

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)

Financial Statements (with Independent Auditors' Report Thereon)

June 30, 2023 and 2022

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)
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Independent Auditors' Report

Members of the Board
University of Massachusetts Building Authority:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the University of Massachusetts Building Authority (the Authority), a component unit of the University of Massachusetts, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS 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 audits 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 December 8, 2023, 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.

KPMG LLP

Boston, Massachusetts
December 8, 2023

Management's Discussion and Analysis (unaudited)

This section of the annual financial statements of the University of Massachusetts Building Authority (the "Authority") presents a discussion and analysis of the Authority's financial activity for the fiscal years ended June 30, 2023 and 2022. This discussion and analysis have been prepared by management and should be read in conjunction with the Authority's financial statements and related note disclosures, which follow.

INTRODUCTION

The Authority is an independent body politic and corporate and a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth"), which was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the "Enabling Act"). The Authority was created with the general purposes of providing dormitories, dining commons and other buildings and structures for use by the University of Massachusetts (the "University"), its students, staff and their dependents and other entities associated with the University as specified in the Enabling Act, as requested by authority of the Trustees of the University (the "Trustees").

The Authority is empowered to acquire, construct, remove, demolish, add to, alter, enlarge, reconstruct, remodel and do other work upon any building or structure and to provide and install furnishings, furniture, machinery, equipment, approaches, driveways, walkways, parking areas, planting, landscaping and other facilities therein. The Enabling Act authorizes the Authority to acquire property from the Commonwealth or others (but the Authority has no eminent domain power), to rent or lease as lessor or lessee any portion of a project, to operate projects, to employ experts and other persons, to enter into contracts, to borrow money to finance and refinance projects it undertakes, and to issue and sell its revenue bonds and notes which are payable solely from its revenues. The Authority's assets and projects are located on all five campuses of the University. The eleven members of the Authority are appointed by the Governor. Five of the members must be Trustees. Two of the other members must be graduates of the University. Non-trustee members serve terms of approximately six years. Trustee members serve as long as they are Trustees. Members whose terms expire continue as members until they are reappointed or replaced.

FINANCIAL HIGHLIGHTS

- The net position of the Authority remained \$1.21 billion in fiscal years 2023 and 2022.
- Capital spending and contributed construction assets totaled \$259.9 million in fiscal year 2023, representing a \$35.0 million increase compared to fiscal year 2022. A majority of the capital spending in fiscal year 2023 relates to continued investments in new buildings and renovation projects, which include: North Village Family Housing, ATC Renovations at Mt. Ida, Computer Sciences Laboratories, Goessmann Renovations, New Faculty Hire and Class Lab Renovations/Expansion, LGRT Math Department Renovations, Goodell Hall Renovations, Sustainable Engineering Laboratories, and the Energy Improvements at the Amherst campus; the Substructure Demolition & Quadrangle Development at the Boston campus; the Science & Engineering Building Renovation at the Dartmouth campus; the Olsen Hall Renovations, Olney Instructional Modernization and certain property acquisitions at the Lowell campus; and the New Education and Research Building at the Chan Medical School campus.

USING THE ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements comprise of two primary components: 1) the financial statements, and 2) the notes to the financial statements.

Management's Discussion and Analysis (unaudited)

Financial statements and notes

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"), which establishes financial reporting standards for governmental entities. The Authority's financial statements report its activities as business-type using the economic resources measurement focus, and the full accrual basis of accounting. The Authority is a blended component unit of the University. Therefore, the results of the Authority's operations, its net position, and its cash flows are included in the University's financial statements. Further information on the operations of the Authority and significant accounting policies are summarized in Notes 1 and 2 of the accompanying financial statements.

The accompanying financial statements are designed to provide readers with a broad overview of the Authority's finances and are comprised of three basic statements.

The Statements of Net Position present information on all of the Authority's assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present information that shows how the Authority's net position changed during the most recent fiscal year. 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 (e.g., the payments to vendors after year-end for services prior to year-end).

The Statements of Cash Flows are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., income from contracts) and disbursements (e.g., cash paid to vendors for services), as well as capital and related financing and noncapital financing, if any, and investing activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding the accounting policies the Authority has adopted as well as additional details of certain amounts contained in the financial statements.

