewable Portfolio Standard requirements shall be deemed in compliance if they make an Alternative Compliance Payment ("ACP"). MassCEC acts as the collection agent for ACP funds from electricity suppliers and holds these in escrow on behalf of DOER. From time to time the DOER, at its sole discretion, may decide to award funds from the ACP to MassCEC for its programs.

Other State Funding Sources

During 2015, MassCEC continued construction of the Marine Commerce Terminal in New Bedford, Massachusetts ("Terminal"). The Terminal is a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. This first in the nation facility has been engineered to sustain mobile crane and storage loads that rival the highest capacity ports in the nation. The Terminal reached substantial completion in fiscal year 2015. The project was primarily funded by an award of \$105 million from the Commonwealth Executive Office of Energy and Environmental Affairs.

Program and Business-Type Divisions

MassCEC has three programmatic divisions: the Renewable Energy Generation division, the Innovation and Industry Support division and the Investments division. MassCEC also has two business-type divisions: the Wind Technology Testing Center ("WTTC") and the Terminal.

Through its three programmatic divisions MassCEC is:

- Increasing renewable energy adoption while driving down the costs of renewable energy.
- Continuing to help Massachusetts lead in clean energy both nationally and globally.
- Ensuring support for a trained workforce for a rapidly growing industry.
- Advancing innovative solutions that will lead to energy security and a safe, reliable, and resilient energy infrastructure.
- Supporting market development for emerging technologies and business models, including microgrids and energy storage.
- Strengthening public confidence through increased transparency and accountability to how it invests ratepayer funds.

Renewable Energy Generation

The Renewable Energy Generation division promotes and supports the deployment and installation of a variety of clean energy technologies to increase the use of energy from renewable energy sources throughout Massachusetts.

The Renewable Energy Generation division focuses on the following technologies:

- Solar - programs to incentivize homeowners and businesses to adopt the generation of electricity through the use of solar panels, build a standalone solar industry and organize communities and other stakeholder groups to drive down the cost of solar installation
- Wind - programs to assist land based wind and offshore wind projects aimed at gathering science based data and analysis to support responsible permitting and development

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2015

- Hydro Energy - programs to create electricity by capturing the energy of flowing water in addition to improving output of existing hydroelectric facilities
- Organics to Energy - programs to capture energy cost-effectively from certain types of organic material such as food waste
- Clean Heating and Cooling - programs to increase the use of cleaner more efficient biomass heating using wood pellets and chips, heat pumps using either pressurized refrigerants or ground water to heat or cool individual buildings, providing energy to a central plant, and capturing thermal energy from sunlight through panels for domestic hot water use
- Other - partnerships with other agencies to extend the reach of renewable energy adoption and to monitor the energy production and effectiveness of renewable energy generation programs

Innovation and Industry Support

The Innovation and Industry Support division is charged with making Massachusetts a leading destination for clean energy and clean water technology companies by stimulating innovation and creating a fertile environment for technological advancement. It complements the mission of the other two divisions by working with new and existing companies and organizations to provide critical support, mentoring and resources, and helps to train the workforce needed to make clean energy companies run. Moreover, MassCEC engages with schools to provide student job training and employment opportunities in the clean energy field, connecting Massachusetts-based companies with opportunities to expand into international markets, providing support to incubators that nurture fledgling clean energy businesses and encouraging clean energy ideas not yet at the business stage.

Although the platforms of the Innovation and Industry Support division differ, all enrich the reach of clean energy adoption through:

- Workforce Development – programs funding schools including high schools, vocational schools, colleges and community-based, job-training offerings for the development of a clean energy workforce at all levels of skill and interests
- Business Development – programs to expand the business opportunities for the Commonwealth's clean energy businesses by providing access to customers at home and abroad, establishing test bed networks for new technologies in addition to providing incentives for the Commonwealth's facilities to adopt renewable, efficient technologies for their energy needs
- Strategic Analysis – programs offering services, mentors and specialized equipment to stimulate the commercialization of new clean energy technology, facilitation of research and development partnerships with Massachusetts-based universities, as well as producing detailed industry reports to provide a metric-based analysis of all MassCEC programs
- Market Development – programs offering competitive awards for the most innovative, effective and impactful solutions to challenging energy and environmental problems
- Water Technology Innovation – programs designed to support the water innovation economy by leveraging internationally proven technologies to encourage the development of new technologies that provide a path to the efficient update of existing water infrastructure

Investments

The Investments division stimulates and accelerates the commercialization of clean energy technologies in the Commonwealth through its support of promising early and growth stage clean energy companies and university research teams. This support is often supplementary to funding received from private, state and federal sources and is provided in the form of grants, loans or equity investments to address funding gaps primarily through the early development lifecycle. The resulting economic development advances MassCEC's goal of growing the clean energy sector and leads to the creation of high value, private sector jobs.

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Wind Technology Testing Center

MassCEC managed the construction and development of the WTTC in Charlestown, Massachusetts and officially opened the facility in May 2011. The facility was partially funded by a U.S. Department of Energy American Recovery and Reinvestment Act ("ARRA") grant of approximately \$25 million. The WTTC is the first commercial-scale large blade test facility in the nation, testing commercial-sized wind turbine blades to help reduce cost, improve technical advancements and expedite the deployment of the next generation of wind turbine blades into the marketplace. The facility has attracted world-renowned companies to Massachusetts and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States. For two consecutive fiscal years, the WTTC achieved an operating profit, before corporate allocations. This is well ahead of the original break-even target of fiscal year 2016

Marine Commerce Terminal in New Bedford, Massachusetts

MassCEC manages the construction and operations of the Terminal, which reached substantial completion in fiscal year 2015. The Terminal is a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. The Terminal was placed into service and received its first international vessels in July 2015, offloading land based wind turbine components for a project in the region. MassCEC is in the midst of working with state and local officials to identify an operator and tenants for the Terminal to ensure the long-term economic benefits to the Commonwealth.

Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Condensed Comparative Financial Information

Condensed Consolidated Statements of Activities
Years ended June 30, 2015 and June 30, 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<i>(in millions)</i>		
	<u>Total</u>	<u>Total</u>
Revenue		
Renewable energy surcharge	\$ 23.4	\$ 23.8
State appropriations and federal pass-through grants	34.7	7.3
Program earnings	0.2	0.3
Port fees	0.1	0.0
Testing revenue	2.7	2.7
Total Revenue	<u>61.1</u>	<u>34.1</u>
Expenditures by Division		
Renewable Energy Generation	23.9	17.8
Investments in Clean Technology	2.8	3.4
Innovation and Industry Support	8.5	5.8
Marine Commerce Terminal in New Bedford	4.3	1.6
Wind Technology Testing Center	3.8	3.6
Total Expenditures	<u>43.3</u>	<u>32.2</u>
Net operating income	17.8	1.9
Other income (expense), net	4.1	7.9
Capital Contributions	28.8	56.4
Change in net position	<u>50.7</u>	<u>66.2</u>
Net Position		
Beginning of year	297.1	230.9
End of year	<u>\$ 347.8</u>	<u>\$ 297.1</u>

Revenues increased \$27 million in the current year, from \$34.1 million in fiscal year 2014 to \$61.1 million in fiscal year 2015. This increase is primarily due to a large one time grant from DOER of \$30 million for MassCEC to administer the Mass Solar Loan Program on behalf of the Commonwealth, which will launch in fiscal year 2016. This increase is offset by decreases in other one-time sources of funding received in the prior year. Revenues can fluctuate widely year over year depending on the level of one-time sources of funding received.

