

**Massachusetts Technology  
Development Corporation  
d/b/a MassVentures**

*Financial Statements*

*Years Ended June 30, 2017 and 2016*

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
***Financial Statements***  
***Years Ended June 30, 2017 and 2016***  
***Contents***

---

	<b><u>Page</u></b>
Management's Discussion and Analysis (Unaudited)	i-v
Independent Auditors' Report	1-2
Financial Statements	
Statements of Net Position	3
Statements of Revenues, Expenditures and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6-18
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
(a component unit of the Commonwealth of Massachusetts)  
Management's Discussion and Analysis  
For the Years Ended June 30, 2017 and 2016

Unaudited

The following discussion and analysis provides management's overview of the financial position of the Massachusetts Technology Development Corporation, d/b/a MassVentures (the Corporation) as of June 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended. This management's discussion and analysis is unaudited and should be read in conjunction with the Corporation's audited financial statements and notes, which are attached hereto.

**General Overview**

The purpose of the Corporation is to provide financial and other assistance to innovative technology-based enterprises in Commonwealth of Massachusetts (the "Commonwealth") that have the potential to expand and generate new jobs and tax revenues. The Corporation seeks to i) target technologies, regions and companies that are not adequately served by private investors; ii) complement, not compete with, private venture and angel investors and leverage the Corporation's investment dollar with private capital; and iii) nurture entrepreneurship among the citizens of the Commonwealth to stimulate long-term economic development. The Corporation seeks to realize appropriate financial returns to enable it to be self-sufficient. The Corporation is governed by a Board of Directors consisting of eleven members, eight of whom are appointed by the Governor of Massachusetts from the private sector and three of whom are public officials. In June 2012, the Corporation began doing business as MassVentures.

**Enabling Legislation and Funding Sources**

The Corporation was created as a body politic and instrumentality of the Commonwealth on October 19, 1978, pursuant to Chapter 497 of the Acts of 1978.

The Corporation's original investment funds were provided in 1979 by a \$2,000,000 grant (including \$28,000 in start-up costs) from the Economic Development Administration ("EDA"), U.S. Department of Commerce. Under this grant, the Corporation makes loans from a revolving loan fund to eligible borrowers, defined as Massachusetts-based businesses with operations involving a significant amount of technology, which are located in EDA Title IV redevelopment areas and which meet the requirements of the Corporation's enabling act.

During the year ended June 30, 1981, the Corporation was awarded a \$1,000,000 grant under the Corporations for Innovation Development ("CID") program of the U.S. Department of Commerce. The grant award was for the purpose of establishing a second revolving loan fund to assist in the creation and development of small, innovative high-technology companies in Massachusetts. In addition, the Commonwealth appropriated \$1,000,000 to the Corporation as matching funds for the federal grant. The Commonwealth appropriation is restricted to equity investment. The CID program was cancelled during the year ended June 30, 2003. Restricted cash for investment programs of \$407,839 was returned to the U.S. Department of Commerce representing their portion of the remaining grant.

Each year from fiscal years 1982 to 1988, the Commonwealth appropriated additional amounts to supplement the Corporation's investment fund. There were no geographical limitations within Massachusetts for these funds. The Commonwealth appropriated additional amounts to the Corporation's investment fund of \$5,000,000 in fiscal year 2004, \$2,500,000 in fiscal year 2007 and \$1,000,000 in fiscal year 2015. The cumulative amount of all appropriations received from the initial funding in 1981 through June 30, 2017 totaled \$13,700,000.

Under the terms of the grants of investment funds from the federal government and the Commonwealth, principal repayments and costs recovered are returned to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the grants' provisions and the Corporation's enabling legislation and policies. In addition, the Corporation has transferred \$38,462,970 cumulatively through fiscal year 2017 to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the Corporation's enabling legislation and policies. The transferred funds were derived from earnings and gains realized on past investments by the Corporation.

### **Financial Statements**

The Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The *Statement of Net Position* presents the financial position of the Corporation. It provides information about the nature and the amount of resources (assets), plus deferred outflows of resources (as applicable), obligations (liabilities), plus deferred inflows of resources (as applicable), and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The *Statement of Revenues, Expenditures, and Changes in Net Position* presents information showing how the Corporation's net position changed during the fiscal year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The change in net position may be useful in assessing whether the financial position improved or deteriorated for the year.

The *Statement of Cash Flows* presents the cash activities segregated by the three major cash flow categories: general support activities, capital activities, and restricted for investment program activities. This statement may be useful in determining changes in liquidity and in understanding how cash and cash equivalents were used during the years presented.

The notes to the financial statements describe significant accounting policies adopted by the Corporation and provide additional information that is essential to a full understanding of the data presented in the financial statements.

### **Financial Highlights**

- Total assets of the Corporation grew from \$26,929,239 at June 30, 2016 to \$27,6247,704 at June 30, 2017 primarily due to an increase in the unrealized value of the Corporation's investments.
- During the year ended June 30, 2017, the Corporation made new investments totaling \$983,827 and had realized gains or losses on investments with a cost basis of \$1,099,374.

