

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE
COMMONWEALTH OF MASSACHUSETTS)**

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Honorable Board Members
Massachusetts Convention Center Authority
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the notes to the financial statements.

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2017 and 2016, and the changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 17), and certain pension and other postemployment benefits information (located on pages 45 through 47) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of revenues, expenses, and changes in net position – budget and actual – for the years ended June 30, 2017 and 2016, schedule of salary and other compensation of highly compensated employees and the reconciliation of GAAP operating loss to statutory net cost of operations and operating reimbursement requests from the Convention Center Fund (hereinafter referred to as supplemental information), located on pages 48 through 51, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Board Members
Massachusetts Convention Center Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2017

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on the Massachusetts Convention Center Authority's operations, performance, and financial condition for the fiscal years ended June 30, 2017 and 2016.

The MD&A is presented in four sections:

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

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

Summary of Financial Performance reviews the key measures we use to assess our performance and how our results in 2017 compare to our results in 2016, and how our results in 2016 compare to our results in 2015. It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our four facilities.

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

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

About the Financial Statements

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

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

BACKGROUND

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

BACKGROUND (CONTINUED)

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

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

In the fiscal year 2003 budget for the Commonwealth, several provisions were enacted affecting the operations, marketing and financial activities of the MCCA. Most significantly, it suspended the Authority's funding for its net operating costs from the State Tourism Fund. This funding mechanism was replaced in fiscal year 2004 by disbursements from the Convention Center Fund, created by the 1997 Convention Center Act, which authorized the Commonwealth to provide the Authority with up to \$17 million from the Fund to defray the Authority's net cost of annual operations as defined in Chapter 190. This use requires that the State Treasurer and Secretary of Administration and Finance annually certify the availability of funds within the \$17 million cap after payment of debt service which is required to be made first. The funding cap was increased to \$23 million in fiscal year 2005. Chapter 195 of the Acts of 2014 increased the fiscal years 2015, 2016, 2017 and 2018 (and on) caps to \$24 million, \$25 million, \$26 million and \$28 million, respectively.

In July 2014, Chapter 195 of the Acts of 2014 was adopted, authorizing the Commonwealth to issue an additional \$1 billion in special obligation bonds to finance an expansion of the BCEC. The new law authorized a 1.3 million square foot expansion of the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. Under Chapter 195 funding for the \$1 billion expansion would be supported by the existing Convention Center Fund, which was created in 1997 to pay for the development and construction of the BCEC, the MassMutual Center, and the Worcester Convention Center as well as to fund the operations and capital improvements of the MCCA. The BCEC expansion project is currently on hold and subject to further review by the Authority.

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

ABOUT OUR BUSINESS

WHAT WE DO

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

In late summer of 2014 the MCCA opened an outdoor venue named “The Lawn on D”, consisting of 2.7 acres of flexible public and event space immediately adjacent to the BCEC. The Lawn on D was operated during 2014 and 2015 as an “experimental” project, in which various sales and operating models were evaluated for consideration for a more permanent outdoor venue in the future. The pilot phase’s expenses of the Lawn were funded from the Authority’s annual capital projects budget. Following deliberations in the fall and winter of 2015 and 2016, the Authority elected to re-open the Lawn for the 2016 as a full business segment. Consequently, for the first time the Lawn has been featured as an operating cost center in the discussion and schedules that follow.

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

MANAGEMENT’S OBJECTIVES AND STRATEGY

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

SUMMARY OF FINANCIAL PERFORMANCE

2017

Building on its success over the past few years, the Authority's fiscal year 2017 featured an all-time high in operating revenue, as well as the best overall operating performance overall that the Authority has experienced since the BCEC opened in 2004, beating out fiscal year 2016. The net draw from the Convention Center Fund for operating purposes totaled \$1.7 million, resulting in a coverage ratio, or the percent of annual operating expenditures (excluding depreciation, certain items paid from restricted net position and items paid from the capital budget), of 89 percent. The Authority has been benefited from continued efforts to control or reduce expenses across its various cost centers. Additionally, show quality, as demonstrated by customer demand for space, support services and food and beverage services, has continued to be strong. Finally, the Authority has benefited from its effort to diversify its revenue streams, including to commercial sources, such as rental income earned from hotel and restaurant tenants, as well as the operation of a consolidated Waterfront Shuttle transportation service to neighborhood employers.

2016

Fiscal year 2016 featured the best operating performance that Authority has experienced since the BCEC opened in 2004. The total draw from the Convention Center Fund needed to fund the Authority's net cost of operations totaled \$6 million, down from \$15 million in Fiscal year 2015. The Authority benefited from a record revenue year at the BCEC, which generated \$40 million in operating receipts. Total Authority revenues during Fiscal Year 2016 were \$71 million, which represents an all-time high for revenues generated by the Authority. Revenues saw notable increases from the new Waterfront Shuttle services offered by the Authority, as well as revenue from the Lawn on D. Over \$3 million of the Authority's operating revenues were one-time receipts, most notably from reimbursements paid for extreme snow and ice expenses incurred during Fiscal Year 2015. After excluding depreciation, certain items paid from restricted net position and items paid from the capital budget, Authority expenses were lower than the previous year's expenses by 1.5 percent, reflecting a more moderate winter as well as organizational changes that helped reduce overall expenses. Overall, the MCCA's coverage ratio, or the percent of annual operating expenditures (excluding depreciation, certain items paid from restricted net position and items paid from the capital budget), increased to 85 percent, the highest rate achieved since the BCEC opened.

Please refer to page 51 for the 2017 and 2016 calculation of the Authority's net cost of operations and operating reimbursement requests from the Convention Center Fund.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

RESULTS OF OPERATIONS

Operating Revenues – 2017

Fiscal year 2017 operating revenues totaled \$74 million, an increase of 4.4% from the previous year. The bulk of this amount (72.7%) were earned from the operations of the Authority's convention and arena facilities, and include facility rental fees, convention support services income (e.g., electrical, rigging, or internet services) and food and beverage earnings. Revenues at the BCEC were level with the fiscal year 2016, which represented the greatest amount achieved at the venue since it opened. The Hynes experienced a year over year increase of 15.2%, experiencing an especially strong fourth quarter. The Lawn on D, in its first full fiscal year, generated \$1.4 million, an increase of 200% from the previous fiscal year. In Springfield, the MassMutual Center benefited from strong food and beverage income, generating an increase in revenue of 12.6%. The only Authority cost center that experienced a decline in revenues was the Boston Common Garage, which witnessed a 4% drop, largely attributable to falling transient (daily) parkers.

Annual rental income totaled just under \$20 million, a 4.7% increase from the previous year. The difference is attributable to rental price escalation as well as increased event activity associated with the Lawn on D. Only the MMC experienced a year over year drop in rent, at a rate of 6.2%.

Authority-wide Convention support services totaled \$22.8 million, a 5.2 percent drop from the previous years. This variance was the result of a change related to rigging services, which was effective in fiscal year 2017 and had the effect of only counting net commissions earned by the Authority (in contrast to gross receipts and expensing revenue transfers to the Authority's contractor). After accounting for this change, support services revenue were nearly level with the previous year. Since support services are a strong bell-weather for event quality, the fiscal year 2017 result is considered favorably given the very strong results achieved in fiscal year 2016.

Reversing the 2016 trend, the Authority's total Food and Beverage revenues increased from \$10 million to \$12 million, due to strong results and show consumption at the Authority's Boston facilities and the MassMutual Center, similar to the Authority's arrangement at the BCEC and Hynes. The latter featured the first year during which the Authority contracted with an F&B operator to provide service on a management fee basis, versus fee based agreement. Finally, in its first full year of operations the Lawn on D contributed roughly \$350,000 to total F&B revenues.

The Authority generates parking revenues primarily at the Boston Common Garage, as well as through its Danby Street Lot in South Boston. The Danby Street Lot annual revenues are, similar to the BCG, reflected under Parking Fees on the Authority's accompanying Statement of Revenues, Expenses, and Changes in Net Position. Total parking receipts in fiscal year 2017 were over \$13 million, only slightly more than the level collected in the previous year. While the Danby Lot generated over \$900,000 in its first full year, up from \$280,000 in 2016, the BCG experienced a year over year decline in parking income. Garage receipts fell corresponding to a drop in total transient parkers during the year, while monthly parking revenue grew modestly during the same period.

Commercial revenues totaled over \$3 million in fiscal year 2017, and increase of 45% from the fiscal year 2016 amount of over \$2 million. The change is attributable to the discontinuation of reduced rental terms for one of the Hynes tenants as of September 2016 as well as increased income earned by the Authority under percentage rent terms of its ground leases with its hotel tenants at the BCEC.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

RESULTS OF OPERATIONS (CONTINUED)

Operating Revenues – 2016

Total fiscal year 2016 operating revenues, which are made up largely from facility rental fees, convention support services income, and food and beverage earnings, were \$71 million, up 8 percent from the previous year. The BCEC and MassMutual Center (MMC) experienced year-on-year increases from fiscal year 2015, while the Boston Common Garage receipts were flat, and the Hynes experienced a reduction. As noted previously, the Authority's operating revenues in fiscal year 2016 reflect for the first time the operations of the Lawn on D. In the case of the BCEC, total revenue growth was 20 percent, reflecting strong event activity throughout the year. The Hynes result was largely driven to less show activity and diminished quality of show activity. The Boston Common Garage saw reduced transient parking activity; however this impact was offset by increased monthly parking revenues. Finally, the MMC experienced a significant (9 percent) increase in operating revenue from fiscal year 2015.

Rental income was up 10 percent Authority-wide to just under \$19 million in fiscal year 2016, driven by heavy show activity at the BCEC (17 percent growth). The Hynes and the MMC experienced comparably strong growth in rental revenue as well, at 8 percent and 19 percent, respectively. The Lawn on D provided for \$170,000 in rental income in fiscal year 2016 corresponding to the month and a half that it operated in the year. Rental income is generated by the Lawn in two ways: "spill-over" events when existing BCEC customers rent additional Lawn space; or rental income from clients that rent one or both of the Lawn's pavilions and the Lawn itself, but do not have any additional rented space within the BCEC.