NET POSITION

As noted earlier, over time the Authority's net position may serve as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$1.21 billion at the close of the most recent fiscal year.

A portion of the Authority's net position reflects its investment in capital assets (e.g., buildings, equipment and furnishings) less any related debt used to acquire those assets that is still outstanding for the most recent fiscal year. The Authority uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority's primary sources of funds used to repay the debt are receipts related to the Authority's financial contracts with the University. These contracts generally call for the Authority to bill and collect all revenue from the projects and remit to the Trustee under the Authority's trust agreements (the "Bond Trustee") funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects.

Management's Discussion and Analysis (unaudited)

The Authority's net position (in thousands) is as follows:

Condensed Schedules of Net Position			
As of June 30, 2023, 2022, 2021			
(\$ in thousands)			
	2023	2022	2021
ASSETS			
Current assets	\$ 125,038	\$ 110,594	\$ 113,470
Noncurrent assets	4,605,729	4,724,610	4,391,284
Total assets	4,730,767	4,835,204	4,504,754
DEFERRED OUTFLOWS OF RESOURCES	100,624	109,949	119,261
LIABILITIES			
Current liabilities	250,892	218,306	208,182
Noncurrent liabilities	3,315,033	3,452,018	3,160,236
Total liabilities	3,565,925	3,670,324	3,368,418
DEFERRED INFLOWS OF RESOURCES	59,660	64,358	58,470
NET POSITION			
Net investment in capital assets	1,109,616	1,182,330	1,173,243
Unrestricted	96,190	28,141	23,885
Total net position	\$ 1,205,806	\$ 1,210,471	\$ 1,197,128

Current assets increased by \$14.4 million in fiscal year 2023 compared to 2022 primarily due to an increase in cash and cash equivalents by \$15.3 million. For the most part, the increase in cash and cash equivalents was due to an \$11.0 million nonrefundable deposit released from escrow to the Authority with regard to the disposition of the former Bayside Convention Center property. The increase was partially offset by \$3.2 million reduction in prepaids and other current assets mostly due to demolition costs that were expensed in fiscal year 2023. Current assets decreased by \$2.9 million in fiscal year 2022 compared to 2021. This was due for the most part as a result of the fiscal year 2021 BAB's subsidy for the 2010-2 bonds being received in fiscal year 2022 in the amount of \$3.6M. Also contributing to the decrease, was a reduction in intergovernmental receivables of \$17.8 million offset by the increase in restricted receivables of \$5.8 million and loans receivable of \$4.0 million.

Non-current assets decreased by \$118.9 million in fiscal year 2023 compared to fiscal year 2022 primarily due to the maturity of \$180.1 million of investments in US Treasuries and the \$18.8 million reduction in loan receivable, partially offset by the \$85.9 million increase in net capital assets. Non-current assets increased by \$333.3 million in fiscal year 2022 compared to fiscal year 2021 mostly due to a new bond issuance and corresponding increase in restricted cash of \$87.8 million, restricted investments of \$196 million. Also contributing to the year-over-year change was the increase

Management's Discussion and Analysis (unaudited)

in net capital assets including lease right-of-use assets of \$69.2 million offset by a decrease in loans receivable \$18.6 million.

Deferred outflows of resources totaled \$100.6 million and \$109.9 million at the end of fiscal year 2023 and 2022, respectively. The 2023 decrease relates to amortization of loss on bond refundings. Deferred outflows of resources totaled \$109.9 million and \$119.3 million at the end of fiscal year 2022 and 2021, respectively. The 2022 decrease relates to amortization of loss on bond refundings.

Current liabilities increased in fiscal year 2023 compared to 2022 by \$32.6 million primarily due to a \$12.6 million increase of the current portion of bonds payable, an increase of \$17.3 million in commercial paper notes and \$5.5 million increase in other current liabilities, partially offset by a decrease of \$1.4 million in accrued bond interest payable. Current liabilities increased in fiscal year 2022 compared to 2021 by \$10.1 million primarily due to a \$13.2 million increase of the current portion of bonds payable, an increase of \$2.9 million in accrued bond and lease interest payable, and \$3.5 million increase in other current liabilities, offset by a decrease of \$11.0 million of commercial paper notes.