### **Financial Highlights (continued)**

- The cost of investments held decreased from \$11,137,650 at June 30, 2016 to \$10,973,800 at June 30, 2017 primarily due to the cost of realized investments in fiscal year 2017 exceeding the cost of new investments made during the fiscal year.
- The Corporation made \$3,400,000 of grant awards during the year ended June 30, 2017 under its SBIR Targeted Technologies (“START”) Program, as compared to \$3,000,000 in START awards during the year ended June 30, 2016. The increase in grant awards is due to a new collaborative agreement entered into during fiscal 2017 with the Massachusetts Clean Energy Technology Center.

### **Financial Analysis**

#### **Statement of Net Position**

##### **Statement of Net Position**

	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
	<b><u>Total</u></b>	<b><u>Total</u></b>
Total Investments, at market	\$ 19,754,951	\$ 17,796,836
Total Assets	27,627,704	26,929,239
Total Liabilities	3,727,818	3,347,402
Total Fund Balance	23,899,885	23,581,837
Total Liabilities and Fund Balance	<b><u>\$ 27,627,704</u></b>	<b><u>\$ 26,929,239</u></b>

Total assets increased \$698,465 in the current year, primarily due to the increase in the carrying value of the Corporation’s investments and the increase in START awards as a result of the collaboration with the Massachusetts Clean Energy Technology Center, which more than offset the decrease in assets from resources used to fund operating activities.

Total liabilities increased \$380,416 in the current year primarily as a result of the increase in grants payable associated with the collaboration with the Massachusetts Clean Energy Technology Center.

Total fund balance increased \$318,048 in the current year primarily due the excess of realized and net unrealized gains on investments in addition to the Corporations interest revenue and other income exceeding the expenses of the Corporation for the current year.

#### **Investment and Grants**

The Corporation provides financial assistance to innovative technology-based enterprises in Commonwealth. Financial assistance may come in the form of grants, equity investments or debt investments. During the fiscal year ended June 30, 2017, the Corporation provided a total of \$4,383,828 in assistance consisting of \$3,400,000 in START awards and \$983,828 in equity and debt investments. Financial assistance in fiscal 2017 increased by \$797,923 as compared to fiscal 2016 primarily as a result of an increase in both START awards and equity and debt investments.

**Statement of Revenues, Expenditures and Changes in Net Position**

**Statement of Revenues, Expenditures and Changes in Net Position**

	<b>Fiscal year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Other income	\$ 275,000	\$ 275,000
Interest revenue	56,681	29,717
Total Revenue	331,681	304,717
Operating expenses	1,324,388	1,405,988
Operating loss	(992,707)	(1,101,271)
Grants received	3,400,000	3,000,000
Grants disbursed	3,400,000	3,000,000
Net grants	-	-
Net realized losses on investments	(811,210)	(821,087)
Net unrealized gains on investments	2,121,965	3,855,479
Total net gains	1,310,755	3,034,392
Increase in Fund Balance	\$ 318,048	\$ 1,933,121
Fund Balance, beginning of year	\$ 23,581,837	\$ 21,648,716
Fund Balance, end of year	\$ 23,899,885	\$ 23,581,837

The operating loss decreased by \$108,564 in the current year primarily due to a decrease in expenses and increase in interest income as a results of higher interest rates.

Operating expenses include all personnel, occupancy, professional and consulting, START administration and all other business expenses associated with the Corporation's operations.

Total net gains decreased by \$1,723,637 in the current year primarily due to the change in net unrealized gains.

## Statement of Cash Flows

### Statement of Cash Flows

	<u>Fiscal year ended June 30</u>	
	<u>2017</u>	<u>2016</u>
Net cash general support activities	\$ 1,201,110	\$ (1,495,801)
Net cash capital activities	(4,253)	-
Net cash restricted for investment programs activities	(647,360)	1,679,882
Net increase in cash and cash equivalents	549,497	184,081
Cash and cash equivalents, beginning of year	5,820,789	5,636,708
Cash and cash equivalents, end of year	<u>\$ 6,370,286</u>	<u>\$ 5,820,789</u>

Cash and cash equivalents were \$6,370,286 at June 30, 2017 compared to \$5,820,789 at June 30, 2016. This \$549,497 increase is due primarily to a temporary increase in cash due to the timing difference from the date of receipt of START grants awards to the date of disbursement of such awards offsetting the decrease in cash from operations.

Net cash restricted for investment programs activities for the year ended June 30, 2017 consists of \$983,828 in equity and debt investments made into innovative technology-based enterprises by the Corporation and \$336,468 in proceeds received from the sale or retirement of equity and debt investments. Net cash restricted for investment programs activities for the year ended June 30, 2016 consists of \$585,905 in equity and debt investments made into innovative technology-based enterprises by the Corporation and \$2,265,787 in proceeds received from the sale or retirement of equity and debt investments.