Convention support services include a wide variety of services that the Authority or its contracted partners provide to event customers, whether show clients or exhibitors. Among its largest revenue streams, the category includes electrical and internet utility connections, event security, rigging, event parking and valet, and digital content services. Fiscal year 2017 brought modest growth of 2 percent in the Authority's Convention services revenue. Total revenues were \$23 million, up \$400,000 from the previous year. Services were up 3 percent at the BCEC, but were down by 6 percent at the Hynes. The MMC saw a year on year increase of 10 percent. While only a slight increase for the Authority in fiscal year 2016, the overall figure still represents the greatest overall services revenue generated by the Authority in any single fiscal year.

The Authority saw total Food and Beverage revenues decline in fiscal year 2016, falling to under \$10 million, a reduction of nearly \$700,000 or 6 percent. Actual F&B performance, however, was mixed. The BCEC had a strong year with F&B receipts increasing by \$1 million or 22 percent, to close to \$6 million. The Hynes, by contrast, saw a 34 percent drop in F&B revenues from the preceding year's, which reflects the reduced show activity and lower consumption associated with the fiscal year events calendar. The Lawn on D contributed \$110,000 to total F&B revenues, which are generated by MCCA's contracted F&B provider.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

RESULTS OF OPERATIONS (CONTINUED)

Operating Revenues – 2016 (Continued)

Parking revenues are primarily made up of fees generated at the Boston Common Garage. However the Authority did open a new parking facility, the Danby Street Lot, which is a 200+ space lot adjacent to two recently-open hotels on land owned by the Authority on D Street in South Boston. The Danby Street Lot annual revenues are, similar to the BCG, reflected under Parking Fees on the Authority's accompanying Statements of Revenues, Expenses, and Changes in Net Position. Total parking receipts in fiscal year 2016 were over \$13 million, which represents a year on year increase of \$300,000 or 2 percent. This growth was almost entirely attributable to the new Danby Street Lot, which opened in January 2016. The Lot, which is now operated by the same contracted partner that operates the BCG, is expected to see annual receipts grow meaningful in fiscal year 2017 during its first full year of operation. The BCG saw flat revenues from fiscal year 2015, growing only by \$18,000 from a base of close to \$13 million. Transient revenue was below fiscal year 2016 budgeted levels, but was offset by monthly parking receipts (please see discussion on Comparison to Budget).

Overall, Commercial revenues recovered in fiscal year 2016, growing from \$1.7 million to \$2.4 million, as rental income from the Authority's hotel tenants increased. Fiscal year 2016 receipts were also up slightly at the Hynes due to the diminished impact of the lower rent paid by one of the Authority's restaurant tenants under terms in its lease providing for temporary rent reductions during construction adjacent to the building.

Operating Expenses – 2017

Total fiscal year 2017 operating expenses were \$144 million, down 3 percent from the previous year. After excluding depreciation, certain items paid from restricted net position, pass-through funding associated with the June 2017 Tall Ships events, and items paid from the capital budget, the adjusted fiscal year 2017 operating expense is \$76 million, compared to \$84 million in the previous year. The year on year decrease in overall spending was 10 percent, or \$8 million. Expenses were reduced in the Authority's payroll accounts due to elimination of budgeted positions over the course of the year. Additionally, the Authority was able to control expenses of its cleaning and parking services contractor while also limiting increases in its utilities budget. Two notable areas of expense increase were the \$300,000 increase in expense to operate the Waterfront Shuttle and the contracted snow and ice removal expenses of \$230,000. Additionally, the Authority modified the accounting for rigging services therefore eliminating over \$2 million of expense that was captured in fiscal year 2016.

Operating Expenses – 2016

Total fiscal year 2016 operating expenses were \$148 million, up 8 percent from the previous year. After excluding depreciation, certain items paid from restricted net position and items paid from the capital budget, the adjusted fiscal year 2016 operating expense is \$84 million compared to \$85 million in the previous year. The year on year decrease in overall spending was 1.5 percent or \$1 million. The reduction in spending reflects flat salary and benefits expenses, dramatically lower snow and ice removal costs after a relatively mild winter season, and lower expenses in office and administrative expenses, facility maintenance contracted services, equipment, grants, and rigging services. Utility expenses were lower by 6 percent across the Authority's facilities, which corresponds to a more mild winter as well as reduced show activity at the Hynes.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

RESULTS OF OPERATIONS (CONTINUED)

Operating Expenses – 2016 (Continued)

Increased expenses occurred for the new Waterfront Shuttles in fiscal year 2016 totaling \$410,000 for contracted services to operate the new bus lines. Event security services expenses increased as well, since the Authority relied heavily during the year on a contracted partner to support show security needs.

Non-Operating Revenues (Expenses), Net – 2017

Total non-operating net revenues were \$22 million, which was an increase of \$12 million, or 120 percent, from the previous year total of \$10 million. This amount primarily consists of the annual funding requested by the Authority from the Convention Center Fund, which totaled roughly \$20 million in fiscal year 2017, \$8 million less than the funding requested during fiscal year 2016. The bulk of the funding drawn from the CCF will be internally restricted for the purposes of funding a portion of the long-term costs associated with the Authority's pension and other post-employment benefits (OPEB). This funding, which totals over \$14 million, will be invested by the MCCA in irrevocable trusts created to address these long-term liabilities.

Investment Income and Interest on Loans

Investment income and interest on loans in fiscal year 2017 totaled \$805,000, which is up slightly from the 2016 levels. Loan interest earnings for the Boston Tea Party Ships and Museum fell modestly from \$762,000 to \$747,000. This is offset by interest earnings on MCCA cash balances of \$58,000 reflecting a more favorable interest environment than recent history.

Nonoperating Revenues (Expenses), Net and Capital Contribution – 2016

Total nonoperating net revenues were \$10 million, which was a decrease of \$12 million, or 54 percent, from the previous year total of \$22 million. This amount primarily consists of the annual operating funding requested by the Authority from the Convention Center Fund, which totaled close to \$28 million in fiscal year 2016. This was roughly \$8 million higher than fiscal year 2015 funding, but also included funding for an agreement with the Massachusetts Department of Transportation (MassDOT), in which MassDOT received \$21 million from the Authority to defray a portion of its costs associated with constructing a new materials testing lab in Hopkinton, Massachusetts. This agreement provides that MassDOT will vacate its existing testing lab, located on Authority land adjacent to the BCEC, leaving the site available for future Authority use.

Annual capital project funding requests by the Authority from the Convention Center Fund totaled close to \$21 million and are reported as Capital Contributions. This was roughly \$12 million lower than fiscal year 2016 due to the discontinued BCEC expansion.

Investment Income and Interest on Loans

Investment income and interest on loans in fiscal year 2016 totaled \$762,000, which is down slightly from the same amount collected in fiscal year 2015. The vast bulk of this annual amount is attributable to the annual repayments by the Boston Tea Party Ship and Museum for the loan made by the Authority to rebuild the Museum. All other investment earnings were minimal, given the continued near-zero interest earnings environment.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

COMPARISON TO BUDGET

Operating Revenues – 2017

During fiscal year 2017 operating revenues exceeded the budgeted estimates by \$11 million, or \$73 million in actual receipts versus a budget of \$62 million. The 18 percent increase was largely attributable to the strong show performance at the BCEC and the Hynes, which respectively exceeded budgeted revenues by 30.4 percent and 16.5 percent. As noted previously, consumption of event support services and F&B services was very strong, helping to exceed the original estimated receipts from these activities. The Lawn on D's first full operating year beat its original budgeted revenue number, generating \$1.4 million or 48.7 percent more than forecast. The Boston Common Garage underperformed versus the budget, generating \$760,000 less than assumed, due to lower transient parkers. Finally, the MMC's revenues exceeded the original budget by \$160,000, bringing total fiscal year 2017 receipts to \$4 million.

Operating Revenues – 2016

Total operating revenues were substantially (30 percent) greater than the adopted budget projections for fiscal year 2016. This is partly explained by the fact that the MCCA received over \$3 million in one-time revenues associated with snow and ice reimbursements (from insurance claim and FEMA) and show cancellation fees. These revenues would not typically be budgeted for in any given fiscal year. The \$71 million in actual receipts versus the \$55 million budgeted is largely attributable to the performance of the BCEC, which generated \$40 million in operating proceeds against a budget of \$26 million. This resulted primarily from heavy show consumption in food and beverage and event services, as well as new Waterfront shuttle services and additional rental revenue paid by Authority tenants. Hynes receipts, while lower than fiscal year 2015, were still greater than assumed in the adopted budget. In contrast, the Boston Common Garage missed its budget target slightly (by \$35,000) as revenue growth continued to falter due to lower than budgeted transient parker activity. This impact, which is attributed to the continue customer reaction to the July 2014 rate increases, was offset by increased monthly parker activity, helping to limit the overall unfavorable performance at the BCG. As noted previously, the Lawn on D is a new operating cost center in fiscal year 2016. Consequently, all \$460,000 in operating receipts generated by the Lawn were above budgeted levels for the fiscal year. Lastly, MMC revenues were down slightly from budgeted levels, in an amount of \$114,000 or 3 percent.

Operating Expenses – 2017

Excluding depreciation, pass-through funding for the June 2017 Tall Ships event and other certain items paid from restricted net position or from the capital budget, the Authority's fiscal year 2017 operating expenses of \$77 million was \$3 million less than the adopted budget of \$80 million. Expenses were below budget across all Authority cost centers except the MMC reflecting continued efforts to reduce costs through reduced payroll and contracted services, as well as through leveraging technology and more efficient operating procedures. The reduced expenses, which is especially notable given the substantial increase in actual revenues compared to the budgeted levels. The Authority has been successful in limiting variable cost growth associated with event support services.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

COMPARISON TO BUDGET (CONTINUED)

Operating Expenses – 2016

Excluding depreciation and other certain items paid from restricted net position or from the capital budget, including net OPEB and pension expenses, the Authority's fiscal year 2016 operating expenses of \$78 million were \$100,000 less than the adopted budget. The total actual spending figure is much lower than a typical year in which actual revenues significantly exceed budgeted figures. This is typically because along with increased revenues usually there are corresponding increases in expenditures since customers pay the MCCA directly for the service. However, a good portion of above budgeted revenue did not result in new Authority expenses. As discussed previously, the MCCA introduced the Lawn on D as a new operating segment in the second half of fiscal year 2016. None of the \$767,000 in associated operating expenses was budgeted. Similarly, the MCCA incurred over \$400,000 in unbudgeted expense for the Waterfront Shuttle service.