Non-current liabilities decreased in fiscal year 2023 compared to 2022 by \$137.0 million due to a decrease of \$151.2 million in bonds payable and a decrease of \$3.2 million reduction in lease liability, partially offset by a \$17.4 million net increase in other non-current liabilities. The overall decrease is a result of a \$112 million bond principal payment, a \$24 million amortization of bond premium, partially offset by a \$2.1 million decrease in amortization of the EMKI unearned interest, and a \$20 million payment received from the Amherst P3 service concession agreement. The service concession agreement was executed in fiscal year 2023.

Non-current liabilities increased in fiscal year 2022 compared to 2021 by \$291.8 million primarily due to an increase in long term bonds payable of \$287.0 million and lease liability of \$7.1 million. This increase is offset by the decrease of \$2.3 million in unearned interest. During fiscal year 2022, the Authority issued \$399.9 million in new bonds with \$26.3 million of new bond premiums. This increase in long term debt includes principal payments of \$98.9 million and bond premium amortization of \$27.1 million and a reduction in reclass to current bonds payable of \$112.1 million.

Net investment in capital assets represents capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt, as well as deferred outflows of resources and deferred inflows of resources, if any, that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Unrestricted net position represents those funds that are not subject to restrictions, or for which restrictions have expired. In 2023, the Authority reported a \$96.2 million surplus in the unrestricted component of net position, a \$68.0 million increase from fiscal year 2022. In 2022, the Authority reported a \$28.1 million surplus in the unrestricted component of net position, a \$4.2 million increase from fiscal year 2021.

As of June 30, 2023 and 2022, there were no restricted net position balances.

The Authority's changes in net position (in thousands) are presented in the table below for the years ended June 30:

Management's Discussion and Analysis (unaudited)

Condensed Schedules of Revenues, Expenses, and Changes in Net Position			
As of June 30, 2023, 2022, 2021			
(\$ in thousands)			
	2023	2022	2021
OPERATING REVENUES			
Income from contracts for financial assistance, management, and services	\$ 245,084	\$ 213,074	\$ 131,254
Total operating revenues	245,084	213,074	131,254
OPERATING EXPENSES			
Facility operating costs	6,861	5,743	4,711
Depreciation and amortization	169,512	164,140	158,489
General and administrative expenses	6,761	7,414	7,318
Total operating expenses	183,134	177,296	170,517
Net operating gain/ (loss)	61,950	35,778	(39,264)
NON-OPERATING INCOME / (EXPENSES)			
Other non-operating income / (expense)	8,678	10,829	10,310
Interest expense	(125,216)	(114,102)	(109,213)
Total non-operating expenses	(116,538)	(103,274)	(98,903)
CAPITAL CONTRIBUTIONS	49,923	80,838	82,329
CHANGE IN NET POSITION	(4,665)	13,341	(55,839)
Net position at the beginning of the year	1,210,471	1,197,129	1,252,966
Net position at the end of the year	\$ 1,205,806	\$ 1,210,471	\$ 1,197,128

Income from contracts for financial assistance, management, and services are primarily related to contracts the Authority has with the University. The Authority has entered into various contracts with the University, acting by and through the Trustees, related to the management of certain Authority projects and the payment to the Authority of certain fees and operating costs. The Authority fixes fees, rents, rates and other charges for the use of its projects in amounts sufficient to provide for the debt service and other payments related to the Authority's obligations and for the Authority's operating expenses. These contracts generally call for the Trustees to bill and collect all revenue derived from the projects and remit to the Authority or to the Trustee under the Authority's trust agreements, funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects. The amounts fluctuate based on the debt service requirements of the Authority bonds in any particular year. Revenue increased by \$32.0 million in fiscal year 2023 compared to fiscal year 2022 primarily as a result of an increase in annual debt service.

Facility operating costs include operating costs of the Authority, rental expenses, and expenses paid by the Authority out of reserves for maintenance of Authority-owned buildings. Facility operating costs increased in fiscal year 2023 compared to fiscal year 2022 due to an increase in Authority operating costs and utilities.

Depreciation and amortization increased by \$5.4 million in fiscal year 2023 compared to fiscal year 2022 and \$5.7 million in fiscal year 2022 versus fiscal year 2021 as additional new capital assets were placed into service during those years and due to GASB 87 implementation.