### Requests for Information

The Corporation's financial statements are designed to present readers with a general overview of the Corporation's finances. Additional financial information, including official statements relating to the Corporation's investments and programs can be found on the Corporation's website [www.mass-ventures.com](http://www.mass-ventures.com). Questions concerning the financial statements or requests for additional financial information should be addressed to the President, MassVentures, 308 Congress Street, 5<sup>th</sup> Floor, Boston, Massachusetts 02210.



**Katz, Nannis + Solomon, PC**  
Certified Public Accountants

**Independent Auditors' Report**

To the Board of Directors  
Massachusetts Technology Development Corporation  
d/b/a MassVentures  
Boston, Massachusetts

We have audited the accompanying financial statements of Massachusetts Technology Development Corporation d/b/a MassVentures (the "Corporation"), which comprise the statements of net position, as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in net position and cash flows for the years then ended and the related 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 estimates made by management, as well as evaluating the overall financial statement presentation.

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



## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of Massachusetts Technology Development Corporation d/b/a MassVentures as of June 30, 2017 and 2016, and the results of its operations, and changes in its fund balance, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v 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 Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2017. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Corporation's internal control over financial reporting and compliance.

*Katz, Nanni + Solomon, P.C.*

September 30, 2017  
Waltham, Massachusetts

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Statements of Net Position*  
*June 30,*

	2017	2016
<b>Assets</b>		
<b>General Support</b>		
Cash, cash equivalents and short-term investments	\$ 1,002,685	\$ 1,631,286
Receivable for management fees	-	212,500
Prepaid expenses and deposits	22,890	21,799
Office equipment and software at cost, less accumulated depreciation and amortization of \$51,212 in 2017 and \$55,280 in 2016	31,343	35,882
Capitalized interest on note conversion	48,234	41,433
Internally designated - cash, cash equivalents and short-term investments	231,615	231,615
<b>Total General Support</b>	<b>1,336,767</b>	<b>2,174,515</b>
<b>Restricted for Investment Programs</b>		
Investments, at cost	10,973,800	11,137,650
Unrealized net gain on investments	8,781,151	6,659,186
<b>Total Investments, at Market</b>	<b>19,754,951</b>	<b>17,796,836</b>
Internally designated - cash, cash equivalents and short-term investments	5,135,986	3,957,888
Grants receivable	1,400,000	3,000,000
<b>Total Restricted for Investment Programs</b>	<b>26,290,937</b>	<b>24,754,724</b>
<b>Total Assets</b>	<b>\$ 27,627,704</b>	<b>\$ 26,929,239</b>
<b>Liabilities and Fund Balances</b>		
<b>General Support</b>		
Accounts payable and accrued liabilities	\$ 326,175	\$ 345,758
Distribution payable to Commonwealth of Massachusetts	1,644	1,644
Fund balance	1,008,948	1,827,113
<b>Total General Support</b>	<b>1,336,767</b>	<b>2,174,515</b>
<b>Commitments and Contingencies (Note I)</b>	<b>-</b>	<b>-</b>
<b>Restricted for Investment Programs</b>		
SBIR grants payable	3,400,000	3,000,000
Fund balance	22,890,937	21,754,724
<b>Total Restricted for Investment Programs</b>	<b>26,290,937</b>	<b>24,754,724</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 27,627,704</b>	<b>\$ 26,929,239</b>

*See accompanying notes.*

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Statements of Revenues, Expenses, and Changes in Net Position*  
*Years Ended June 30,*

	2017			2016		
	General Support	Restricted for Investment Programs	Total	General Support	Restricted for Investment Programs	Total
<b>Revenues</b>						
Realized gains on equity investments	\$ 174,542	\$ -	\$ 174,542	\$ 1,765,787	\$ -	\$ 1,765,787
Realized losses on debt equity & investments	-	(985,752)	(985,752)	(22,255)	(2,564,619)	(2,586,874)
Change in unrealized net gain on investments	-	2,121,965	2,121,965	-	3,855,479	3,855,479
Grants from Massachusetts Clean Energy Technology Center	-	400,000	400,000	-	-	-
Grants from Massachusetts Growth Capital Corporation	-	3,000,000	3,000,000	-	3,000,000	3,000,000
Interest	56,681	-	56,681	29,717	-	29,717
Management fees and other	275,000	-	275,000	275,000	-	275,000
<b>Total Revenues</b>	506,223	4,536,213	5,042,436	2,048,249	4,290,860	6,339,109
<b>Expenditures</b>						
Grants	-	3,400,000	3,400,000	-	3,000,000	3,000,000
General support	1,324,388	-	1,324,388	1,405,988	-	1,405,988
<b>Total Expenditures</b>	1,324,388	3,400,000	4,724,388	1,405,988	3,000,000	4,405,988
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(818,165)	1,136,213	318,048	642,261	1,290,860	1,933,121
Interfund transfers	-	-	-	-	-	-
Fund balances, beginning of year	1,827,113	21,754,724	23,581,837	1,184,852	20,463,864	21,648,716
<b>Fund Balances, End of Year</b>	\$ 1,008,948	22,890,937	23,899,885	\$ 1,827,113	\$ 21,754,724	\$ 23,581,837