Non-operating Revenues (Expenses), Net – 2017

During fiscal year 2017 the Authority did not originally assume any interest earnings from its cash balances, but was able to generate a modest amount of \$58,000. The primary factor in the unfavorable variance in nonoperating revenues and expenses to budget in fiscal year 2017 was the \$1.4 million in abandoned capital projects.

Nonoperating Revenues (Expenses), Net – 2016

The primary factor in the unfavorable variance in nonoperating revenues and expenses to budget in fiscal year 2016 was the \$12 million in abandoned capital projects related to the discontinued BCEC expansion. In addition, the Authority received approximately \$400 thousand in one-time federal grant reimbursements.

KEY PERFORMANCE METRICS

	2017	2016	2015
<u>Operating Coverage Ratio Calculation:</u>			
Operating Revenue (Including Investment Income and Interest on Loans)	\$ 74,507,732	\$ 71,390,385	\$ 66,484,071
Operating Expense (Excluding Depreciation, Certain Amounts Paid from Restricted Net Position and Amounts Paid from the Capital Budget)	\$ 84,069,175	\$ 83,951,457	\$ 85,240,552
MCCA Operating Coverage Ratio	<u>0.89</u>	<u>0.85</u>	<u>0.78</u>
Rev. PGSF (BCEC)	\$ 55.66	\$ 56.89	\$ 47.38
Rev. PGSF (Hynes), Excluding Commercial Space	\$ 57.48	\$ 49.88	\$ 52.05
Rev. PGSF (MMC - Conv. Center)	\$ 24.37	\$ 24.57	\$ 21.24
Revenue per Attendee (MMC) - Arena	\$ 7.33	\$ 7.76	\$ 7.67
Avg. Revenue per Space per Day (Common Garage)	\$ 24.77	\$ 25.83	\$ 25.79

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

KEY PERFORMANCE METRICS (CONTINUED)

The MCCA's management believes one important measure of the Authority's financial performance is its operating coverage ratio, which reveals the degree to which gross revenues from operations (including investment income and interest on loans) cover gross operating expenses (excluding depreciation, amounts paid from restricted net position and the capital budget). Use of this ratio reveals, in part, the degree to which the Authority must rely on non-operating revenue (largely the annual subsidy from the Convention Center Fund) to underwrite its net cost of operations. The greater the ratio the more successful the Authority has been in generating non-CCF resources and in meeting its goal to increase its financial self-sufficiency.

In 2017, 2016, and 2015, the Authority's operating coverage ratios (defined above) were 0.89, 0.85, and 0.78, respectively. The amounts in fiscal years 2017 and 2016 represent a meaningful increase from previous levels, helped by improving performance across the Authority's facilities, most notably the BCEC. Continued strong show quality, particularly with respect to consumption of food and beverage and event support services, offset by net pension and OPEB liabilities, helped keep the MCCA's coverage ratio consistent with the prior year at the highest level achieved by the Authority since the BCEC opened in 2004. Historically, management believed during a typical business year this ratio will fluctuate between 0.65 and 0.75 (or +/- 7 percent from the 0.70 mid-point) depending on event activities in any specific year. However, with diversification of revenue streams and efforts to minimize expense increases, management continues to work to increase the annual coverage ratio to well above the historical target.

The convention centers' revenue-generating performance can also be measured by their Revenue Per Gross Square Feet (Rev. PGSF), which is the total event related revenue achieved in the fiscal year divided by the facility's gross square feet available for rental. This measures the amount of revenue the Authority was able to generate from the facility, assuming that all saleable square feet are equally capable of generating revenue from customers. Management believes this metric is a good reflection of both the number and quality of events leasing convention center space.

In fiscal year 2017 the BCEC's Revenue PGSF decreased by 2.2 percent, from \$56.89/sq. ft. to \$55.66/sq. ft. While dropping slightly, this is still substantially above the fiscal year 2015 result of \$47.38/sq. ft. During fiscal year 2017 demand by both show and exhibitor customers remained high, particularly for food and beverage and event support services. The Hynes experienced a 15 percent year-on-year increase to \$57.48/sq. ft., following its first drop in several years in fiscal year 2016. Similar to the BCEC, the Hynes benefited from strong demand for event support services and food and beverage services.

The MassMutual Center's arena top-line performance, as measured by revenue per attendee, fell from \$7.76 in 2016 to \$7.33 during fiscal year 2017. It should be noted, however, that turnstile attendance increased by 50 percent over the year as the MMC acquired a second hockey tenant and each of the two hockey team's ownership have aggressively sought to increase nightly attendance at games at the MMC. Using revenue per gross square foot as the measurement, performance on the convention center side declined slightly from \$24.57 in fiscal year 2016 to \$24.37 in fiscal year 2017. Ticketed events within the convention space were down substantially, offsetting gains in convention food and beverage sales.

The BCG performance is measured by its Revenue per Space per Day, which is the total parking revenue achieved in the fiscal year divided by the facility's total number of available spaces per year (1,367 spaces times 365 days). Management believes this metric is a good reflection of our ability to "turn" the space during the day to maximize daily occupancy. In fiscal year 2017, Common Garage Revenue per Space was \$24.77 falling below fiscal year 2016's result of \$25.83.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	% Change 2017-2016	% Change 2016-2015
Cash and Cash Equivalents	\$ 36,556,750	\$ 17,763,660	\$ 17,980,839	106 %	(1)%
Restricted Cash and Cash Equivalents:					
Cash Held by Commonwealth (2015)	587,277	587,277	7,115,016	0%	(92)%
Grants and Recovery (Including Restricted Grants)					
Receivables from Commonwealth	23,288,551	25,899,946	21,714,505	(10)%	19 %
Convention Receivables, Loans Receivable (Current), and Prepaid Expenses	5,949,975	6,505,252	6,610,175	(9)%	(2)%
Long-Term Loans Receivable	16,051,072	16,414,709	16,762,374	(2)%	(2)%
Capital Assets, Net	729,780,877	767,344,759	809,708,366	(5)%	(5)%
Deferred Outflows of Resources	<u>11,667,515</u>	<u>8,897,656</u>	<u>2,152,344</u>	31 %	N/A
Total Assets and Deferred Outflows of Resources	<u>\$ 823,882,017</u>	<u>\$ 843,413,259</u>	<u>\$ 882,043,619</u>	(2)%	(4)%

Cash and Cash Equivalents

Reflects monies on hand from Authority operations.

Restricted Cash and Cash Equivalents

Reflects the Authority's cash on hand restricted for purposes associated with the prior sale of air rights.

Grants and Recovery Receivables from Commonwealth

Reflects the receivable due from the Commonwealth (from the Convention Center Fund) to offset the Authority's net cost of operations and pay-go capital programming. Funds are disbursed by the Commonwealth to the Authority in accordance with an annual funding agreement executed between the Executive Office for Administration and Finance and the Authority. Beginning in fiscal year 2017, this category also includes funds requested by the Authority from CCF associated with its adopted policy to set funding aside to defray the costs of its retiree pension and other post-employment benefits (OPEB) liabilities.

Convention Receivables, Loans Receivable (Current), and Prepaid Expenses

Reflects the Authority's receivables from operations, current loans receivable from the Boston Tea Party Ship and Museum, Inc., and prepaid assets such as insurance, which are expensed over time.

Long-Term Loans Receivable

Reflects the Authority's noncurrent loans receivable from the Boston Tea Party Ship and Museum, Inc.

Capital Assets, Net

Reflects the Authority's investment in land and capitalized assets less accumulated depreciation.

Deferred Outflows of Resources

Reflects the Authority's deferred outflows of resources related to pensions.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	% Change 2017-2016	% Change 2016-2015
Payables, Accrued Expenses, Unearned Revenue, and Compensated Absences (Current)	\$ 33,974,069	\$ 23,424,808	\$ 30,891,615	45 %	(24)%
Environmental Remediation	1,929,591	11,408,172	6,178,719	(83)%	85 %
Accrued Compensated Absences, Noncurrent	1,362,548	1,376,383	1,469,679	(1)%	(6)%
Net Pension Liability	45,107,233	37,647,760	24,824,160	20 %	N/A
Net OPEB Obligation	11,335,843	9,424,160	7,724,869	20 %	22 %
Deferred Inflows of Resources	477,448	1,335,583	5,095,130	(64)%	N/A
Net Position - Net investment in Capital Assets	729,780,877	767,344,759	809,708,366	(5)%	(5)%
Net Position - Restricted for Loans and Other	587,277	587,277	618,813	-)%	(5)%
Net Position - (Unrestricted)	<u>(672,869)</u>	<u>(9,135,643)</u>	<u>(4,467,732)</u>	(93)%	104 %
Total Liabilities and Net Position	<u>\$ 823,882,017</u>	<u>\$ 843,413,259</u>	<u>\$ 882,043,619</u>	(2)%	(4)%

Payables, Accrued Expenses, Unearned Revenue, and Compensated Absences (Current)

Reflects the Authority's current responsibilities applicable to vendors, short-term accrued sick and vacation pay benefits, and deposits received for future shows.

Environmental Remediation

Reflects the Authority's remediation requirements associated with the judgment from the *Commonwealth of Massachusetts et.al. v. SAK Recycling et.al., C.A. No. 96-0673A* case.

Accrued Compensated Absences, Noncurrent

Reflects the Authority's long-term accrued sick and vacation pay benefits.

Net Pension Liability

Reflects the Authority's net pension liability as calculated in accordance with GASB Statement No. 68.

Net OPEB Obligation

Reflects the Authority's net OPEB obligation as calculated in accordance with GASB Statement No. 45.

Deferred Inflows of Resources

Reflects the Authority's deferred inflows of resources related to pensions.

Net Position (Net Investment in Capital Assets)

Reflects the Authority's total net investment in capital assets.