Management's Discussion and Analysis (unaudited)

Interest expense represents interest paid to the holders of Authority issued debt. In fiscal year 2023 interest expense increased by \$11.1 million over fiscal year 2022 primarily due to scheduled interest payments. In fiscal year 2022 interest expense increased by \$4.9 million over fiscal year 2021 primarily due to additional interest payments on the new bond issuances, 2022-1 and 2022-2.

Capital contributions represent certain grants and gifts provided to the Authority for capital construction at the five campuses. During fiscal year 2023, the Authority received contributions totaling \$49.9 million. The University contributed \$34.2 million to fund various projects including, the Goessmann Hall and Worcester Dining Commons renovation at the Amherst campus, East Campus dormitory demolition project at Dartmouth, Olsen Hall Infrastructure Improvements project at Lowell. The Authority also received grants totaling \$15.7 million from the Commonwealth's Division of Capital Asset Management and Maintenance to fund projects at the Amherst, Dartmouth, and Lowell campuses.

During fiscal year 2022, the Authority received contributions totaling \$80.8 million. The University contributed \$15.3 million to fund various projects including, the Goessmann Hall and Worcester Dining Commons renovation at the Amherst campus, East Campus dormitory demolition project at Dartmouth, Olsen Hall Infrastructure Improvements project at Lowell. The Authority also received grants totaling \$65.6 million from the Commonwealth's Division of Capital Asset Management and Maintenance to fund projects at the Amherst, Dartmouth, and Lowell campuses.

CAPITAL ASSETS OF THE AUTHORITY

The Authority's investment in capital assets as of June 30, 2023 and 2022 amounted to \$4.0 billion and \$3.9 billion, net of accumulated depreciation and amortization of the Lease ROU asset. This investment in capital assets included land, buildings, improvements, furnishings, equipment, construction in progress as well as various office space leases where the Authority is a lessee.

Net capital assets increased by \$85.9 million or 2% in fiscal year 2023 as capital improvements and construction in progress outpaced depreciation expenses.

- Buildings and building components decreased by \$18.1 million, net of accumulated depreciation, in fiscal year 2023, primarily due to the decrease in projects placed in service during the fiscal year 2023 and an increase in projects in construction phase.
- Construction In Progress ("CIP") increased by \$109.5 million in fiscal year 2023 as capital spending on several major construction projects outpaced the projects which were completed and transferred to depreciable property. Projects with significant progress, some of which were completed during fiscal year 2023 include: North Village Family Housing, Goessmann Hall School of Health Sciences renovations, New Faculty Hire renovations, Energy Improvements and Computer and Information Science Building at the Amherst campus; the Substructure Demolition & Quadrangle Development at the Boston campus; the Science & Engineering Building renovation at the Dartmouth campus; Olsen Hall critical infrastructure capital repairs and the Olney Instructional Modernization at the Lowell campus; the New Education and Research Building at the Chan Medical School campus.
- Significant projects that remain in progress either in the design or construction phase at the end of the fiscal year 2023 included the Computer and Information Science Building, Goessmann Hall School of Health Sciences renovation at the Amherst campus; the Substructure Demolition & Quadrangle Development at the Boston campus; the Science & Engineering Building renovation at the Dartmouth campus; and the New Education and Research Building at the Chan Medical School campus.

DEBT OF THE AUTHORITY

The Authority carries debt in the form of bond obligations. This debt was \$3.4 billion and \$3.5 billion as of June 30, 2023 and 2022, respectively. The decrease of \$138.5 million in fiscal year 2023 is primarily due to \$98.9 million of principal payments, and the amortization of \$26.5 million of bond premiums.

The Authority utilizes the commercial paper program to finance projects until issuing long-term debt. During fiscal year 2023, the Authority issued \$17.3 million in new commercial paper to finance the Substructure Demolition & Quadrangle Development at the Boston campus, and two property acquisitions at the Lowell campus with interest rates from 2.00% to 4.55%.

As of June 30, 2023, the ratings assigned to the Authority's bonds are as follows: Aa2 by Moody's Investor Service, AA by Fitch Ratings, and AA- by Standard and Poor's Global Rating.

Management's Discussion and Analysis (unaudited)

THE UNIVERSITY OF MASSACHUSETTS CLUB

The Authority operates the University of Massachusetts Club (the "Club"). The Club is a private club open to membership for alumni, faculty, staff, and friends of the University and is located on the 32nd floor of One Street Beacon in Boston, Massachusetts.