*See accompanying notes.*

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Statements of Cash Flows*  
*Years Ended June 30,*

	2017				2016			
	General Support		Restricted for Investment Programs	Total	General Support		Restricted for Investment Programs	Total
	Unrestricted	Internally Designated			Unrestricted	Internally Designated		
<b>General Support Activities</b>								
Excess (deficiency) of revenues over expenses	\$ (818,165)	\$ -	\$ 1,136,213	\$ 318,048	\$ 642,261	\$ -	\$ 1,290,860	\$ 1,933,121
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash general support activities:								
(Gain) loss on sales of investments	(174,542)	-	985,752	811,210	(1,765,787)	-	2,564,619	798,832
Change in unrealized net gain on investments	-	-	(2,121,965)	(2,121,965)	-	-	(3,855,479)	(3,855,479)
Depreciation and amortization	8,792	-	-	8,792	6,972	-	-	6,972
Increase (decrease) in cash from								
SBIR grants payable	-	-	400,000	400,000	-	-	2,000,000	2,000,000
Grants receivable	-	-	1,600,000	1,600,000	-	-	(2,418,750)	(2,418,750)
Receivable for management fees	212,500	-	-	212,500	12,500	-	-	12,500
Prepaid expenses and deposits	(1,091)	-	-	(1,091)	(643)	-	-	(643)
Accrued interest on notes receivable and capitalized interest	(6,801)	-	-	(6,801)	22,255	-	-	22,255
Accounts payable and accrued liabilities	(19,583)	-	-	(19,583)	5,391	-	-	5,391
<b>Net Cash General Support Activities</b>	<b>(798,890)</b>	<b>-</b>	<b>2,000,000</b>	<b>1,201,110</b>	<b>(1,077,051)</b>	<b>-</b>	<b>(418,750)</b>	<b>(1,495,801)</b>
<b>Capital Activities</b>								
Purchase of office equipment and leasehold improvements	(4,253)	-	-	(4,253)	-	-	-	-
<b>Net Cash Capital Activities</b>	<b>(4,253)</b>	<b>-</b>	<b>-</b>	<b>(4,253)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restricted for Investment Programs Activities</b>								
Purchases of investments	-	-	(983,828)	(983,828)	-	-	(585,905)	(585,905)
Proceeds of investments								
Gains	174,542	-	-	174,542	1,765,787	-	-	1,765,787
Costs recovered from equity investments	-	-	151,926	151,926	-	-	500,000	500,000
Principal repayments from fixed income investments	-	-	10,000	10,000	-	-	-	-
<b>Net Cash Restricted for Investment Programs Activities</b>	<b>174,542</b>	<b>-</b>	<b>(821,902)</b>	<b>(647,360)</b>	<b>1,765,787</b>	<b>-</b>	<b>(85,905)</b>	<b>1,679,882</b>
<b>Increase (Decrease) in Cash, Cash Equivalents and Short-Term Investments</b>	<b>(628,601)</b>	<b>-</b>	<b>1,178,098</b>	<b>549,497</b>	<b>688,736</b>	<b>-</b>	<b>(504,655)</b>	<b>184,081</b>
Cash, cash equivalents and short-term investments, beginning of year	1,631,286	231,615	3,957,888	5,820,789	942,550	231,615	4,462,543	5,636,708
<b>Cash, Cash Equivalents and Short-Term Investments, End of Year</b>	<b>\$ 1,002,685</b>	<b>\$ 231,615</b>	<b>\$ 5,135,986</b>	<b>\$ 6,370,286</b>	<b>\$ 1,631,286</b>	<b>\$ 231,615</b>	<b>\$ 3,957,888</b>	<b>\$ 5,820,789</b>
<b>Supplemental Disclosure of Noncash Financing:</b>								
Conversion of fixed income investments to equity investments	\$ -	\$ -	\$ 120,000	\$ 120,000	\$ -	\$ -	\$ 134,734	\$ 134,734

*See accompanying notes.*

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**A. Description of Business**

Massachusetts Technology Development Corporation d/b/a MassVentures (the “Corporation”) was created as a body politic and instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) on October 19, 1978, pursuant to Chapter 497 of the Acts of 1978. The purpose of the Corporation is to provide financial and other assistance to innovative enterprises in Massachusetts that have the potential to expand and generate new jobs and tax revenues. The Corporation is governed by a Board of Directors consisting of eleven members, eight of whom are appointed by the Governor of Massachusetts from the private sector and three of whom are public officials. In June 2012, the Corporation began doing business as MassVentures.