Net Position (Restricted for Loans and Other)

Reflects the Authority's restricted amounts related to loans to the Boston Tea Party Ship and Museum, Inc.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (CONTINUED)

Net Position (Unrestricted)

Reflects the accumulated revenues and expenses from Authority's operations, including proceeds from the Convention Center Fund.

CONSTRUCTION ACTIVITIES

During fiscal year 2017, the Authority reviewed and revised its existing capital projects planning program to ensure the efficient and effective future investment of resources in the technology and infrastructure needs across all four of its facilities. The program provides the Authority with the projected future capital requirements necessary to keep the Authority's assets in excellent working condition. In addition, the Authority has a number of on-going capital projects, including the remediation of contaminants located under portions of the BCEC's South Parking Lot, repairs to the Interstate 90 tunnel structures maintained by the Authority and located under the Hynes, replacement of escalators at the Hynes, repairs to the roof of the Boston Common Garage, representing \$23 million in committed projects of which \$4 million has been spent to date (see Note 13, page 42).

Chapter 195 of the Acts of 2014 authorized the expansion of the BCEC, which calls for development and construction of approximately 1.3 million additional square feet to the BCEC, including substantial additions to the exhibit and meeting space, and a second, larger ballroom. The funding authorized for the construction totals \$1 billion. Initial design, construction, and related activities by the Authority began in fiscal year 2015 but are currently on hold subject to further review by the Authority.

RISK ASSESSMENT

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

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

REQUESTS FOR INFORMATION

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 36,556,750	\$ 17,763,660
Restricted Cash and Cash Equivalents	587,277	587,277
Receivables, Net of Allowance for Uncollectible Amounts:		
Grants from the Commonwealth	21,358,960	14,491,774
Convention	4,027,099	4,218,810
Loans	363,637	347,665
Environmental Remediation Recovery	1,929,591	11,408,172
Prepaid Expenses	1,559,239	1,938,777
Total Current Assets	66,382,553	50,756,135
Noncurrent Assets:		
Loan Receivable, Net of Allowance for Uncollectible Amounts	16,051,072	16,414,709
Capital Assets Not Being Depreciated	180,398,730	175,384,432
Capital Assets, Net of Accumulated Depreciation	549,382,147	591,960,327
Total Noncurrent Assets	745,831,949	783,759,468
Total Assets	812,214,502	834,515,603
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	11,667,515	8,897,656
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	18,653,574	10,729,209
Unearned Revenue	13,602,109	10,607,223
Accrued Compensated Absences	968,386	1,005,045
Total Current Liabilities	33,224,069	22,341,477
Noncurrent Liabilities:		
Unearned Revenue	750,000	1,083,331
Environmental Remediation	1,929,591	11,408,172
Accrued Compensated Absences	1,362,548	1,376,383
Net Pension Liability	45,107,233	37,647,760
Net OPEB Obligation	11,335,843	9,424,160
Total Noncurrent Liabilities	60,485,215	60,939,806
Total Liabilities	93,709,284	83,281,283
DEFERRED INFLOWS OF RESOURCES		
Pension Related	477,448	1,335,583
NET POSITION		
Net Investment in Capital Assets	729,780,877	767,344,759
Restricted for:		
Transportation Planning/Roadway Improvements	587,277	587,277
Unrestricted Deficit	(672,869)	(9,135,643)
Total Net Position	\$ 729,695,285	\$ 758,796,393

See accompanying Notes to Financial Statements.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Convention Services Income	\$ 22,778,517	\$ 23,151,995
Convention Rental Income	19,752,929	18,863,930
Food and Beverage	11,601,058	9,827,687
Parking Fees	13,272,285	13,164,114
Commercial Revenue	3,489,179	2,413,116
Other	2,808,514	3,206,747
Total Operating Revenues	73,702,482	70,627,589
OPERATING EXPENSES		
Salaries and Benefits - Operating	27,705,653	26,549,316
Salaries and Benefits - Administrative	8,300,728	8,515,283
Other Operating Expenses	22,030,183	28,794,189
Contracted Services	22,461,782	24,401,774
Utilities	9,179,947	9,034,181
Depreciation	53,852,173	51,116,702
Total Operating Expenses	143,530,466	148,411,445
OPERATING (LOSS)	(69,827,984)	(77,783,856)
NONOPERATING REVENUES (EXPENSES)		
Massachusetts Convention Center Fund - Operating Subsidy	20,332,934	28,266,310
Federal Grants	-	414,658
Nonemployer Contribution to Pension Plan	1,752,269	1,530,521
Interest Received on Loans Receivable	747,194	762,465
Investment Income	58,054	332
Loss on Sale of Capital Assets	(684,067)	-
MassDot Building Relocation	-	(21,000,000)
Transportation Planning	-	(31,536)
Total Nonoperating Revenues, Net	22,206,384	9,942,750
LOSS BEFORE CAPITAL CONTRIBUTIONS	(47,621,600)	(67,841,106)
CAPITAL CONTRIBUTIONS		
Massachusetts Convention Center Fund - Capital Contributions	11,178,492	20,778,052
Non-Cash Capital Contributions	6,800,000	-
Capital Contributions	542,000	-
Total Capital Contributions	18,520,492	20,778,052
CHANGE IN NET POSITION	(29,101,108)	(47,063,054)
Net Position - Beginning of Year	758,796,393	805,859,447
NET POSITION - END OF YEAR	\$ 729,695,285	\$ 758,796,393

See accompanying Notes to Financial Statements.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 76,555,748	\$ 71,515,541
Payments to Vendors	(43,268,624)	(57,715,396)
Payments to Employees	(28,759,710)	(30,016,215)
Net Cash Provided (Used) by Operating Activities	4,527,414	(16,216,070)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Massachusetts Convention Center Fund - Operating Subsidy	12,201,120	30,493,729
MassDot Building Relocation (Note 15)	-	(21,000,000)
Payments for Environmental Remediation Recovered from CCF	(6,519,555)	(478,027)
Federal Grants	-	414,658
Net Cash Provided by Noncapital Financing Activities	5,681,565	9,430,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Massachusetts Convention Center Fund - Capital Contributions	18,962,675	26,251,391
Acquisition and Construction of Capital Assets	(11,531,477)	(20,778,052)
Net Cash Provided by Capital and Related Financing Activities	7,431,198	5,473,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Repayments	347,665	332,395
Interest Received on Loans Receivable	747,194	762,465
Investment Income	58,054	332
Transportation Planning	-	(31,536)
Net Cash Provided by Investing Activities	1,152,913	1,063,656
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,793,090	(248,715)
Cash and Cash Equivalents - Beginning of Year (Includes \$587,277 as Restricted Cash)	18,350,937	18,599,652
CASH AND CASH EQUIVALENTS - END OF YEAR (Includes \$587,277 as Restricted Cash)	\$ 37,144,027	\$ 18,350,937

See accompanying Notes to Financial Statements.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating Loss	\$ (69,827,984)	\$ (77,783,856)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:		
Changes in Assets and Liabilities Not Requiring Current Cash Flows:		
Depreciation	53,852,173	51,116,702
Discontinued Capital Projects	1,359,118	12,024,957
Other	-	317,484
Net Pension Liability	5,583,749	3,849,262
Net OPEB Obligation	1,911,683	1,699,291
Effect of Changes in Operating Assets and Liabilities:		
Convention Receivables, Net	191,711	404,597
Prepaid Assets	379,538	(284,404)
Accounts Payable and Accrued Expenses	8,466,365	(7,771,422)
Unearned Revenue	2,661,555	483,355
Accrued Compensated Absences	(50,494)	(272,036)
Total Adjustments	74,355,398	61,567,786
Net Cash Provided (Used) by Operating Activities	\$ 4,527,414	\$ (16,216,070)

See accompanying Notes to Financial Statements.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

Reporting Entity

Establishment and Background

The Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts (Commonwealth), is a public authority created by act of the Legislature of the Commonwealth with the original purpose of acquiring and operating a portfolio of assets, specifically, the John B. Hynes Veterans Memorial Convention Center (the Hynes Convention Center) and the Boston Common Garage (the Garage). The Authority's purpose is to generate significant regional economic activity by attracting conventions, trade shows, and other events to its facilities while maximizing investment return for the Commonwealth.

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

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

In addition to these provisions, the Act also enlarged the Authority's Board of Directors to 13 members. The BCEC officially opened for business in the summer of 2004, and the Springfield Civic Center project was completed in the fall of 2005 (see Note 5, now designated as the MassMutual Center). Subsequent acts (Chapter 23 of the Acts of 1998 and Chapter 45 of the Acts of 2001) have had several provisions relevant to the Authority.

As part of the BCEC project, the Authority also ground leased a portion of the project site to the Boston Convention Center Hotel, LLC (the Hotel) for the purpose of the design, construction, ownership, and operation of a 790-room hotel adjacent and connected to the BCEC. The Authority was responsible for site preparations and construction of infrastructure associated with Hotel construction. The Hotel officially opened for business in June of 2006.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Funding

The Act, as amended by Section 439 of Chapter 26 of the Acts of 2003, created the Convention Center Fund (Fund). The purpose of the Fund is to provide funding for the activities of the Authority. Section 439 amended Section 10(c) of the Act, which authorized up to \$23 million annually to defray the Authority's net cost of operations from its activities as well as providing for reserves for capital and current expenses of the Authority. Chapter 195 of Acts of 2014 increased the fiscal years 2015, 2016, 2017 and 2018 (and on) caps to \$24 million, \$25 million, \$26 million, and \$28 million, respectively. During fiscal year 2017, the Authority requested reimbursements from the Fund totaling \$38,030,981 for the net cost of operations (\$1,718,347), tall ship reimbursements (\$4,250,000), OPEB/Pension Trust funding (\$14,364,587), pay-go capital program (\$11,178,492) and recovery of environmental remediation costs (\$6,519,555). During fiscal year 2016, the Authority requested reimbursements from the Fund totaling \$49,522,390 for the net cost of operations (\$6,265,466), MassDot relocation expenditures (\$21,000,000), pay-go capital program (\$21,778,897) and recovery of environmental remediation costs (\$478,027).

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

Operating revenues and expenses are segregated from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the principal operations of the Authority. Operating revenues consist primarily of Convention Center services and rental revenues and parking fees charged to users of the Boston Common Garage. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

Restricted Assets

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

Cash has been restricted for funds received for the prior sale of air rights.