Expenditures represent funds expended for financial assistance awards in the clean energy sector once the awardee has met the required milestones and terms of their award. Expenditures increased \$11.1 million in the current year, mainly due to timing differences of when milestones are met and the level of awards granted in the current year. There is the potential for timing differences to occur whereby awards are made in one fiscal year and expenditures are recognized in subsequent fiscal years, as the expenditure is recorded when the recipient has reached the required milestones per the grant agreement.

Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Other income and expense decreased \$3.8 million in the current fiscal year, primarily due to decreased levels of interest and investment income and unrealized gains on the ACEIT and RETF trust investments.

Capital contributions relate to funding received from the Commonwealth of Massachusetts related to the construction of the Terminal, and decreased \$27.6 million in the current year from \$56.4 million in fiscal year 2014 to \$28.8 million in fiscal year 2015. This decrease is due to the construction of the terminal winding down, as substantial completion was reached in fiscal year 2015.

General and Administrative Expenses

General and administrative expenses are included in the expenditure totals for each division. In fiscal year 2015 MassCEC incurred \$10.3 million of general and administrative expenses, representing a \$1.9 million increase from fiscal year 2014. The increase in general and administrative expenses includes costs related to additional full time employees arising from new and expanded programs particularly in the Renewable Energy Generation and Innovation and Industry Support divisions, as well as increased investment advisor fees.

Statement of Net Position

Statement of Net Position		
<i>(in millions)</i>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
	<u>Total</u>	<u>Total</u>
Total Assets	\$ 505.6	\$ 488.0
Total Liabilities	157.8	190.9
Total Net Position	<u>347.8</u>	<u>297.1</u>
Total Liabilities and Net Position	<u>\$ 505.6</u>	<u>\$ 488.0</u>

Total assets increased \$17.6 million in the current year, primarily due to costs incurred in the current year for the construction of the Terminal, which are recorded as a component of in construction in progress.

All of MassCEC's assets are restricted for use by ACEIT, the RETF and the operation of the Terminal and the WTTC.

Total liabilities were \$157.8 million, representing a \$33.1 million decrease from the prior year, primarily related to a reduction of \$31 million in the custodial ACP account, offset by smaller timing differences. MassCEC acts as the collection agent for ACP funds from electricity suppliers and holds these in escrow

on behalf of DOER. During the year ended June 30, 2015, MassCEC collected on behalf of DOER \$30.9 million of Alternative Compliance Payments. In fiscal year 2015, funds directed by DOER to be awarded from the ACP account exceeded ACP funds received.

Net position increased \$50.7 million in the current year, primarily due to revenues exceeding expenditures and additional capital contributions received for the construction of the Terminal.

Massachusetts Clean Energy Center

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Awards

During the fiscal year ended on June 30, 2015, MassCEC provided financial assistance awards in the clean energy sector totaling \$28.5 million. Financial assistance awards are legal commitments made to award recipients or to projects which directly benefit the Commonwealth. Awards may be contingent upon the grantee or project reaching certain milestones, and therefore are not recorded as grant expenditures in the accompanying financial statements until such time as the recipient achieves those milestones. Awards by division were as follows:

Awards by Division <i>(in millions)</i>	Year Ended June 30, 2015	Year Ended June 30, 2014
<i>Renewable Energy Generation Division</i>		
Solar	\$ 8.0	\$ 13.4
Wind	\$ 1.3	\$ 5.1
Hydro Energy	\$ 0.6	\$ 0.1
Organics to Energy	\$ 1.2	\$ 1.9
Clean Heating and Cooling	\$ 4.5	\$ 3.6
Other	\$ 2.7	\$ 3.0
<i>Total Renewable Energy Generation</i>	<u>\$ 18.3</u>	<u>\$ 27.1</u>
<i>Innovation and Industry Support Division</i>		
Workforce Development	\$ 2.1	\$ 2.3
Business Development	\$ 2.0	\$ 0.6
Strategic Analysis	\$ 1.5	\$ 0.8
Market Development	\$ 1.1	\$ 0.6
Water Technology Innovation	\$ 0.3	\$ 1.9
<i>Total Innovation and Industry Support</i>	<u>\$ 7.0</u>	<u>\$ 6.2</u>
<i>Investments Division</i>	\$ 3.2	\$ 2.0
Total Awards	<u><u>\$ 28.5</u></u>	<u><u>\$ 35.3</u></u>

Within the Renewable Energy Generation division, financial assistance awards related to solar technologies decreased from \$5.4 million year over year from \$13.4 million in fiscal year 2014 to \$8 million in fiscal year 2015 due to the successful conclusion of the Commonwealth Solar II Rebate program, which closed in January 2015. In fiscal year 2016, MassCEC will administer the Mass Solar Loan program in partnership with DOER. Awards related to wind technologies decreased \$3.8 million year over year from \$5.1 million in fiscal year 2014 to \$1.3 million in fiscal year 2015 due to a one-time award made in fiscal year 2014 of \$1.8 million for a land-based wind project, and increased amounts spent in fiscal year 2014 for wildlife field surveys for offshore wind projects. Clean Heating and Cooling awards increased from \$3.6 million in fiscal year 2014 to \$4.5 million in fiscal year 2015 reflecting a transition from pilot programs to full-scale programmatic efforts to increase deployment of residential technologies, particularly air-source and ground-source heat pumps.

Financial assistance awards within the Innovation and Industry Support division increased \$0.8 million year over year, mainly due to additional awards made in the business development, strategic analysis, and market development areas, offset by smaller decreases in workforce development and water technology innovation areas. The increase in business development awards from \$0.6 million to \$2.0 million is due in large part to a grant partnership between MassCEC and the Fraunhofer Center for Sustainable Energy

Massachusetts Clean Energy Center
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Systems that advances applied clean energy research in Massachusetts. Strategic Analysis awards increased from \$0.8 million in fiscal year 2014 to \$1.5 million in fiscal year 2015 due to an increase in cost-share awards for federal research opportunities and university research projects. The increase in market development awards from \$0.6 million to \$1.1 million reflects a maturation in technology development and demonstration programs, the addition of water technology innovation to existing commercialization acceleration platforms, as well as an expansion into the emerging microgrid and clean energy infrastructure development markets.

Investments division awards increased \$1.2 million from \$2 million in fiscal year 2014 to \$3.2 million in fiscal year 2015. This increase was mainly due to the launch of a new program, AmplifyMass, which provides matching funds for Massachusetts recipients of certain Department of Energy research grants.