**B. Summary of Significant Accounting Policies**

1. Basis of presentation and accounting - The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to a government unit considered to be a “proprietary fund.” Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The Government Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Fund balances (i.e., total net assets) are segregated into General Support and Restricted for Investment Programs components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

The accrual basis of accounting is utilized for all funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the related liability is incurred.

2. Fund accounting - Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.
3. Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applied to government units requires management to make estimates and assumptions that affect the reported amounts of assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.
4. Cash and cash equivalents - The Corporation considers all highly liquid investments purchased with an original maturity or remaining maturity at date of purchase of three months or less to be cash equivalents.
5. Short-term investments - Short-term investments consist of bankers acceptances and certificates of deposit with original maturities in excess of three months but less than one year and are valued at amortized cost, which approximates market.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**B. Summary of Significant Accounting Policies (continued)**

6. Office equipment, software, depreciation and amortization - Office equipment and software are stated at cost. Office equipment and software are depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to five years. Depreciation and amortization expense for the years ended June 30, 2017 and 2016, amounted to \$8,792 and \$6,972, respectively.

Upon retirement or sale, the cost of the assets disposed and the related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is included in the determination of the excess (deficiency) of revenues over expenses.

7. Investments - The Corporation's investment securities are purchased in the name of the Corporation and are maintained in a vault at a financial institution. These investments are generally in early-stage technology companies.

The Corporation applies GASB Statement No. 31 ("GASB 31"), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires entities to carry investments at fair value if such values are readily available. Accordingly, unrestricted publicly traded securities are carried at fair value.

In general, the value of a private investment is adjusted up or down to conform to the price paid on an "arms-length" basis by a sophisticated new third-party investor in any subsequent round of financing. Additionally, an investment may be written down because of a lack of sustained level of performance or permanent impairment in value.

Securities that are traded over the counter are valued at the average of the bid price at the close of business for the valuation date and the preceding two days less a discount, if any, as determined by management. Securities that are publicly traded on a stock exchange are valued at the average of the close for the valuation date and the preceding two days less a discount, if any, as determined by management. To the extent that a legal or contractual restriction is specific to (and an attribute of) the security and therefore, would transfer to a market participant, then it would be appropriate to consider such restriction in the determination of fair value of the security.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Corporation's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy, and its applicability to the Corporation's investments, are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**B. Summary of Significant Accounting Policies (continued)**

7. Investments (continued) -

Level 2 - Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

Level 3 - Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private investments that are supported by little or no market activity.

Realized gains on investments are credited against the Corporation's Unrestricted General Support Fund Balance. Realized losses are charged against the Restricted for Investment Programs Fund Balance. Unrealized net gain (loss) on investments resulting from changes in the market value of investments at balance sheet date are credited (charged) to the Restricted for Investment Programs Fund Balance.

Repayments of principal and proceeds from the sale of equity investments (to the extent of the cost basis) remain in funds restricted for investment programs. Investment interest is credited to the Corporation's General Support Fund Balance when received.

8. Income taxes - The Corporation, as an instrumentality of the Commonwealth, is not subject to federal or state income taxes.
9. Postemployment benefits other than pensions - The Corporation accounts for postemployment health benefits in accordance with GASB Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Corporation has elected to calculate its actuarial accrued liability and funded status using the alternative simplified method.
10. Subsequent events - The Corporation has evaluated all subsequent events through September 30, 2017, the date the financial statements were available to be issued.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**C. Investment Program**

1. Source of funds - The Corporation's original investment funds were provided in 1979 by a \$2,000,000 grant (including \$28,000 in start-up costs) from the Economic Development Administration ("EDA"), U.S. Department of Commerce. Under this grant, the Corporation makes loans from a revolving loan fund to eligible borrowers, defined as Massachusetts-based businesses with operations involving a significant amount of technology, which are located in EDA Title IV redevelopment areas and which meet the requirements of the Corporation's enabling act.

During the year ended June 30, 1981, the Corporation was awarded a \$1,000,000 grant under the Corporations for Innovation Development ("CID") program of the U.S. Department of Commerce. The grant award was for the purpose of establishing a second revolving loan fund to assist in the creation and development of small, innovative high-technology companies in Massachusetts. In addition, the Commonwealth appropriated \$1,000,000 to the Corporation as matching funds for the federal grant. The Commonwealth appropriation is restricted to equity investment. The CID program was cancelled during the year ended June 30, 2003. Restricted cash for investment programs of \$407,839 was returned to the U.S. Department of Commerce representing their portion of the remaining grant.

Each year from fiscal years 1982 to 1988, the Commonwealth appropriated additional amounts to supplement the Corporation's investment fund. There were no geographical limitations within Massachusetts for these funds. The Commonwealth appropriated additional amounts to the Corporation's investment fund of \$5,000,000 in fiscal year 2004, \$2,500,000 in fiscal year 2007 and \$1,000,000 in fiscal year 2015. The cumulative amount of all appropriations received from the initial funding in 1981 through June 30, 2017 totaled \$13,700,000.