Accounts Receivable

Grants from the Commonwealth

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

Convention

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 2017 and 2016, the allowance for doubtful accounts amounted to \$298,052 and \$823,625, respectively.

Loans

The Authority authorized an \$18,000,000 loan to the Boston Tea Party Ship and Museum, Inc. for the construction of the Boston Tea Party museum and historical replica ships. Loan amounts were distributed based on reimbursement requests submitted during the construction period. Outstanding loans at June 30, 2017 and 2016 totaled \$16,414,709 and \$16,762,374, respectively.

Environmental Remediation Recovery

The Authority has entered into a grant agreement with the Commonwealth to receive reimbursement for all environmental remediation costs incurred (see Note 9). The funds are to be reimbursed from the Convention Center Fund and are considered 100% collectible.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

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

Capital Assets

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

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

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

Capital assets (excluding land, intangible assets, and construction in progress) are depreciated on a straight-line basis. The estimated useful lives and capitalization thresholds are as follows:

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

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

Revenue Recognition

Revenues are recognized on the accrual basis of accounting. The BCEC, Lawn on D, Hynes Convention Center, and MassMutual Center revenues consist primarily of rental income and income for services such as electricity, air, water, telephone, cleaning, rigging, security, internet access, equipment, and food. Boston Common Garage revenue consists of parking fees. In 2017, the accounting for rigging revenue changed. Rigging revenue is being recognized based on the net commission earned based on the contracts with the vendors.

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Benefits

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

Other Postemployment Benefits

In addition to providing pension benefits and as more fully described in Note 10, the Authority provides health and life insurance coverage for current and future retirees and their spouses.

Compensated Absences (Vacation Pay and Sick Leave Benefits)

All union employees are contractually entitled to receive vacation pay benefits and, upon retirement, sick leave benefits which are capped at varying amounts based upon the applicable contract. In addition, the Authority has extended a similar, but more limited, benefit to all other eligible employees. Vacation pay and sick leave benefits accrued for employees at June 30, 2017 and 2016, totaled approximately \$2,331,000 and \$2,381,000, respectively, and is reflected in the accompanying statements of net position as accrued compensated absences.

Net Position

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

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

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use. Net position has been restricted for *transportation planning*, which represents amounts related to the previous sale of air rights.

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority does not have a policy for custodial credit risk of deposits. At June 30, 2017 and 2016, bank deposits totaling \$37,527,307 and \$20,147,152, respectively, were not exposed to custodial credit risk. The carrying amount of deposits totaled \$37,144,027 and \$18,350,937 at June 30, 2017 and 2016, respectively.

NOTE 3 ACCOUNTS RECEIVABLE

At June 30, 2017, receivables consist of the following:

Type	Gross Amount	Allowances for Uncollectibles	Net Amount
Grants Receivable from the Commonwealth	\$ 21,358,960	\$ -	\$ 21,358,960
Convention Receivables	4,325,151	(298,052)	4,027,099
Loans Receivable	16,414,709	-	16,414,709
Environmental Remediation Recovery	1,929,591	-	1,929,591
Total	<u>\$ 44,028,411</u>	<u>\$ (298,052)</u>	<u>\$ 43,730,359</u>

At June 30, 2016, receivables consist of the following:

Type	Gross Amount	Allowances for Uncollectibles	Net Amount
Grants Receivable from the Commonwealth	\$ 14,491,774	\$ -	\$ 14,491,774
Convention Receivables	5,042,435	(823,625)	4,218,810
Loans Receivable	16,762,374	-	16,762,374
Environmental Remediation Recovery	11,408,172	-	11,408,172
Total	<u>\$ 47,704,755</u>	<u>\$ (823,625)</u>	<u>\$ 46,881,130</u>

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NOTE 4 CAPITAL ASSETS

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

	2017			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets not being Depreciated:				
Land	\$ 161,039,381	\$ 6,800,000	\$ -	\$ 167,839,381
Construction in Progress	5,736,692	11,763,085	(13,548,787)	3,950,990
Intangible Assets	8,608,359	-	-	8,608,359
Total Capital Assets not being Depreciated:	175,384,432	18,563,085	(13,548,787)	180,398,730
Capital Assets being Depreciated:				
Land Improvements	4,037,520	-	-	4,037,520
Buildings and Improvements:				
BCEC	705,729,541	6,424,509	(46,500)	712,107,550
Hynes Convention Center	247,094,539	157,953	(187,901)	247,064,591
MassMutual Center	73,206,210	-	-	73,206,210
Boston Common Garage	40,752,491	201,669	-	40,954,160
Equipment and Fixtures	78,969,621	5,362,945	(2,708,866)	81,623,700
Total Capital Assets being Depreciated	1,149,789,922	12,147,076	(2,943,267)	1,158,993,731
Less: Accumulated Depreciation for:				
Land Improvements	(269,245)	(399,971)	-	(669,216)
Buildings and Improvements:				
BCEC	(270,646,742)	(27,218,029)	46,500	(297,818,271)
Hynes Convention Center	(182,282,648)	(12,685,597)	187,900	(194,780,345)
MassMutual Center	(26,142,729)	(2,482,571)	-	(28,625,300)
Boston Common Garage	(25,652,940)	(1,745,215)	-	(27,398,155)
Equipment and Fixtures	(52,835,291)	(9,320,790)	1,835,784	(60,320,297)
Total Accumulated Depreciation	(557,829,595)	(53,852,173)	2,070,184	(609,611,584)
Total Capital Assets being Depreciated, Net	591,960,327	(41,705,097)	(873,083)	549,382,147
Total Capital Assets, Net	<u>\$ 767,344,759</u>	<u>\$ (23,142,012)</u>	<u>\$ (14,421,870)</u>	<u>\$ 729,780,877</u>

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JUNE 30, 2017 AND 2016

NOTE 4 CAPITAL ASSETS (CONTINUED)

	2016			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets not being Depreciated:				
Land	\$ 161,039,380	\$ -	\$ -	\$ 161,039,380
Construction in Progress	37,873,448	22,256,923	(54,393,678)	5,736,693
Intangible Assets	8,608,359	-	-	8,608,359
Total Capital Assets not being Depreciated:	<u>207,521,187</u>	<u>22,256,923</u>	<u>(54,393,678)</u>	<u>175,384,432</u>
Capital Assets being Depreciated:				
Land Improvements	75,857	3,961,663	-	4,037,520
Buildings and Improvements:				
BCEC	703,483,835	2,584,646	(338,940)	705,729,541
Hynes Convention Center	228,391,292	18,717,242	(13,995)	247,094,539
MassMutual Center	73,239,423	-	(33,213)	73,206,210
Boston Common Garage	39,403,727	1,399,652	(50,888)	40,752,491
Equipment and Fixtures	72,415,062	14,226,647	(7,672,088)	78,969,621
Total Capital Assets being Depreciated	<u>1,117,009,196</u>	<u>40,889,850</u>	<u>(8,109,124)</u>	<u>1,149,789,922</u>
Less: Accumulated Depreciation for:				
Land Improvements	(65,333)	(203,912)	-	(269,245)
Buildings and Improvements:				
BCEC	(244,130,632)	(26,855,050)	338,940	(270,646,742)
Hynes Convention Center	(171,478,084)	(10,818,559)	13,995	(182,282,648)
MassMutual Center	(23,717,802)	(2,458,140)	33,213	(26,142,729)
Boston Common Garage	(24,118,745)	(1,585,083)	50,888	(25,652,940)
Equipment and Fixtures	(51,311,421)	(9,195,958)	7,672,088	(52,835,291)
Total Accumulated Depreciation	<u>(514,822,017)</u>	<u>(51,116,702)</u>	<u>8,109,124</u>	<u>(557,829,595)</u>
Total Capital Assets being Depreciated, Net	<u>602,187,179</u>	<u>(10,226,852)</u>	<u>-</u>	<u>591,960,327</u>
Total Capital Assets, Net	<u>\$ 809,708,366</u>	<u>\$ 12,030,071</u>	<u>\$ (54,393,678)</u>	<u>\$ 767,344,759</u>

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NOTE 5 NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company for provision of naming rights at the new Springfield Civic Center. In consideration for \$5,000,000, the Springfield Civic Center was designated as the MassMutual Center. MassMutual in turn granted the Authority a license to use the Intellectual Property for limited use. Upon termination of the agreement, the name of the facility shall revert to the Springfield Civic Center. The term of the agreement commenced on September 29, 2005 (the opening date of the new center) and will end on the 15th year anniversary unless terminated earlier. Included in other revenue is the amortization of the naming rights amounting to \$333,333 for the years ended June 30, 2017 and 2016. At June 30, 2017 and 2016, the unamortized balance reported as unearned revenue totals approximately \$1,110,000 and \$1,440,000, respectively.