Massachusetts Clean Energy Center

Statement of Net Position

Year Ended June 30, 2015

	<u>Business-Type Activities</u>				Grand Total
	Governmental Activities	Marine Commerce Terminal	Wind Technology Testing Center	Total Business- Type Activities	
Assets					
Noncapital Assets					
Cash and cash equivalents - restricted	\$ -	\$ 12,928,200	\$ 5,248,972	\$ 18,177,172	\$ 18,177,172
Accounts receivable					
Renewable energy surcharge receivable	1,824,647	-	-	-	1,824,647
Accounts receivable - trade	-	-	578,853	578,853	578,853
Due to (from) other funds	3,050,790	(3,217,490)	166,700	(3,050,790)	-
Other accounts receivable (net of allowance of \$76,876)	551,999	-	-	-	551,999
Program loans receivable (net of allowance of \$2,149,560)	2,195,886	-	-	-	2,195,886
Other assets	345,715		39,439	39,439	385,154
Prepaid expenses	68,052	75,349	17,703	93,052	161,104
Program investments	10,586,563	-	-	-	10,586,563
Assets committed under programs					
Cash and cash equivalents - restricted	79,706,990	-	-	-	79,706,990
Trust investments - restricted	121,257,153	-	-	-	121,257,153
Alternative compliance payments - custodial	146,376,027	-	-	-	146,376,027
Escrow - restricted	1,627,390	-	-	-	1,627,390
Total assets committed under programs	348,967,560	-	-	-	348,967,560
Total Noncapital Assets	367,591,212	9,786,059	6,051,667	15,837,726	383,428,938
Capital Assets (net of accumulated depreciation)					
Land	-	2,883,098	-	2,883,098	2,883,098
Construction in progress	-	89,662,379	-	89,662,379	89,662,379
Buildings	-	-	27,837,454	27,837,454	27,837,454
Furniture and fixtures	203,180	-	17,515	17,515	220,695
Computer equipment and software	106,743	1,525	104,740	106,265	213,008
Operational equipment	-	-	1,213,236	1,213,236	1,213,236
Leasehold improvements	29,407	-	66,626	66,626	96,033
Total Capital Assets	339,330	92,547,002	29,239,571	121,786,573	122,125,903
Total Assets	\$ 367,930,542	\$ 102,333,061	\$ 35,291,238	\$ 137,624,299	\$ 505,554,841
Liabilities					
Accounts payable and accrued expenses - trade	\$ 1,253,172	\$ 4,607,476	\$ 1,058,503	\$ 5,665,979	\$ 6,919,151
Accrued expenses - awards	3,681,860	-	-	-	3,681,860
Other liabilities	501,919	-	-	-	501,919
Renewable energy certificates	272,890	-	-	-	272,890
Alternative compliance payments - custodial	146,376,027	-	-	-	146,376,027
Total Liabilities	152,085,868	4,607,476	1,058,503	5,665,979	157,751,847
Net Assets					
Invested in capital assets	339,330	92,547,002	29,239,571	121,786,573	122,125,903
Restricted for					
Alternative and Clean Energy Investment Trust Fund	75,450,004	-	-	-	75,450,004
Renewable Energy Trust Fund	140,055,340	-	-	-	140,055,340
Marine Commerce Terminal in New Bedford	-	5,178,583	-	5,178,583	5,178,583
Wind Technology Testing Center	-	-	4,993,164	4,993,164	4,993,164
Total Net Position	215,844,674	97,725,585	34,232,735	131,958,320	347,802,994
Total Liabilities and Net Position	\$ 367,930,542	\$ 102,333,061	\$ 35,291,238	\$ 137,624,299	\$ 505,554,841

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

Massachusetts Clean Energy Center
Statement of Activities
Year Ended June 30, 2015

Program Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) and Revenue and Changes in Net Position			
					Governmental Activities	Marine Commerce Terminal	Wind Technology Testing Center	Total
Governmental Activities								
<i>Alternative and Clean Energy Trust Fund</i>								
Investments in Clean Energy	\$ (2,819,166)	\$ -	\$ -	\$ -	(\$2,819,166)	\$ -	\$ -	(\$2,819,166)
Innovation and Industry Support	(8,475,869)	-	800,000	-	(7,675,869)	-	-	(7,675,869)
<i>Renewable Energy Trust Fund</i>								
Renewable Energy Generation	(23,891,941)	214,438	33,868,735	-	10,191,232	-	-	10,191,232
Total Governmental Activities	(35,186,976)	214,438	34,668,735	-	(303,803)	-	-	(303,803)
Business-Type Activities								
Marine Commerce Terminal in New Bedford	(4,291,553)	100,000	-	28,800,000	-	24,608,447	-	24,608,447
Wind Technology Testing Center	(3,803,298)	2,679,657	-	-	-	-	(1,123,641)	(1,123,641)
Total Business-Type Activities	(8,094,851)	2,779,657	-	28,800,000	-	24,608,447	(1,123,641)	23,484,806
General Revenue								
Other income					4,097,382	5,197	5,997	4,108,576
Renewable energy surcharge					23,372,200	-	-	23,372,200
Total General Revenue					27,469,582	5,197	5,997	27,480,776
Change in net position					27,165,779	24,613,644	(1,117,644)	50,661,779
Net Position								
Beginning of year					188,678,895	73,111,941	35,350,379	297,141,215
End of Year					\$ 215,844,674	\$ 97,725,585	\$ 34,232,735	\$ 347,802,994

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

Massachusetts Clean Energy Center
Balance Sheet - Governmental Fund
June 30, 2015

Assets

Accounts receivable	
Renewable energy surcharge receivable	\$ 1,824,647
Due from other funds	3,050,790
Other accounts receivable (net of allowance of \$76,876)	551,999
Program loans receivable (net of allowance of \$2,149,560)	<u>2,195,886</u>
Total accounts receivable	7,623,322
Other assets	345,715
Prepaid expenses	68,052
Program investments	10,586,563
Assets committed under programs	
Cash and cash equivalents - restricted	79,706,990
Trust investments - restricted	121,257,153
Alternative compliance payments - custodial	146,376,027
Escrow - restricted	<u>1,627,390</u>
Total assets committed under programs	<u>348,967,560</u>
Total assets	<u>\$ 367,591,212</u>

Liabilities

Accounts payable and accrued expenses - trade	\$ 1,129,301
Accrued expenses - awards	3,681,860
Other liabilities	501,919
Renewable energy certificates	272,890
Alternative compliance payments - custodial	<u>146,376,027</u>
Total liabilities	<u>151,961,997</u>

Fund Balance - Restricted	<u>215,629,215</u>
Total liabilities and fund balance	<u>\$ 367,591,212</u>

Total governmental fund balance

Amounts reported for governmental funds above and those reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in funds (net of accumulated depreciation).	339,330
Straight-line rent calculated for reporting purposes is not considered an expense and therefore is not reported in funds	(123,871)
Net position of governmental activities	<u>\$ 215,844,674</u>

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

Massachusetts Clean Energy Center
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2015

Revenues

Renewable energy surcharge	\$23,372,200
State appropriations and federal pass-through grants	34,668,735
Program earnings	214,438
Net increase in realizable value of program loans	637,232
Net increase in carrying and fair value of program investments	372,533
Trust investments net earnings and unrealized gains and losses	3,170,389
Net decrease in fair value of renewable energy certificates	<u>(75,289)</u>
Total revenues	62,360,238