Under the terms of the grants of investment funds from the federal government and the Commonwealth, principal repayments and costs recovered are returned to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the grants' provisions and the Corporation's enabling legislation and policies. In addition, the Corporation has transferred \$38,462,970 cumulatively through fiscal year 2017 to the Restricted for Investment Programs Fund to be reinvested in accordance with the criteria required by the Corporation's enabling legislation and policies. The transferred funds were derived from earnings and gains realized on past investments by the Corporation.



**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**C. Investment Program (continued)**

1. Source of funds (continued) -

The total funds since inception of the Corporation that have been made available for investments are as follows:

Economic Development Administration of the U.S. Department of Commerce, net of start up costs	\$ 2,972,000
Commonwealth of Massachusetts	13,700,000
Realized gains on sales of equity securities allocated to General Support Fund	\$ 67,171,672
Portion of gains used for General Support Activities	<u>(28,708,702)</u>
Transfers to the Restricted for Investment Programs Fund	\$ <u>38,462,970</u>
Total funds made available for investments	\$ 55,134,970
Realized losses on investments	(40,617,345)
Distributions to U.S. Department of Commerce	( 407,839)
Unrealized net gain on investments	<u>8,781,151</u>
Restricted for Investment Programs Fund Balance	\$ <u>22,890,937</u>

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**C. Investment Program (continued)**

2. MTDC Commonwealth Fund - Section 105 of Chapter 110, MGL Acts of 1993 was enacted to authorize the Board of Directors to establish the MTDC Commonwealth Fund. The investments made by MTDC through the Commonwealth Fund are included in the Restricted for Investment Programs Fund Balance. Pursuant to the guidelines of the Chapter, the investment criteria for funds managed under the Commonwealth Fund are less restrictive than those of the Corporation's traditional programs.

Also pursuant to this Chapter, the Corporation established the Commonwealth Fund Investment Program I ("Program I"). During fiscal year 1995, two financial institutions agreed to participate in the Program, committing \$1,000,000 each. Program I has since then been fully liquidated. During fiscal year 2001, two financial institutions agreed to participate in the Commonwealth Fund Investment Program II ("Program II"), one committing \$2,000,000 and the other \$1,000,000. Funds from co-investors are separately maintained and these funds are not included in MTDC's Restricted for Investment Programs Fund Balance.

Pursuant to an agreement between the Corporation and the Commonwealth of Massachusetts, a share of the net realized gains from the Corporation's investments in the Commonwealth Funds shall be distributed to the General Fund of the Commonwealth of Massachusetts. At June 30, 2017 and 2016, the Corporation had an accrued liability to the Commonwealth of Massachusetts in the amount \$1,644 relating to net realized gains from the previous years. The cumulative amount paid to the General Fund at June 30, 2017, under the agreement is \$853,916.

3. Investments - During the years ended June 30, 2017 and 2016, the Corporation made debt and equity investments in aggregate amounts of \$983,828 and \$585,905, respectively. The notes in the portfolio of investments have interest rates of 4% to 9% per year. The terms of certain notes include an equity participation feature such as rights to convert to stock at a predetermined price or warrants to purchase common stock. Repayment of principal is generally due on demand, in a balloon payment, or in monthly installments ranging from twelve to sixty months. Such principal payments, however, are generally subordinated to the payment of senior debt of the borrowers. The Corporation does not recognize interest income on the notes until it is collected or an event has occurred which ensures collectability. Interest on the notes that has been accrued and fully reserved against during the years ended June 30, 2017 and 2016, totaled \$39,717 and \$24,187, respectively.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**C. Investment Program (continued)**

3. Investments (continued) - A summary of investment activity is as follows:

	<b>Notes receivable</b>	<b>Equity investments</b>	<b>Total</b>
Investments made 1980 through 2015	\$ 35,682,824	\$ 50,038,838	\$ 85,721,662
2016	350,879	235,026	585,905
2017	<u>338,867</u>	<u>644,961</u>	<u>983,828</u>
 Total Investments	 36,372,570	 50,918,825	 87,291,395
Conversion of loan principal to equity	(16,919,585)	16,919,585	-
Loan principal repayments and equity Investments cost recovered	(11,441,434)	(24,258,816)	(35,700,250)
Realized gains on equity investments' sales 1982 through 2017	-	67,171,672	67,171,672
Allocation of realized gains to general Support fund	-	(67,171,672)	(67,171,672)
Realized losses on investments 1983 through 2017	(7,395,105)	(33,222,240)	(40,617,345)
Unrealized net gain on investments	<u>( 110,000)</u>	<u>8,891,151</u>	<u>8,781,151</u>
Investment balance, June 30, 2017	\$ <u>506,446</u>	\$ <u>19,248,505</u>	\$ <u>19,754,951</u>

As of June 30, 2017, the investment portfolio consisted of the following types of securities as a percentage of the General Support and Restricted for Investment Program Fund Balances ("Fund Balance"): common stock 0.49%, preferred stock 80.01%, and notes receivable 2.16%.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**C. Investment Program (continued)**

3. Investments (continued) -

At June 30, 2017, MTDC had the following investments, at market, which represents more than 5% of the Fund Balance:

Life Image, Inc.	5.51%
OwnerIQ	22.92%
Applause, Inc.	45.16%

As of June 30, 2017 and 2016, there were pending loans and equity investments approved by the Board of Directors totaling \$300,000 and \$119,000, respectively.