NOTE 6 LEASES (RENTAL INCOME)

The Authority leases various properties to third parties. For the years ended June 30, 2017 and 2016, the Authority earned approximately \$3,489,000 and \$2,413,000, respectively, in rental income and is included as commercial revenue in the statements of revenues, expenses, and changes in net position. The following represents the future minimum lease payments to be received under noncancelable operating leases:

<u>Fiscal Year</u>	<u>Payment</u>
2018	\$ 2,343,105
2019	2,396,896
2020	2,460,322
2021	2,606,663
2022	2,834,593
Thereafter	87,823,194
Total	<u>\$ 100,464,773</u>

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NOTE 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS

The Authority currently operates seven operating segments: the BCEC, the Lawn on D, the Hynes Convention Center, the MassMutual Center, the Boston Common Garage, Event Development, Central Administration, and Sales and Marketing. Summarized financial information for the years ended June 30 is presented as follows:

	2017							Total
	BCEC	Lawn on D	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Assets:								
Current Assets	\$ 4,346,028	\$ 99,801	\$ 930,605	\$ 515,533	\$ 29,018	\$ 59,474,291	\$ 400,000	\$ 65,795,276
Restricted Assets	-	-	-	-	-	587,277	-	587,277
Noncurrent Assets (Excluding Capital Assets)	-	-	-	-	-	16,051,072	-	16,051,072
Capital Assets	548,692,124	1,275,068	110,729,853	49,443,773	16,220,905	3,419,154	-	729,780,877
Total Assets	\$ 553,038,152	\$ 1,374,869	\$ 111,660,458	\$ 49,959,306	\$ 16,249,923	\$ 79,531,794	\$ 400,000	\$ 812,214,502
Deferred Outflows	\$ 4,796,022	\$ 55,749	\$ 2,597,856	\$ 19,510	\$ 474,796	\$ 3,292,648	\$ 430,934	\$ 11,667,515
Liabilities:								
Current Liabilities	\$ 18,383,800	\$ 701,168	\$ 4,351,934	\$ 991,291	\$ 588,517	\$ 6,671,381	\$ 1,535,978	33,224,069
Noncurrent Liabilities	6,009,310	74,449	2,242,671	750,000	346,134	50,923,433	139,218	60,485,215
Total Liabilities	\$ 24,393,110	\$ 775,617	\$ 6,594,605	\$ 1,741,291	\$ 934,651	\$ 57,594,814	\$ 1,675,196	\$ 93,709,284
Deferred Inflows	\$ 82,324	\$ (7,712)	\$ 125,925	\$ -	\$ 4,438	\$ 144,646	\$ 127,827	\$ 477,448
Net Position:								
Net Investment in Capital Assets								729,780,877
Restricted:								
Other								587,277
Unrestricted								(672,869)
Total Net Position								\$ 729,695,285

	2017							Total
	BCEC	Lawn on D	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Operating Revenues	\$ 39,597,044	\$ 1,393,145	\$ 16,400,248	\$ 3,927,424	\$ 12,360,962	\$ 7,159	\$ 16,500	\$ 73,702,482
Operating Expenses	(66,464,909)	(1,308,671)	(33,979,007)	(11,705,252)	(5,101,567)	(17,229,109)	(7,741,951)	(143,530,466)
Operating Income	(26,867,865)	84,474	(17,578,759)	(7,777,828)	7,259,395	(17,221,950)	(7,725,451)	(69,827,984)
Nonoperating Revenues/(Expenses):								
Interest on Loans Receivable	-	-	-	-	-	747,194	-	747,194
Investment Income	-	-	-	-	-	58,054	-	58,054
Loss on Sale of Capital Assets	(684,067)	-	-	-	-	-	-	(684,067)
CCF - Operating Subsidy	-	-	-	-	-	20,332,934	-	20,332,934
Nonemployer Contribution	758,184	15,748	411,938	-	62,162	476,756	27,481	1,752,269
Loss Before Capital Contributions	(26,793,748)	100,222	(17,166,821)	(7,777,828)	7,321,557	4,392,988	(7,697,970)	(47,621,600)
CCF - Capital Contributions	7,840,835	1,470,464	3,693,402	1,653,502	1,600,695	(5,080,406)	-	11,178,492
Non-Cash Capital Contributions	6,800,000	-	-	-	-	-	-	6,800,000
Capital Contributions	542,000	-	-	-	-	-	-	542,000
Change in Net Position	\$ (11,610,913)	\$ 1,570,686	\$ (13,473,419)	\$ (6,124,326)	\$ 8,922,252	\$ (687,418)	\$ (7,697,970)	(29,101,108)
Net Position - Beginning of Year								758,796,393
Net Position - End of Year								\$ 729,695,285

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NOTE 7 OPERATING PERFORMANCE BY OPERATING SEGMENTS (CONTINUED)

	2016							Total
	BCEC	Lawn on D	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Assets:								
Current Assets	\$ 13,703,097	\$ 217,936	\$ 1,126,413	\$ 2,304,385	\$ 5,178	\$ 32,511,849	\$ 300,000	\$ 50,168,858
Restricted Assets	-	-	-	-	-	587,277	-	587,277
Noncurrent Assets (Excluding Capital Assets)	-	-	-	-	-	16,414,709	-	16,414,709
Capital Assets	566,029,139	1,464,708	125,938,285	52,782,897	16,886,309	4,243,421	-	767,344,759
Total Assets	<u>\$ 579,732,236</u>	<u>\$ 1,682,644</u>	<u>\$ 127,064,698</u>	<u>\$ 55,087,282</u>	<u>\$ 16,891,487</u>	<u>\$ 53,757,256</u>	<u>\$ 300,000</u>	<u>\$ 834,515,603</u>
Deferred Outflows	<u>\$ 3,597,542</u>	<u>\$ 30,856</u>	<u>\$ 1,946,694</u>	<u>\$ 19,510</u>	<u>\$ 376,534</u>	<u>\$ 2,539,027</u>	<u>\$ 387,493</u>	<u>\$ 8,897,656</u>
Liabilities:								
Current Liabilities	\$ 10,794,603	\$ 1,144,687	\$ 4,220,658	\$ 2,056,427	\$ 481,805	\$ 3,237,111	\$ 406,186	22,341,477
Noncurrent Liabilities	17,648,255	54,004	3,020,559	1,083,331	583,028	37,966,506	584,123	60,939,806
Total Liabilities	<u>\$ 28,442,858</u>	<u>\$ 1,198,691</u>	<u>\$ 7,241,217</u>	<u>\$ 3,139,758</u>	<u>\$ 1,064,833</u>	<u>\$ 41,203,617</u>	<u>\$ 990,309</u>	<u>\$ 83,281,283</u>
Deferred Inflows	<u>\$ 453,627</u>	<u>\$ -</u>	<u>\$ 327,663</u>	<u>\$ -</u>	<u>\$ 34,881</u>	<u>\$ 378,127</u>	<u>\$ 141,285</u>	<u>\$ 1,335,583</u>
Net Position:								
Net Investment in Capital Assets								767,344,759
Restricted:								
Other								587,277
Unrestricted								(9,135,643)
Total Net Position								<u>\$ 758,796,393</u>

	2016							Total
	BCEC	Lawn on D	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Operating Revenues	\$ 39,561,196	\$ 458,298	\$ 14,231,127	\$ 3,488,087	\$ 12,888,659	\$ 222	\$ -	\$ 70,627,589
Operating Expenses	(80,271,596)	(959,965)	(30,281,459)	(10,702,228)	(4,880,530)	(13,659,416)	(7,656,251)	(148,411,445)
Operating Income	(40,710,400)	(501,667)	(16,050,332)	(7,214,141)	8,008,129	(13,659,194)	(7,656,251)	(77,783,856)
Nonoperating Revenues/(Expenses):								
Federal Grants	-	-	-	-	-	414,658	-	414,658
Interest on Loans Receivable	-	-	-	-	-	762,465	-	762,465
Investment Income	-	-	-	-	-	332	-	332
CCF - Operating Subsidy	21,000,000	-	-	-	-	7,266,310	-	28,266,310
Transportation planning	(31,536)	-	-	-	-	-	-	(31,536)
MassDot Expenses	(21,000,000)	-	-	-	-	-	-	(21,000,000)
Nonemployer Contribution	649,913	7,001	317,103	-	59,856	431,422	65,226	1,530,521
Loss Before Capital Contributions	(40,092,023)	(494,666)	(15,733,229)	(7,214,141)	8,067,985	(4,784,007)	(7,591,025)	(67,841,106)
CCF - Capital Contributions	7,840,835	1,470,464	3,693,402	1,653,502	1,600,695	4,519,154	-	20,778,052
Change in Net Position	<u>\$ (32,251,188)</u>	<u>\$ 975,798</u>	<u>\$ (12,039,827)</u>	<u>\$ (5,560,639)</u>	<u>\$ 9,668,680</u>	<u>\$ (264,853)</u>	<u>\$ (7,591,025)</u>	<u>\$ (47,063,054)</u>
Net Position - Beginning of Year								805,859,447
Net Position - End of Year								<u>\$ 758,796,393</u>

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NOTE 8 LONG-TERM OBLIGATIONS

During the fiscal years ended June 30, 2017 and 2016, the following changes occurred in long-term liabilities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Environmental Remediation	\$ 11,408,172	\$ -	\$ (9,478,581)	\$ 1,929,591	\$ -
Net Pension Obligation	37,647,760	9,999,807	(2,540,334)	45,107,233	-
Net OPEB Obligation	9,424,160	2,104,928	(193,245)	11,335,843	-
Compensated Absences	2,381,428	-	(50,494)	2,330,934	968,386
Total	<u>\$ 60,861,520</u>	<u>\$ 12,104,735</u>	<u>\$ (12,262,654)</u>	<u>\$ 60,703,601</u>	<u>\$ 968,386</u>

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion
Environmental Remediation	\$ 6,178,719	\$ 5,707,480	\$ (478,027)	\$ 11,408,172	\$ -
Net Pension Obligation	24,824,160	14,994,738	(2,171,138)	37,647,760	-
Net OPEB Obligation	7,724,869	1,889,706	(190,415)	9,424,160	-
Compensated Absences	2,653,464	1,639,973	(1,912,009)	2,381,428	1,005,045
Total	<u>\$ 41,381,212</u>	<u>\$ 24,231,897</u>	<u>\$ (4,751,589)</u>	<u>\$ 60,861,520</u>	<u>\$ 1,005,045</u>

NOTE 9 ENVIRONMENTAL REMEDIATION

The Authority has included in its financial statements a cost estimate for the remediation of parcels of land adjacent to the Boston Convention and Exhibition Center in South Boston. In previous years, these sites had been identified by the Massachusetts Department of Environmental Protection as being contaminated (soil) and in need of remediation. During fiscal year 2012, it was determined that the Authority would take responsibility for the site cleanup.

During fiscal year 2007, the Authority, Commonwealth of Massachusetts, and Boston Redevelopment Authority entered into a Settlement Agreement that provided \$8,125,000 in settlement proceeds to be deposited with the Commonwealth to mitigate/offset the costs of remediation. The settlement proceeds were being held by the Commonwealth on behalf of the Authority. As of June 30, 2016, the funds were no longer available for use by the Authority.

During fiscal year 2016, the Authority entered into a grant agreement with the Commonwealth for the reimbursement of the remediation costs through the Convention Center Fund. As a result, the Authority recorded an estimated receivable for the recovery of these future costs as they are now considered realized and realizable.