Expenditures

Renewable Energy Generation	23,830,305
Investments in Clean Technology	2,805,589
Innovation and Industry Support	8,441,026
Capital outlay	36,776
Other expense	<u>7,483</u>
Total expenditures	35,121,179
Net operating income	27,239,059

Fund balance beginning of year	<u>188,678,895</u>
Fund balance end of year	<u>\$ 215,917,954</u>

Amounts reported for governmental funds above and those reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	69,081
Straight-line rent calculated for reporting purposes is not considered an expense for Fund perspective reporting and therefore is not reported in Funds.	4,199
Change in net assets of governmental activities	<u>\$ 27,165,779</u>

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

Massachusetts Clean Energy Center
Statement of Net Position - Proprietary Fund
June 30, 2015

	Marine Commerce Terminal
Assets	
Current Assets	
Cash and cash equivalents - restricted	\$ 12,928,200
Prepaid expenses	75,349
Total current assets	<u>13,003,549</u>
Non-current Assets (net of accumulated depreciation)	
Land	2,883,098
Construction in progress	89,662,379
Computer equipment and software	1,525
Total capital assets	<u>92,547,002</u>
Total assets	<u>\$ 105,550,551</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses - trade	\$ 4,607,476
Due to other funds	3,217,490
Total liabilities	<u>7,824,966</u>
Net Position	
Invested in capital assets	92,547,002
Restricted for operations	5,178,583
Total net position	<u>\$ 97,725,585</u>

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

**Massachusetts Clean Energy Center
Statement of Revenue, Expenses, and
Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2015**

	Marine Commerce Terminal
Operating revenue	
Port fee revenue	\$ 100,000
Total operating revenue	<u>100,000</u>
Operating expenses	
Personnel	302,145
Program expenses	3,950,825
Facility expenses	<u>38,583</u>
Total operating expenses	<u>4,291,553</u>
Net operating loss	(4,191,553)
Non-operating revenues	
Interest and investment income	<u>5,197</u>
Total non-operating revenues	<u>5,197</u>
Loss before capital contributions	(4,186,356)
Capital Contributions	
Grants	<u>28,800,000</u>
Total capital contributions	<u>28,800,000</u>
Change in net position	<u>24,613,644</u>
Net Position	
Beginning of year	<u>73,111,941</u>
End of year	<u>\$ 97,725,585</u>

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

Massachusetts Clean Energy Center
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2015

	Marine Commerce Terminal
Cash flows from Operations	
Payments to suppliers	\$ (3,989,408)
Payments to employees	(302,145)
Other receipts	<u>1,232,678</u>
Net cash used in operating activities	<u>(3,058,875)</u>
Cash flows from capital and related financing activities	
Capital Contribution	28,800,000
Acquisitions and construction of capital assets	<u>(47,558,741)</u>
Net cash used in capital and related financing activities	<u>(18,758,741)</u>
Cash flows from investing activities	
Interest income	<u>5,197</u>
Cash provided by investing activities	<u>5,197</u>
Cash	
Net decrease in cash and cash equivalents	(21,812,419)
Beginning of period	<u>34,740,619</u>
End of period	<u>\$ 12,928,200</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	(4,191,553)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	144,232
Increase in prepaid expenses and other assets	(75,349)
Increase in accounts payable and other liabilities	<u>1,063,795</u>
Net cash used in operating activities	<u>\$ (3,058,875)</u>

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

Massachusetts Clean Energy Center
Statement of Net Position - Proprietary Fund
June 30, 2015

	Wind Technology Testing Center
Assets	
Current Assets	
Cash and cash equivalents - restricted	\$5,248,972
Accounts receivable	578,853
Due from other funds	166,700
Other	39,439
Prepaid expenses	17,703
Total noncapital assets	<u>6,051,667</u>
Non-Current Assets (net of accumulated depreciation)	
Buildings	27,837,454
Furniture and fixtures	17,515
Computer equipment and software	104,740
Operational equipment	1,213,236
Leasehold improvements	66,626
Total capital assets	<u>29,239,571</u>
Total assets	<u>\$ 35,291,238</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses - trade	1,058,503
Total liabilities	<u>\$ 1,058,503</u>
Net Position	
Invested in capital assets	29,239,571
Restricted for operations	4,993,164
Total net position	<u>\$ 34,232,735</u>

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

Massachusetts Clean Energy Center
Statement of Revenue, Expenses, and
Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2015

	Wind Technology Testing Center
Operating revenue	
Testing revenue	\$2,679,657
Total revenue	<u>2,679,657</u>
Operating expenses	
Grants	32,560
Personnel	643,571
Program expenses	2,482,880
Facility expenses	<u>644,287</u>
Total expenditures	3,803,298
Net operating loss	(1,123,641)
Non-Operating Revenues	
Interest income	1,290
Other income/(loss)	<u>4,707</u>
Total non-operating revenues	<u>5,997</u>
Change in net position	<u>(1,117,644)</u>
Net Position	
Beginning of year	<u>35,350,379</u>
End of year	<u>\$ 34,232,735</u>

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

Massachusetts Clean Energy Center
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2015

	Wind Technology Testing Center
Cash flows from operations	
Receipts from customers	\$ 2,679,657
Payments to suppliers	(3,159,727)
Payments to employees	(643,571)
Other receipts	920,054
Net cash used in operating activities	<u>(203,587)</u>
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	<u>(213,201)</u>
Cash used in capital and related financing activities	<u>(213,201)</u>
Cash flows from investing activities	
Interest and other income received	<u>5,997</u>
Cash provided by investing activities	<u>5,997</u>
Cash	
Net decrease in cash and cash equivalents	(410,791)
Beginning of period	5,659,763
End of period	<u>\$ 5,248,972</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,123,641)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	1,459,240
Non-cash rent	82,828
Increase in accounts receivable and other assets	(502,349)
Increase in accounts payable and other liabilities	(149,665)
Decrease in bad debt expense	30,000
Net cash used in operating activities	<u>\$ (203,587)</u>

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

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

1. Significant Accounting Principles

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

On August 12, 2008, the Commonwealth of Massachusetts (the "Commonwealth") enacted Chapter 307 of the Acts of 2008, creating the Massachusetts Clean Energy Center ("MassCEC") and establishing the Massachusetts Alternative and Clean Energy Investment Trust Fund ("ACEIT") to financially support its activities. MassCEC's mission is to accelerate job growth and economic development in the Commonwealth's clean energy industry. MassCEC makes direct investments in new and existing clean energy companies, provides assistance to enable clean energy companies to access capital and other vital resources for growth, and promotes training programs to build a strong clean energy and technology workforce that capitalizes on the job opportunities created by this vital industry. In addition, MassCEC directly supports the installation of renewable energy and clean energy technology projects throughout the Commonwealth.

On November 23, 2009, "Act Relative to Clean Energy," was signed, which transferred the state's Renewable Energy Trust Fund (the "RETF") from the Massachusetts Technology Park Corporation ("MTPC") to MassCEC. This act united two entities with complementary missions, consolidated staff and financial resources, and established MassCEC as the lead state entity charged with growing the clean energy sector in the Commonwealth. The RETF was created in 1997 by the Massachusetts Legislature pursuant to Section 4E of Chapter 40J, with a mission of supporting the installation of renewable energy projects throughout the Commonwealth.