4. START Program - In 2012, the Corporation entered into an agreement with The Massachusetts Growth Capital Association (“MGCA”) to administer the SBIR Targeted Technologies (“START”) Program. The START program is designed to assist in the commercialization of technologies that were previously awarded federal SBIR grants. Under the terms of the initial agreement MGCA will fund the program with \$6,300,000 (“Initial Funds”), with a portion of that amount to be used by MTDC for administrative costs. The Initial Funds were dispersed in three phases. In 2012, MTDC awarded \$1,000,000 in Phase I grant awards, in 2013, MTDC awarded \$1,000,000 of Phase I and \$1,000,000 of additional Phase II grant awards, and in 2014, MTDC awarded \$1,000,000 of Phase I, \$1,000,000 Phase II and \$1,000,000 Phase III grant awards. In each of 2014, 2015, 2016 and 2017, the agreement was amended to provide for additional Phase I, Phase II and Phase II grants awards as well as additional amounts to be used by MTDC for administrative costs as direct technical assistance to award winners. In 2016, MTDC awarded \$1,000,000 of Phase I, \$1,000,000 Phase II and \$1,000,000 Phase III grant awards. The Phase I, Phase II and Phase III awards in the amount of \$3,000,000 are shown as a liability at June 30, 2016. In 2017, MTDC awarded \$1,000,000 of Phase I, \$1,000,000 Phase II and \$1,000,000 Phase III grant awards. The Phase I, Phase II and Phase III awards in the amount of \$3,000,000 are shown as a liability at June 30, 2017.

In 2017, the Corporation entered into an agreement with the Massachusetts Clean Energy Technology Center (“MassCEC”) whereby MassCEC will fund the program with \$400,000 to be used to award \$200,000 in Phase I grant awards and \$200,000 in Phase II grant awards. These Phase I and Phase II awards in the amount of \$400,000 are shown as a liability at June 30, 2017.

**D. Cash, Cash Equivalents and Short-Term Investments**

The Corporation maintains operating cash accounts and other short-term investment securities to fund operations and provide appropriate reserves for the Corporation’s investment programs. The Corporation’s short-term investment securities include certificates of deposit, money market accounts, banker’s acceptances, commercial paper, treasury bills, repurchase agreements and government agencies.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**D. Cash, Cash Equivalents and Short-Term Investments (continued)**

As of June 30, 2017, the carrying amount of all of the Corporation's cash, cash equivalents and short-term investments, which includes the General Support and Restricted for Investment Programs cash balances, totaled \$6,370,287 all held in financial institutions. Of that total \$103,138 was insured or collateralized under various federal, state and private insurance programs, and \$2,449,148 was uninsured and uncollateralized on deposit with the Massachusetts Municipal Depository Trust.

Included in the cash, cash equivalents and short term investments Restricted for Investment Programs are funds sequestered by the EDA under the Corporation's revolving loan program of \$179,131. This cash has been sequestered under the EDA's under utilization guidelines for federal debt funds.

**E. Office Equipment and Software**

Office equipment and software consist of the following at June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>
Office equipment	\$ 37,872	\$	49,095
Leasehold improvements	30,174		30,174
Software	<u>14,509</u>		<u>11,893</u>
Total	82,555		91,162
Less accumulated depreciation and amortization	(51,212)		(55,280)
Net office equipment and software	\$ <u>31,343</u>	\$	<u>35,882</u>

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**F. General Support Expenditures**

The General Support expenditures for the years ended June 30, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Personnel costs	\$ 804,341	\$ 898,565
Occupancy costs	103,345	104,589
Professional expenses	44,898	37,321
Post retirement benefits - health	( 15,964)	4,873
Office services and supplies	51,532	44,435
Business development and travel	18,754	15,356
Public relations, publications and advertising	31,736	35,679
Depreciation and amortization	8,792	6,972
Miscellaneous	21,827	20,723
START program administrative costs	110,726	100,017
Consultants	<u>144,401</u>	<u>137,458</u>
Total expenditures	\$ <u>1,324,388</u>	\$ <u>1,405,988</u>

For the year ended June 30, 2017 compensation paid to the officers of the corporation were as follows:

President	\$ 242,031
Vice President	\$ 175,773
Vice President	\$ 32,611
Vice President	\$ 51,833

**G. Postemployment Benefit Plan (Other Than Pension)**

During fiscal year 1998 the Board of Directors voted to designate General Support funds to establish a Post Retirement Health and Dental Insurance Plan (“The Plan”). The Plan is designed to provide postretirement health care benefits to all employees who retire from the Corporation on or after attaining age 59 ½ and who have been employed continuously by the Corporation, or its predecessor organization, the Massachusetts Science and Technology Foundation, for a combined total of at least 20 years. The Corporation will pay a portion of the premiums for health and dental insurance plans of the retiree’s choice. The initial annual benefit payment upon adoption of the plan was \$2,500 annually, per eligible retiree. That amount is indexed for inflation each year in an amount equal to the change in the Consumer Price Index (“CPI”). The annual benefit payment for the years ended June 30, 2017 and 2016 was \$5,551 and \$5,826, respectively.