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NOTE 9 ENVIRONMENTAL REMEDIATION (CONTINUED)

The following represents the estimated environmental remediation obligation at June 30:

<u>2017</u>	
Environmental Remediation Obligation	<u>\$ 1,929,591</u>
<u>2016</u>	
Environmental Remediation Obligation	<u>\$ 11,408,172</u>

The environmental remediation obligation was determined using the expected cash flow technique, which uses all expectations regarding possible cash flows. The gross environmental remediation obligation is based on what it would cost to perform remediation activities in fiscal year 2017. Actual costs may vary due to inflation, changes in technology, and changes in regulations.

The Massachusetts Department of Environmental Protection issued a policy in February 2016 entitled "Light Nonaqueous Phase Liquid (LNAPL) and the MCP: Guidance for Site Assessment and Closure." This policy indicates that total petroleum hydrocarbon (TPH) data greater than 1,000 mg/kg should be considered for evaluation of the potential presence of mobile LNAPL (separate phase petroleum product that is lighter than water). Based on its review of the MassDEP Guidance, the Authority's contracted licensed site professional (LSP) recommended further evaluation of elevated concentrations of TPH located at discrete areas of the Authority's property south of the Boston Convention and Exhibition Center. A subsurface exploration program to evaluate the potential presence of NAPL (if any) was conducted from late September through November of 2016. Based on a review of the recent and historical test boring logs, it appears that the majority of the petroleum impacts on MCCA property are localized to the areas towards the MCCA property line with an adjacent property owner. The source of the petroleum has not been identified. The Authority's LSP has recommended plans for additional measurement and assessment, and has also supported the Authority in contacting the adjacent property owner regarding its initial evaluation. Additional explorations will be necessary to ascertain to what extent, if any, the Authority may be required to take additional remediation measures.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Authority provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process (for union employees) or Board policy decisions (for nonunion employees). The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The number of participants as of July 1, 2016, the latest actuarial valuation, is as follows:

Active Employees	262
Retirees	33
Total	<u>295</u>

Funding Policy

The contribution requirements of Plan members and the Authority are established and may be amended by the Authority. The required contribution rates of firemen and oilers union employees hired on or before December 1, 2010 and after December 1, 2010 are 17.5% and 25%, respectively. For all other employees hired after June 30, 2008, the required contribution rate is 25%. For nonunion employees hired between July 1, 2003 and July 31, 2008, the required contribution rate is 25%. All other employees hired before July 1, 2003, the required contribution rate is 20%. The Authority pays the remaining required contribution for each type of employee. The Authority also reimburses firemen & oilers, and local 3 union retired employees for the employee portion (10% for retirees who retired on or before July 1, 1994; 15% for retirees who retired after July 1, 1994; 20% for retirees who retired after October 1, 2009; and 100% for additional catastrophic illness coverage) of the insurance benefits if they have five years of continuous service with the Authority at the time of retirement. Those employees who have less than five years of continuous service do not receive this benefit. There are currently 10 union retired employees who receive this benefit. In addition, the Authority used to cover these costs for nonunion retirees but has discontinued that practice. There are currently 10 nonunion retired employees who were grandfathered in under the old policy. The Authority currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Authority.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table identifies the components of the Authority's annual OPEB cost, the actual amount contributed to the plan, and changes in the Authority's net OPEB obligation for the past two fiscal years.

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NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (Continued)

	2017	2016
Annual Required Contribution	\$ 2,252,000	\$ 2,010,201
Interest on Net OPEB Obligation	376,966	308,845
Adjustment to Annual Required Contribution	<u>(524,038)</u>	<u>(429,340)</u>
Annual OPEB Cost	2,104,928	1,889,706
Contributions Made	<u>(193,245)</u>	<u>(190,415)</u>
Increase in Net OPEB Obligation	1,911,683	1,699,291
Net OPEB Obligation at Beginning of Year	<u>9,424,160</u>	<u>7,724,869</u>
Net OPEB Obligation at End of Year	<u><u>\$ 11,335,843</u></u>	<u><u>\$ 9,424,160</u></u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 1,778,350	9.3%	\$ 7,724,869
June 30, 2016	1,889,706	10.1%	9,424,160
June 30, 2017	2,104,928	9.2%	11,335,843

Funded Status and Funding Progress

The funded status of the Plan at July 1, 2016, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/16	\$ -	\$ 15,778,094	\$ 15,778,094	-	\$ 20,979,469	75.2%

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

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JUNE 30, 2017 AND 2016**

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Methods and Assumptions

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation Date:	July 1, 2016
Actuarial Cost Method:	Individual Entry Age Normal
Amortization Method:	Level Dollar Over 30 Years at the Last Valuation
Remaining Amortization Period:	24 years at July 1, 2016
Interest Discount Rate:	4.0%
Healthcare/Medical Cost Trend Rate:	5.0%
Inflationary Rate:	2.75% Annually
Pre-Retirement Mortality:	RP-2000 Employees Mortality Table projected generationally with scale BB and a based year of 2009 for males and females
Post-Retirement Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a based year of 2009 for males and females
Disability Mortality:	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a based year of 2012 for males and females

Allocation of AOPEBC

AOPEBC were allocated to the Authority's operating segments as follows:

	<u>2017</u>	<u>2016</u>
BCEC	\$ 862,525	\$ 790,670
Lawn on D	7,410	12,541
Hynes	562,208	439,829
Boston Common Garage	109,652	113,144
MassMutual Center	14,492	14,402
Administration	526,412	481,497
Marketing and Sales	22,229	37,623
Total AOPEBC	<u>\$ 2,104,928</u>	<u>\$ 1,889,706</u>

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NOTE 11 PENSION PLAN

General Information About the Pension Plan

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 11 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

The MGLs governing employer contribution requirements to MSERS vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. The Authority's contributions to the pension plan for the years ended June 30, 2017 and 2016 totaled \$754,322 and \$596,735, respectively. Nonemployer contributions from the Commonwealth for the year ended June 30, 2017 and 2016 totaled \$1,752,270 and \$1,530,521, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the Authority reported a liability of \$45,107,233 and \$37,647,760, respectively, for its proportionate share of the net pension liability. The June 30, 2017 net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 for which update procedures were used to roll forward the total pension liability to the measurement date (June 30, 2016). The Authority's proportion of the net pension liability is based on actual contributions adjusted for nonemployer contributions (as described previously). At June 30, 2017, the Authority's proportion was 0.32713%, which compared to a proportion of 0.33074% at June 30, 2015.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$6,371,813 and \$4,489,880, respectively. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	\$ 3,027,963	\$ -
Difference Between Expected and Actual Experience	2,142,472	-
Changes in Assumptions	5,002,093	-
Changes in Proportion	740,665	477,448
Contributions Made Subsequent to Measurement Date	754,322	-
Total	<u>\$ 11,667,515</u>	<u>\$ 477,448</u>

The \$754,322 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability during fiscal year 2018. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTE 11 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 2,443,788
2019	2,443,788
2020	3,511,508
2021	1,919,399
2022	117,262
Total	<u>\$ 10,435,745</u>

Actuarial Assumptions – The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions:

1. (a) 7.50% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement – RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
 - Post-retirement – RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
 - Disability – the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2006 to December 31, 2011, and applied to all periods included in the measurement.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (ORP) to transfer to the State Employees' Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by \$400 million as of June 30, 2016.

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

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NOTE 11 PENSION PLAN (CONTINUED)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40%	6.9%
Core Fixed Income	13%	1.6%
Private Equity	10%	8.7%
Real Estate	10%	4.6%
Value Added Fixed Income	10%	4.8%
Hedge Funds	9%	4.0%
Portfolio Completion Strategies	4%	3.6%
Timber/Natural Resources	4%	5.4%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 58,781,720	\$ 45,107,233	\$ 33,517,586

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 12 RISK FINANCING

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

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

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

NOTE 13 COMMITMENTS

The following represents the Authority's ongoing projects at June 30, 2017 and 2016:

	Committed Amount	Spent Through June 30, 2017	Remaining Commitment
BCEC Feasibility	\$ 1,014,409	\$ 14,409	\$ 1,000,000
BCEC Snow Melt	155,547	80,547	75,000
BCEC D Street Lot Gate Equipment	26,319	24,069	2,250
BCEC Sports Commission Office	323,647	73,647	250,000
BCEC New Business Center	575,321	15,321	560,000
BCEC Project Brew	1,746,572	90,572	1,656,000
BCEC Security Gate Install	32,392	32,392	-
BCEC Cal Wall Leak	534,986	77,986	457,000
BCEC Sidewalk Improvement	2,329,644	57,294	2,272,350
BCEC MassDot Building Demolition	1,345,916	987,188	358,728
BCEC D St Trail	551,718	133,718	418,000
BCEC Tunnel Walk	39,945	39,945	-
BCEC Gardens	331,759	81,759	250,000
BCEC Cypher St Improvement	18,909	18,909	-
BCEC Public Area Carpet	1,376,505	52,976	1,323,529
Lawn on D Gardens	460,850	135,850	325,000
Hynes N Escalators	925,578	473,549	452,029
Hynes Amplifier Upgrade	418,582	18,582	400,000
Hynes MA Pike Ceiling	3,007,933	307,933	2,700,000
Hynes Public Area Carpeting	782,809	42,809	740,000
Hynes Ballroom Carpeting	268,681	18,681	250,000
BCG Passenger Elevator	2,001,361	201,361	1,800,000
BCG Assisted Parking	1,525,217	112,217	1,413,000
BCG Roof Repair	2,378,775	563,775	1,815,000
MMC Digital and Arena Media Matrix	322,062	72,062	250,000
MMC Flood Mitigation	223,440	223,440	-
Total	<u>\$ 22,718,876</u>	<u>\$ 3,950,990</u>	<u>\$ 18,767,886</u>

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 13 COMMITMENTS (CONTINUED)

	Committed Amount	Spent Through June 30, 2016	Remaining Commitment
BCEC Fire Protection	\$ 118,242	\$ 20,742	\$ 97,500
BCEC Snow Melt	155,547	80,547	75,000
BCEC Air Handler Phase 3 & 4	1,504,842	1,129,842	375,000
BCEC Bi-Part	541,035	319,035	222,000
BCEC Paving and Sidewalks	2,852,711	1,602,711	1,250,000
Hynes Master Plan	1,537,809	1,037,809	500,000
Hynes Escalator	719,025	14,025	705,000
BCG Passenger Elevator	2,117,877	186,877	1,931,000
BCG Emergency Call Box	957,558	157,558	800,000
BCG Assisted Parking	879,101	27,101	852,000
BCG Roof Repair	765,668	280,668	485,000
MMC Digital and Arena Media Matrix	320,391	70,391	250,000
MMC Flood Mitigation	339,767	214,767	125,000
Admin - ShowBiz	1,094,620	594,620	500,000
Total	<u>\$ 13,904,193</u>	<u>\$ 5,736,693</u>	<u>\$ 8,167,500</u>

NOTE 14 CONTINGENCIES

Various legal actions and claims are pending against the Authority. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2017.