MassCEC is governed by a board of directors ("Board") comprised of twelve members, including five members appointed by the governor and seven state officials that serve in an *ex officio* capacity.

Government-Wide and Fund-Level Financial Statements

The financial statements include both government-wide and fund-level reporting. The government-wide financial statements (e.g., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of MassCEC. In the government-wide reporting model, governmental activities (those supported by state appropriations and legislatively mandated surcharges remitted from public utilities) are reported separately from a proprietary fund's business-type activities which rely on lease revenues, testing fees and charges for operational support after the initial development period. The Statement of Activities demonstrates the degree to which the expenses of a given function are offset by program revenue. Expenses are those that are clearly identifiable with a specific function. Administrative overhead charges are included in expense totals. Revenue includes: (1) state appropriations that support specific programmatic functions of MassCEC, (2) legislatively mandated surcharges remitted by public utilities, (3) sponsorship and grant revenue, and (4) Testing and leasing revenue from business-type activities.

Other income includes: (1) returns on program loan and equity investments, (2) interest, dividends, realized and unrealized gains earned on invested funds from the sources noted above, and (3) miscellaneous income.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

In the fund-level reporting model, MassCEC reports its financial position and results of operations within the proprietary funds business-type activities, each of which is considered a separate accounting entity. MassCEC has two business-type activities, the Marine Commerce Terminal in New Bedford (the "Terminal") and the Wind Technology Testing Center (the "WTTC").

The fund-level statements are separate financial statements provided for governmental funds and proprietary funds. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures/expenses. The ACEIT and the RETF are not required to be presented as separate funds for financial reporting purposes and, accordingly, have been co-mingled within the governmental fund-level statements. Transactions between ACEIT and the RETF funds have been eliminated.

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Cash and Cash Equivalents- Restricted

Cash and cash equivalents consist of highly liquid interest-bearing deposits and money market accounts with a credible banking institution, and are restricted based on the terms of the applicable grants, or for the uses stated in our enabling legislation.

Renewable Energy Surcharge Receivable

The renewable energy surcharge receivable represents legislatively imposed surcharges due from electric utility companies paid to them by their consumers in support of the renewable energy programs of MassCEC. No allowances are established against these receivables as all balances are deemed to be fully collectible.

Program Loans Receivable

Program loans receivable consist of loans to companies to accelerate job growth, economic and/or project development and technological innovation in the Commonwealth. Such amounts are reported net of an allowance for uncollectible loans. This allowance is established based on management's assessment of the collectability of the loan portfolio and are reassessed at least annually. These loans bear interest at rates ranging from 6.5% to 9.0% and mature during calendar years 2017 through 2018, or in some cases not until the project is sold or commences operations. Some project loans provide for the payment of principal and interest in the form of Renewable Energy Certificates, which in turn are sold in the open market.

Program Investments

Program investments represent equity investments in new and existing clean energy companies as mandated by MassCEC's legislative intent. Privately-held equity investments are valued based on a fundamental business and operation analysis performed by management on each investment.

These investments are carried at fair value or cost less other-than-temporary impairment adjustments, depending on the type of investment in accordance with GASB 31 and GASB 62.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

Trust Investments – Restricted

Trust Investments- Restricted represent investments in various fixed income, equity securities, mutual and exchange traded funds that are restricted for the uses stated in our enabling legislation and are reported at fair value.

RETF Investments

Bond Funds	\$61,209,950
Stock Funds	23,723,507

ACEIT Investments

Bond Funds	\$27,280,220
Stock Funds	9,043,476

Alternative Compliance Payments – Custodial

MassCEC acts as the collection agent for ACP funds from electricity suppliers and holds these in escrow on behalf of the DOER. These funds are held in cash accounts.

Escrow – Restricted

Escrowed balances held with a third-party agent for the purpose of satisfying contractual obligations related to the Renewable Energy Certificate (“REC”) contracts discussed in Note 6. Funds are invested in United States Treasury Notes and are released upon notification from both counter parties or after the passage of time if the beneficiary declines to exercise its option to sell under the contract terms.

Capital Assets

Capital assets are recorded at cost, net of accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful life of the asset categories are as follows:

Buildings*	30-50 years
Leasehold improvements	5 years
Operational equipment	7 years
Computer equipment and software	3-5 years
Furniture and fixtures	3-5 years

*No depreciation is calculated for construction in progress as it has not been placed into service as of June 30, 2015. The Terminal was placed into service on July 1, 2015.

Capitalization Policy

All costs related to construction in progress, leasehold improvements and operational equipment are capitalized. Costs for furniture and fixtures, which include computer equipment and software, are capitalized if the purchase is over \$1,000.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

Restricted Net Position and Fund Balances

Restricted net position and fund balances are legally restricted by enabling legislation or by an outside party to be used for a specific purpose. MassCEC's restricted net position and fund balances are restricted for use by ACEIT and RETF in accordance with their enabling legislation.

Revenue Recognition

State appropriations and other grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, and the funds are available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Systems Benefit Charge revenue is recognized when it is both measurable and available. WTTC testing revenue and Terminal lease revenue is recognized when it is earned.

Revenues are recognized as soon as they are both measurable and available. Revenue is considered available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period, generally within 60 days of the fiscal year end. Significant accrued revenues include earned renewable energy surcharges.

Expenditures

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Grant expenditures are recognized when all material conditions related to the grant agreement have been met. Management reviews all active grant agreements and, based on the best available information, develops an estimate of incurred grant expenditures where no reimbursement request has been received. These amounts are recorded as "Accrued expenses- awards" in the Statement of Net Position and Governmental Fund Balance Sheet. Management uses a historical average to determine the incurred but not reported grant accrual. General capital asset acquisitions are reported as expenditures in governmental funds.

Budgets

Annual budgets are prepared by management. An annual budget is presented to the Board of Directors for approval and adoption. Periodically management and the Board of Directors reviews budget-to-actual results and addresses projected material variances. The budget process is used for management accountability and is not considered a legally adopted budget. Therefore, supplemental information is not required as part of these financial statements.

Income Taxes

Pursuant to Massachusetts General Laws Chapter 307, the operations of MassCEC constitute the performance of an essential government function and are, therefore, exempt from taxation by and within the Commonwealth. Additionally, MassCEC is exempt from Federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for doubtful accounts and program loans receivable, the valuation of program investments and the useful lives of capital assets.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

Recently Issued Accounting Standards

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurements and Application*. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes. The requirements of the Statement are effective for fiscal periods beginning after June 15, 2015, but early adoption is encouraged. MassCEC expects the Statement to have minimal impact on the government-wide and governmental fund financial statements.

2. Division Activity

MassCEC utilizes divisions, each with various distinct programs or businesses, to perform its mission.

MassCEC has three programmatic divisions: the Renewable Energy Generation division, the Innovation and Industry Support (“IIS”) division and the Investments in Clean Technology division. MassCEC also has two business-type divisions: the WTTTC and the Terminal.