**Massachusetts Technology Development Corporation**  
**d/b/a Mass Ventures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**G. Postemployment Benefit Plan (Other Than Pension) (continued)**

The projection of future benefit payments for an ongoing plan involves 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 changes to the CPI. Amounts determined regarding the funded status of the plan and the annual required contributions of the Corporation, if any, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*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 type of benefit 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 following simplifying assumptions were made:

*Retirement age for active employees:* Active members are assumed to retire at age 59 ½.

*Marital status:* marital status is not a factor in determining eligibility for, or the amount of, benefits.

*Mortality:* Life expectancies are based on mortality tables maintained by the National Center for Health Statistics. The 2006 United States Life Tables for males and the United States Life Tables for females were used. Life expectancies that included partial years were rounded to the nearest whole year. The calculation of postemployment health insurance coverage for each year is based on the assumption that all participants will live until their expected age displayed in the mortality tables.

*Turnover:* Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active employees a probability of remaining employed until the assumed retirement and eligibility dates and for developing an expected future lifetime assumption for purposes of allocating to future periods the present value of total benefits to be paid.

*Healthcare cost trend rate:* Under the provisions of the plan, increases in future benefit payments are limited to changes in the CPI. A rate of 2.2%, based on a five year average of the CPI, has been used.

*Health insurance premiums:* The 2017 benefit amount for retirees of \$3,267 was used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate:* An inflation rate of 2.2% was used.

*Discount rate:* Based on the historical and expected returns of the Corporations short-term investment portfolio, a discount rate of 4.18% was used.

*Funding progress:* As of June 30, 2017, the actuarial accrued liability (simplified entry age) was \$168,151, which is included in the Corporation's liabilities on the accompanying balance sheet. The Plan is being funded with amounts designated by the Corporation and related interest income. As of June 30, 2017, the Board approved funding commitment is \$282,500, of which \$231,615 has been reserved through fiscal year 2017, resulting in an overfunded liability of \$63,464.

**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**H. Internally Designated - General Support**

The following table represents the components of the Internally Designated – General Support cash, cash equivalents and short-term investments balance at June 30:

	<u>2017</u>	<u>2016</u>
Post retirement health and dental insurance plan	\$ <u>231,615</u>	\$ <u>231,615</u>
General Support Internally Designated cash, cash equivalents and short-term investments	\$ <u>231,615</u>	\$ <u>231,615</u>

**I. Commitments and Contingencies**

**Operating leases**

In July of 2013 the Corporation entered into a new lease agreement for office space beginning in October of 2013 and extending through September 30, 2016. In June of 2016 the Corporation entered into an agreement to extend the original lease through September 30, 2019. The agreement provides for base rent plus operating expenses and tax escalation clauses. Rent expense for the years ended June 30, 2017 and 2016, was \$98,136 and \$99,777 respectively.

Future minimum lease payments under this non-cancelable operating lease for the years ending June 30:

2018	\$ 100,512
2019	104,366
2020	<u>26,332</u>
Total	\$ <u>231,210</u>

**Other contingencies**

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. As of June 30, 2017 there were no liabilities incurred related to such a contingency.



**Massachusetts Technology Development Corporation**  
**d/b/a MassVentures**  
*Notes to Financial Statements*  
*June 30, 2017 and 2016*

---

**J. Employee Retirement Plan**

The Corporation provides retirement benefits for substantially all employees through a simplified employee pension plan (“SEP”). The Corporation makes contributions to individual retirement accounts (“IRAs”) of employees in amounts equal to 10% of an employee’s gross annual salary, not to exceed the maximum amount allowable by federal law. Quarterly contributions are distributed to the eligible employees’ IRA at Fidelity Investments. The Corporation has no fiduciary responsibility for these investments. Contribution expenses for fiscal years 2017 and 2016, were \$59,795 and \$71,237, respectively.



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

To the Board of Directors  
Massachusetts Technology Development Corporation  
d/b/a MassVentures  
Boston, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Massachusetts Technology Development Corporation d/b/a MassVentures (the "Corporation") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 30, 2017.

*Internal Control Over Financial Reporting*

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

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

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

*Compliance and Other Matters*

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

*Purpose of this Report*

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

*Katz, Neuman + Solomon, P.C.*

September 30, 2017  
Waltham, Massachusetts