NOTE 15 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented during fiscal year 2018. The implementation of the Statement, among other things, will require the Authority, for the first time, to record the entire other postemployment benefits liability in the statements of net position.
- Statement No. 81, Irrevocable Split-Interest Agreements, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 15 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

- Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 85, *Omnibus 2017*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
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SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (1) (2)
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's Proportion of the Net Pension Liability	0.32713%	0.33074%	0.33437%
Authority's Proportionate Share of the Net Pension Liability	\$ 45,107,233	\$ 37,647,760	\$ 24,824,160
Authority's Covered-Employee Payroll	\$ 17,677,269	\$ 18,319,823	\$ 17,713,841
Authority's Proportionate Share of The Net Pension Liability as a Percentage its Covered-Employee Payroll	255.17%	205.50%	140.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension	63.48%	67.87%	76.32%

(1) Amounts presented were determined as of June 30 of the prior fiscal year.

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
PENSION PLAN – SCHEDULE OF AUTHORITY CONTRIBUTIONS (1)
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 754,322	\$ 596,735	\$ 540,096
Contributions in Relation to the Contractually Required Contribution	<u>(754,322)</u>	<u>(596,735)</u>	<u>(540,096)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 17,677,269	\$ 18,217,216	\$ 18,319,823
Contributions as a Percentage of Covered Employee Payroll	4.27%	3.28%	2.95%

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

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
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OTHER POSTEMPLOYMENT BENEFITS – SCHEDULES OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2017**

The following schedule provides information related to the Authority's other postemployment benefits plan:

Actuarial Valuation Date*	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2012	\$ -	\$ 10,590,032	\$ 10,590,032	-	\$ 19,485,872	54.3 %
July 1, 2014	-	11,783,625	11,783,625	-	21,319,701	55.3
July 1, 2016	-	15,778,094	15,778,094	-	20,979,469	75.2

* Actuarial valuations are performed on a biennial basis.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
BCEC	\$ 30,376,405	\$ 39,597,044	\$ 9,220,639
Lawn on D	937,000	1,393,145	456,145
Hynes	14,083,383	16,400,248	2,316,865
Boston Common Garage	13,118,414	12,360,962	(757,452)
MassMutual Center	3,766,233	3,927,424	161,191
Other Income	200,000	7,159	(192,841)
Total Revenues	<u>62,481,435</u>	<u>73,685,982</u>	<u>11,204,547</u>
EXPENSES			
BCEC	32,705,718	32,576,396	129,322
Lawn on D	1,253,650	925,588	328,062
Hynes	15,788,327	14,936,408	851,919
Boston Common Garage	2,822,903	2,590,414	232,489
MassMutual Center	7,935,598	8,283,437	(347,839)
Central Administration	11,078,342	9,629,349	1,448,993
Marketing and Sales	8,074,691	7,615,651	459,040
Total Expenses	<u>79,659,229</u>	<u>76,557,243</u>	<u>3,101,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(17,177,794)	(2,871,261)	14,306,533
NONOPERATING REVENUES (EXPENSES)			
Ferry Service Feasibility Study Sponsorship	90,000	69,684	(20,316)
Investment and Loan Income	747,194	805,248	58,054
Non-Operating (Expenses) - South Boston Ferry	(90,000)	(69,684)	20,316
Eastern MA Sports Partnership - Sponsorship	200,000	16,500	(183,500)
Eastern MA Sports Partnership - Staff	(200,000)	(16,500)	183,500
Payment to GBCVB - Sail Boston 2017	(4,250,000)	(4,250,000)	-
Abandoned Capital Projects Reclassified from CIP	-	(1,359,118)	(1,359,118)
Total Nonoperating Revenues (Expenses)	<u>(3,502,806)</u>	<u>(4,803,870)</u>	<u>(1,301,064)</u>
CHANGE IN NET POSITION	<u>\$ (20,680,600)</u>	<u>\$ (7,675,131)</u>	<u>\$ 13,005,469</u>

See accompanying Independent Auditors' Report.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2016**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
BCEC	\$ 26,462,284	\$ 39,561,196	\$ 13,098,912
Lawn on D	-	458,298	458,298
Hynes	11,748,662	14,231,127	2,482,465
Boston Common Garage	12,924,395	12,888,659	(35,736)
MassMutual Center	3,602,386	3,488,087	(114,299)
Other Income	-	222	222
Total Revenues	<u>54,737,727</u>	<u>70,627,589</u>	<u>15,889,862</u>
EXPENSES			
BCEC	32,194,439	34,802,582	(2,608,143)
Lawn on D	-	767,071	(767,071)
Hynes	15,263,788	14,628,858	634,930
Boston Common Garage	2,852,083	2,646,820	205,263
MassMutual Center	8,124,419	7,561,139	563,280
Central Administration	12,147,381	10,542,385	1,604,996
Marketing and Sales	7,933,136	7,454,050	479,086
Total Expenses	<u>78,515,246</u>	<u>78,402,905</u>	<u>112,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(23,777,519)	(7,775,316)	16,002,203
NONOPERATING REVENUES (EXPENSES)			
Federal Grants	-	414,658	414,658
Investment and Loan Income	762,465	762,797	332
Transportation Planning	(18,813)	(31,536)	(12,723)
LEED Program Planning	(21,000,000)	(21,000,000)	-
Lawn on D Project	(325,000)	(289,949)	35,051
Facility Studies/Inspection	(799,085)	(710,895)	88,190
Abandoned Capital Projects Reclassified from CIP	-	(12,024,957)	(12,024,957)
Total Nonoperating Expenses	<u>(21,380,433)</u>	<u>(32,879,882)</u>	<u>(11,499,449)</u>
CHANGE IN NET POSITION	<u>\$ (45,157,952)</u>	<u>\$ (40,655,198)</u>	<u>\$ 4,502,754</u>

See accompanying Independent Auditors' Report.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
SCHEDULE OF SALARY AND OTHER COMPENSATION OF
HIGHLY COMPENSATED EMPLOYEES
YEAR ENDED JUNE 30, 2017**

	<u>Amounts Reported in FY 17 Financial Statements:</u>			Base Compensation at June 30, 2017
	<u>Base Salary</u>	<u>Other Compensation</u>	<u>Total Compensation</u>	
David Gibbons, Executive Director	\$ 240,012	\$ 12,000	\$ 252,012	\$ 240,011
Frederick Peterson Jr., Deputy Director	185,016	-	185,016	185,016
Maureen Shea Baker, General Manager	176,384	-	176,384	176,384
Robert Noonan, Chief Information Security Officer	137,493	-	137,493	170,290
Dennis Callahan, General Counsel	170,019	-	170,019	170,019
Michael Esmond, Chief Financial Officer	170,019	-	170,019	170,019
Christopher Donato, Deputy General Counsel	160,014	-	160,014	160,014
John R Donahue, Chief of Operations and Capital Projects	132,155	-	132,155	132,155
 Total Compensation	 <u>\$ 1,371,112</u>	 <u>\$ 12,000</u>	 <u>\$ 1,383,112</u>	 <u>\$ 1,403,908</u>

See accompanying Independent Auditors' Report.

**MASSACHUSETTS CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE COMMONWEALTH OF MASSACHUSETTS)
RECONCILIATION OF GAAP OPERATING LOSS
TO STATUTORY NET COST OF OPERATIONS AND OPERATING
REIMBURSEMENT REQUESTS FROM THE CONVENTION CENTER FUND
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
GAAP Operating Loss as Presented in the Statements of Revenues, Expenses and Changes in Net Position (page 19)	\$ (69,827,984)	\$ (77,783,856)
Adjustments/Additions to Reconcile to Statutory Net Cost of Operations as Defined within Chapter 190 of the Acts of 1982:		
Depreciation Expense	53,852,173	51,116,702
Annual Net Pension Cost Calculated in Accordance with GAAP	5,583,749	3,849,262
Annual Net OPEB Cost Calculated in Accordance with GAAP	1,911,683	1,699,291
GBCVB - Sail Boston 2017	4,250,000	-
Other	-	317,484
Expenses from Abandoned Capital Projects	1,359,119	12,024,957
Expenses Funded from the Capital Budget (B)	-	1,000,844
Total Adjustments	66,956,724	70,008,540
Statutory Net Cost of Operations (A)	(2,871,260)	(7,775,316)
Adjustments/Additions to Reconcile to Operating Reimbursement Requests from the Convention Center Fund:		
Principal Repayments on Loans Receivable	347,665	332,395
Federal Grants	-	414,658
Interest Received on Loans Receivable and Investment Income	805,248	762,797
Total Adjustments	1,152,913	1,509,850
Total Operating Reimbursement Requests from the Convention Center Fund	\$ (1,718,347)	\$ (6,265,466)

- (A) Chapter 190 of the Acts of 1982 defines net cost of operations as all current expenses incurred by the Authority less income received by the Authority in its ordinary course of business. Under provisions outlined within Chapter 152 of 1997 (and subsequent amendments), the Authority is eligible to receive up to \$26 million annually from the Massachusetts Convention Center Fund to defray its net cost of operations.
- (B) Includes expenses related to projects funded under the Authority's annual adopted capital projects budget but are expensed annually and are not included within the Authority's ongoing construction in progress projects or capital assets. For fiscal year 2016, the projects included the D Street Lab Project, and the LEED Program implementation costs.