Through its three programmatic divisions MassCEC is:

- Increasing renewable energy adoption while driving down the costs of renewable energy.
- Continuing to help Massachusetts lead in clean energy both nationally and globally.
- Ensuring support for a trained workforce for a rapidly growing industry.
- Advancing innovative solutions that will lead to energy security and a safe, reliable, and resilient energy infrastructure.
- Supporting market development for emerging technologies and business models, including microgrids and energy storage.
- Strengthening public confidence through increased transparency and accountability to how it invests ratepayer funds.

Renewable Energy Generation

The Renewable Energy Generation division (“REG”) of MassCEC is responsible for supporting renewable energy projects throughout Massachusetts through funding primarily provided by the RETF.

The Electric Utility Restructuring Act of 1997 provides for a charge on each kilowatt hour of electricity purchased by consumers in the service territories of investor-owned electric distribution utilities to support a broad range of activities related to renewable energy. Under this law, a mandatory charge per kilowatt-hour is assessed for all electricity consumers, as well as municipal plants that opt into the RETF. This surcharge is remitted to MassCEC to fund programs that promote the development of renewable energy projects. From July 1, 2014 through June 30, 2015 the surcharge was based on \$0.0005/KWH and resulted in recognition of \$23,372,200 in revenue, of which \$1,824,647 was recorded as accounts receivable on the Statement of Net Position at June 30, 2015. In addition, during this period the RETF recognized \$2,251,302 in interest income and program gains, mostly from investments and sales of renewable energy certificates from projects supported in previous years.

From July 1, 2014 through June 30, 2015, MassCEC’s REG division recognized \$23,891,941 as expenditures across its programs.

Innovation and Industry Support

MassCEC recognized \$8,475,869 as expenditures in fiscal year 2015 in the IIS division, which worked towards helping to accelerate the Commonwealth’s clean energy and technology sectors by building a sustainable community of clean energy partners that support a world-class cluster of clean energy companies.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

Investments

Under the terms of its legislation, MassCEC is authorized to make equity and debt investments in private companies for the purpose of job creation and to stimulate the creation and development of new clean energy ventures that will form the foundation of a strong clean energy industry sector.

MassCEC will also make such investments to support the expansion of operations of existing clean energy companies within the Commonwealth.

During fiscal year 2015, MassCEC recognized \$2,819,166 as expenditures and program investments in the Investments division. In addition, during this period MassCEC recognized \$845,133 in investment program return of capital, gains and interest income.

MassCEC has provided a guarantee of up to \$300,000 of a clean energy company's line of credit. As of June 30, 2015, the company was in good standing with the lender and had \$300,000 drawn down on its line of credit. MassCEC has not recorded a liability for this guarantee in the Statement of Net Position at June 30, 2015, as a loss is deemed to be remote.

Marine Commerce Terminal in New Bedford, Massachusetts

MassCEC manages the construction and operations of the Terminal, which reached substantial completion in fiscal year 2015. The Terminal is a multi-purpose facility designed to support the construction, assembly and deployment of offshore wind projects, as well as handle bulk, break-bulk, container and large specialty marine cargo. The Terminal received its first international vessels in July 2015, offloading land based wind turbine components for a project in the region. MassCEC is in the midst of working with state and local officials to identify an operator and tenants for the Terminal to ensure the long-term economic benefits to the Commonwealth.

Wind Technology Testing Center

The WTTTC is the first commercial-scale large blade test facility in the nation, testing commercial-sized wind turbine blades to help reduce cost, improve technical advancements and expedite the deployment of the next generation of wind turbine blades into the marketplace. The facility has attracted world renowned companies to Massachusetts and is responsible, in part, for such companies designing, manufacturing and testing their blades in the United States.

3. Alternative Compliance Payments

In accordance with guidelines set forth by Massachusetts legislation, MassCEC acts as the collection agent for the ACP mandated upon electricity suppliers. Any electric supplier that did not secure enough RECs to meet the Renewable Portfolio Standard requirements shall be deemed in compliance if they make an ACP to MassCEC. From July 1, 2014 through June 30, 2015 MassCEC received \$30,859,375 from electricity suppliers. The funds are held in a restricted custodial depository account that earned \$38,162 of income during 2015 and will be utilized in a manner directed by DOER. For the year ended June 30, 2015, MassCEC was awarded grants from the DOER for \$32,397,570 from ACP funds to develop several renewable energy programs, including the Massachusetts Solar Loan Program. These amounts are included within the State Appropriations and Federal pass-through Grants on the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance.

4. Proprietary Funds Operating and Non-Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2015

operating revenues of the Wind Technology Testing Center and Marine Commerce Terminal are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

5. Cash and Cash Equivalents

The following summarizes the cash and cash equivalents of MassCEC and identifies certain types of investment risk as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, at June 30, 2015.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. MassCEC's cash and cash equivalents are held by a credible banking institution, First Republic Bank. The credit of this institution has been reviewed by management and deemed to meet a risk profile consistent with MassCEC's charter.

Cash and cash equivalents - insured	\$	500,000
Cash and cash equivalents - uninsured and uncollateralized		<u>97,384,162</u>
Total cash and cash equivalents	\$	<u><u>97,884,162</u></u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of our cash equivalents. MassCEC manages its exposure to interest rate risk by investing in money market securities whose underlying holdings have original maturities of ninety days or less.

6. Capital Assets

Capital Assets of MassCEC at June 30, 2015, are summarized as follows:

	Governmental Activities		
	Fixed Asset Additions Net of Depreciation		
	Balance June 30, 2014	Additions	Balance June 30, 2015
Furnitures and fixtures	\$ 305,711	\$	\$ 305,711
Computer equipment and software	335,609	36,776	372,385
Leasehold improvements	52,009		52,009
	<u>\$ 693,329</u>	<u>\$ 36,776</u>	<u>\$ 730,105</u>
Less accumulated depreciation			
Furnitures and fixtures	\$ 42,701	\$ 59,830	\$ 102,531
Computer equipment and software	219,198	46,444	265,642
Leasehold improvements	13,313	9,289	22,602
	<u>275,212</u>	<u>115,563</u>	<u>390,775</u>
Capital Assets (net of accumulated depreciation)	<u>\$ 418,117</u>	<u>\$ (78,787)</u>	<u>\$ 339,330</u>

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2015

Business-Type Activities - Marine Commerce Terminal

Capital Asset Additions Net of Depreciation

	Balance June 30, 2014	Additions	Balance June 30, 2015
Land	\$ 2,535,625	\$ 347,473	\$ 2,883,098
Buildings	42,451,111	47,211,268	89,662,379
Computer equipment and software	2,792		2,792
Operational equipment	547,925		547,925
	<u>\$ 45,537,453</u>	<u>\$ 47,558,741</u>	<u>\$ 93,096,194</u>
Less accumulated depreciation			
Computer equipment and software	\$ 709	\$ 558	\$ 1,267
Operational equipment	404,251	143,674	547,925
	<u>404,960</u>	<u>144,232</u>	<u>549,192</u>
Capital Assets (net of accumulated depreciation)	<u>\$ 45,132,493</u>	<u>\$ 47,414,509</u>	<u>\$ 92,547,002</u>

Business-Type Activities - WTTC

Capital Asset Additions Net of Depreciation

	Balance June 30, 2014	Additions	Balance June 30, 2015
Buildings	\$ 32,327,367	\$	\$ 32,327,367
Furnitures and fixtures	98,169		98,169
Computer equipment and software	288,862	16,056	304,918
Operational equipment	1,951,968	128,470	2,080,438
Leasehold improvements	15,899	68,675	84,574
	<u>\$ 34,682,265</u>	<u>\$ 213,201</u>	<u>\$ 34,895,466</u>
Less accumulated depreciation			
Buildings	\$ 3,412,335	\$ 1,077,578	\$ 4,489,913
Furnitures and fixtures	61,020	19,633	80,653
Computer equipment and software	139,041	61,138	200,179
Operational equipment	581,722	285,480	867,202
Leasehold improvements	2,537	15,411	17,948
	<u>4,196,655</u>	<u>1,459,240</u>	<u>5,655,895</u>
Capital Assets (net of accumulated depreciation)	<u>\$ 30,485,610</u>	<u>\$ (1,246,039)</u>	<u>\$ 29,239,571</u>

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

7. Renewable Energy Certificates

MassCEC, through the program activities of the RETF, has entered into long-term contracts for the purchase and sale of RECs in an effort to stimulate private investment in the construction of new clean electric-generating facilities. These clean energy facilities are being built to satisfy both voluntary demand for renewable power among the Commonwealth's consumers and the requirements of the mandatory Massachusetts Renewable Portfolio Standard ("RPS") established under Massachusetts General Law.

Private investment in renewable energy facilities is subject to considerable risk, as there is uncertainty regarding future market prices of power and the future value of RECs. Demand for RECs is uncertain as legislative changes can modify or eliminate the RPS, and currently no substantial voluntary demand for RECs exists. As a consequence, there have been few long-term REC contracts executed in the Commonwealth.

The absence of long-term contracts for RECs makes it difficult for developers to secure financing for their renewable energy projects. By providing long-term REC contracts, the RETF reduces the investment uncertainty by assuming the risk that government-mandated demand will persist under substantially similar terms and that a voluntary market for RECs will develop. MassCEC provides the creditworthiness for investors by escrowing funds to support its REC purchase commitments.

Market Risk

REC contracts are subject to market risk from price fluctuation of RECs, due to changes in the supply and demand for RECs and potential legislative changes related to RPS. As a result, MassCEC may be required to pay the higher contractually obligated purchase or put price when the REC market price is lower.

Credit and Termination Risk

The REC contracts are subject to credit and termination risk of the project developer if the developer is not able to meet the contractual requirements of the REC. MassCEC has mitigated these risks by in part, placing funds in escrow equal to the purchase or put price of RECs in future periods for some of the obligations. These funds are invested in United States Treasuries with a maturity value equal to the estimated cost of the REC obligation. The escrowed funds are released if the project developer defaults on the RECs contractual requirements. The fair values of the REC contracts are based upon the estimated value of RECs and the present value of estimated future cash flows. MassCEC has based its assumptions upon the current market indications for multiyear REC agreements and projected renewable energy project output that will generate RECs in future years. MCEC has estimated the fair value of the REC's outstanding at June 30, 2015 to be a net liability of \$272,890.

Pricing for RECS has been volatile. This, combined with a decreasing amount of expected RECs to be received in future years, will likely affect future program earnings.

8. Defined Contribution Plans

MassCEC has adopted a Simplified Employee Pension (SEP) plan and a 457(b) deferred compensation plan, which are administered by Fidelity and Alerus, respectively.

Under the SEP plan, MassCEC makes a quarterly contribution equal to 15% of each employee's eligible wages (as defined by the plan) to their retirement account. For the year ended June 30, 2015, MassCEC's total contributions were \$695,677.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

Under the 457(b) plan, MassCEC matches 50% of employees' contributions with a maximum MassCEC contribution of 3% of the employee's salary. Employee and employer contributions combined are subject to the annual IRS limits. For the year ended June 30, 2015, MassCEC's total contributions were \$108,589.

9. Inter-Fund Activity

MassCEC reports inter-fund activity between the governmental and business-type activities which primarily consist of accounts receivable and accounts payable transactions between the funds. The balance of the activity presented in the table agrees with the sum of internal balances presented in the governmental and proprietary fund financial statements.

Internal balances between funds at June 30, 2015, consisted of the following:

Receivable Fund	Payable Fund	Amount
Governmental Fund	Terminal	\$ 3,217,490
WTTC	Governmental Fund	\$ 166,700

Inter-fund transfers are used to move funds considered financial expenditures in one fund to support the activities within another fund. The transfers for the year ended June 30, 2015, are related to the governmental fund, making financial expenditures to fund the activities of the Terminal and the WTTC.

10. Program Investments and Investments Restricted for Awards

Program investments are comprised of equity investments in small private companies. Inherent in making such investments is the risk that all invested capital will be lost. Management performs due diligence procedures before making investments in order to mitigate this risk.

Interest Rate Risk – Investments Restricted for Awards

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Investments Restricted for Awards includes various short-term and long-term investments that could be impacted by interest rate changes. MassCEC manages its exposure to interest rate risk by investing a substantial portion of this balance in short-term fixed income mutual funds and Treasury bills.

Custodial Credit Risk – Investments Restricted for Awards

The custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be recovered. MassCEC's investments restricted for awards are held by First Republic Bank and U.S. Bank. Both institutions and the credit of those institutions have been reviewed by management and deemed to meet a risk profile consistent with MassCEC's charter.

Market Risk – Program Investments and Investments Restricted for Awards

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market rate or price changes. Management has formal quarterly meetings with its investment advisors to review and assess the current health of its portfolio and to perform rebalancing procedures as required. Additionally, management has periodic meetings with the management teams at our program investments to assess the current health of the company and related investment.

Massachusetts Clean Energy Center

Notes to Financial Statements

June 30, 2015

11. Leases

Office Leases

On September 15, 2009, MassCEC entered into an operating lease for office space. As part of the lease agreement, MassCEC received seven consecutive months of free rent beginning in January 2010 prior to the commencement date of the sixty-two month lease. The lease will expire in October 2015.

Rent expense is recognized on a straight-line basis over the lease term. As of June 30, 2015, MassCEC had a \$42,979 deferred rent liability included in the accounts payable and accrued expenses – trade line in the Statement of Net Assets.

On September 30, 2013, MassCEC entered into a new lease agreement for a term of ninety-seven months beginning on January 6, 2014 and ending January 31, 2022. The eight-year lease includes rent escalation every two years. Rent expense is recognized on a straight-line basis over the lease term. At June 30, 2015, MassCEC had a \$80,892 deferred rent liability on the new office lease included in the accounts payable and accrued expenses – trade line in the Statement of Net Assets. The landlord of the new office space entered into a contract with MassCEC to reimburse MassCEC for the obligation under its current office lease agreement. Additionally, MassCEC is subleasing certain office space and received \$299,950 during fiscal year 2015. MassCEC will receive \$143,661 during fiscal year 2016 when the original obligation ends. Total future payments are as follows:

Beginning	Term Ending	Payment Due
7/1/2015	6/30/2016	\$ 718,036
7/1/2016	6/30/2017	604,662
7/1/2017	6/30/2018	618,616
7/1/2018	6/30/2019	632,570
7/1/2019	6/30/2020	646,524
Remaining payments through 6/30/2022		<u>990,716</u>
		<u>\$ 4,211,124</u>

Massachusetts Clean Energy Center
Notes to Financial Statements
June 30, 2015

Wind Technology Testing Center Land Lease

On April 30, 2010, MassCEC entered into an operating lease for the land to build the WTTC. The lease commenced in December 2009 and payments began on July 2011. Rent expense is recognized on a straight-line basis over the lease term. At June 30, 2015, MassCEC had a \$904,880 deferred rent liability included in the other liability line in the Statement of Net Position. Total future payments are as follows:

Term		Payment
Beginning	Ending	Due
7/1/2015	6/30/2016	\$ 229,774
7/1/2016	6/30/2017	236,668
7/1/2017	6/30/2018	243,768
7/1/2018	6/30/2019	251,081
7/1/2019	6/30/2020	258,613
Remaining payments through 6/30/2041		<u>7,638,598</u>
		<u>\$ 8,858,502</u>

12. Contingencies

MassCEC participates in various Federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, MassCEC's compliance with applicable grant requirements will be established at a future date. The amount of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time, although MassCEC anticipates such amounts, if any, will be immaterial.

Other Supplementary Information

**Massachusetts Clean Energy Center
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Identifying Number</u>	<u>Federal Expenditures</u>
Department of Energy Pass Through Program From:			
Commonwealth of Massachusetts			
Enhanced Energy Efficiency Financial Incentive Program	81.041	DE-EE0000227	\$100,221
Total Department of Energy			<u>100,221</u>
Research and Development Cluster:			
Department of the Interior Pass Through Program From:			
Commonwealth of Massachusetts			
Offshore Wind Field Survey and Marine Resource Characteristics for the MA Wind Energy Area	15.423	M12AC00024	<u>522,917</u>
Total Research and Development Cluster and Department of the Interior Bureau of Ocean Energy Management			<u>522,917</u>
Total Expenditures of Federal Awards			<u><u>\$623,138</u></u>

See Independent Auditors' Report and accompanying Notes to Schedule of Expenditures of Federal Awards.

Massachusetts Clean Energy Center
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant and contract activity of Massachusetts Clean Energy Center under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Massachusetts Clean Energy Center, it is not intended to and does not present the financial position, changes in equity or cash flows of Massachusetts Clean Energy Center.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipients

Of the federal expenditures presented in the Schedule, Massachusetts Clean Energy Center provided federal awards to subrecipients as follows for the year ended June 30, 2015:

<u>Program Name</u>	<u>Federal CDFA Number</u>	<u>Amount Provided to Subrecipients</u>
Enhanced Energy Efficiency Financial Incentive Program	81.041	\$100,221
Offshore Wind Field Survey and Marine Resource Characteristics for the MA Wind Energy Area	15.423	\$522,917

Reporting Under Government Auditing Standards



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*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*

The Board of Directors
Massachusetts Clean Energy Center
Boston, 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 governmental activities, the business-type activities, and each major fund of the Massachusetts Clean Energy Center (the "MassCEC"), as of and for year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the MassCEC's basic financial statements, and have issued our report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MassCEC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 MassCEC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MassCEC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maye Hoffman McCann P.C.

November 17, 2015
Boston, Massachusetts

Reporting Under OMB Circular A-133



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

500 Boylston Street ■ Boston, MA 02116
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ www.cbiztofias.com

*Independent Auditors' Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance in
Accordance With OMB Circular A-133*

The Board of Directors
Massachusetts Clean Energy Center
Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Massachusetts Clean Energy Center's (the "MassCEC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on MassCEC's major federal programs for the year ended June 30, 2015. MassCEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MassCEC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MassCEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MassCEC's compliance.

Opinion on Each Major Federal Program

In our opinion, MassCEC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the major federal program is not modified with respect to this matter.

MassCEC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MassCEC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of MassCEC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MassCEC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MassCEC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

November 17, 2015
Boston, Massachusetts

**Massachusetts Clean Energy Center
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015**

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

4. Identification of major programs:

CFDA Number

15.423

Name of Federal Program or Cluster

Research and Development Cluster - Offshore Wind Field Survey and Marine Resource Characteristics for the MA Wind Energy Area

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

Massachusetts Clean Energy Center

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

2015-001

Finding – Subrecipient Monitoring – Offshore Wind Field Survey and Marine Characteristics for the MA Wind Energy Area, CDFA #15.423, June 30, 2015 Award Year, Department of Interior

Criteria or Specific Requirement

All pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes Federal award identification, subrecipient name, and subrecipient DUNS number (CFR 200.331).

Condition Found

The MassCEC did not inform the subrecipient of the Federal award information at the time the funding source changed from MassCEC/state funds to Federal funds.

Cause

The grants made to the subrecipient had been provided directly from state funds for several years. Federal funding became available and was used to fund a portion of the grant to the subrecipient and in an oversight the MassCEC did not inform the subrecipient that some of the funding became Federal grant dollars.

Effect

The subrecipient was not aware that the grant funds were Federal funds.

Recommendation

The MassCEC should inform the subrecipient of the amount of Federal funds that are being passed through to the subrecipient.

Massachusetts Clean Energy Center

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

Section 3 (Continued)

Federal Award Findings and Questioned Costs (Continued)

2015-001 (Continued)

View of Responsible Officials for Planned Corrective Actions

In fiscal year 2011, MasCEC signed an agreement with the New England Aquarium Corporation (NEAq) to complete certain aquatic field surveys related to offshore wind energy development. The Offshore Wind Field Study and Marine Resource Characteristics for the MA Wind Energy Area (also known as the Whale and Turtle Wind Energy Area Surveys) were initially funded by MassCEC in year one. Starting in year two of the survey work, MassCEC obtained federal funding for the program with NEAq. MassCEC did not inform the subrecipient of the Federal award information at the time that the funding source of the program changed from MassCEC to federal funding.

Management has advised NEAq of the federal funding noted above. Management has implemented a process to evaluate all grants received on a monthly basis to ensure that federal funds are tracked and disclosed to recipients of the funds as required under the Uniform Guidance for Federal Awards.

Summary Schedule of Prior Year Findings

Section 4

2014-001

Finding – Subrecipient Monitoring – Offshore Wind Field Survey and Marine Characteristics for the MA Wind energy Area, CDFR #15.423, June 30, 2015 Award Year, Department of Interior

Criteria or Specific Requirement

All pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a sub award and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modifications. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and sub-award. Required information includes Federal award identification, subrecipient name, and subrecipient DUNS number (CFR 200.331).

Condition Found

The MassCEC did not inform the subrecipient of the Federal award information at the time the funding source changed from MassCEC/State funds to Federal funds.

Current Status

See current year finding 2015-001.