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 them. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, University of Massachusetts Building Authority, 100 Carlson Avenue, Newton, Massachusetts 02459. Additional information on the Authority can be found on its web site, www.umassba.net

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)
Statements of Net Position
June 30, 2023 and 2022
(\$ in thousands)

ASSETS	2023	2022
Current assets		
Cash and cash equivalents	\$ 38,488	\$ 23,209
Accounts receivable (net of allowances of \$139 at June 30, 2023 and \$13 at June 30, 2022)	1,531	140
Intergovernmental receivables		
Commonwealth of Massachusetts	343	1,166
U.S. government	1,374	1,411
University of Massachusetts	625	625
Loans receivable, current portion	16,387	15,918
Lease receivable, current portion	5,710	7,624
Prepays and other current assets	3,285	6,463
Restricted receivables - University of Massachusetts	57,295	54,038
Total current assets	125,038	110,594
Noncurrent assets		
Restricted cash and cash equivalents	285,116	282,520
Restricted investments	15,646	195,721
Loans receivable, non-current portion	185,483	204,293
Lease receivable, non-current portion, net	146,445	153,559
Capital assets, net	3,972,090	3,886,205
Other assets	949	2,312
Total noncurrent assets	4,605,729	4,724,610
Total assets	4,730,767	4,835,204
DEFERRED OUTFLOWS OF RESOURCES		
Debt refunding	100,624	109,949
Total deferred outflows of resources	100,624	109,949
Total assets and deferred outflows of resources	\$ 4,831,391	\$ 4,945,153

See accompanying notes to the financial statements.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)
Statements of Net Position
June 30, 2023 and 2022
(\$ in thousands)

LIABILITIES	2023	2022
Current liabilities		
Accounts payable	\$ 21,287	\$ 27,391
Retainage payable to contractors	16,957	12,447
Bonds payable, current portion	124,725	112,085
Commercial paper notes	37,250	20,000
Accrued bond and lease interest payable	22,635	24,015
Lease liability, current portion	3,181	2,993
Other current liabilities	24,857	19,375
Total current liabilities	250,892	218,306
Noncurrent liabilities		
Bonds payable, net of current portion and unamortized bond premium	3,242,403	3,393,583
Lease liability, net of current portion	24,622	27,803
Other noncurrent liabilities	48,008	30,632
Total noncurrent liabilities	3,315,033	3,452,018
Total liabilities	3,565,925	3,670,324
DEFERRED INFLOWS OF RESOURCES		
Leases	59,660	64,358
Total deferred inflows of resources	59,660	64,358
Total liabilities and deferred inflows of resources	\$ 3,625,585	\$ 3,734,682
NET POSITION:		
Net investment in capital assets	1,109,616	1,182,330
Unrestricted	96,190	28,141
Total net position	\$ 1,205,806	\$ 1,210,471

See accompanying notes to the financial statements.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022
(\$ in thousands)

REVENUES	2023	2022
Operating Revenues		
Income from contracts for financial assistance, management, and services	\$ 245,084	\$ 213,074
Total operating revenues	245,084	213,074
EXPENSES		
Operating expenses		
Facility operating costs	6,861	5,743
Depreciation	166,670	161,814
Amortization of Lease ROU Asset	2,842	2,326
Insurance	3,480	3,379
Professional fees	3,189	3,970
General and administrative expenses	92	64
Total operating expenses	183,134	177,296
Operating income	61,950	35,778
NONOPERATING REVENUES / (EXPENSES)		
Interest subsidy - U.S. government	7,226	7,444
Interest income	15,971	5,528
Interest expense	(125,216)	(114,102)
Other expenses	(14,519)	(2,143)
Total nonoperating expenses	(116,538)	(103,273)
CAPITAL CONTRIBUTIONS		
University of Massachusetts	34,190	15,252
Commonwealth of Massachusetts	15,733	65,586
Total capital contributions	49,923	80,838
Change in net position	(4,665)	13,343
NET POSITION		
Net position at beginning of year	1,210,471	1,197,128
Net position at end of year	\$ 1,205,806	\$ 1,210,471

See accompanying notes to the financial statements.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
(A Component Unit of the University of Massachusetts)
Statements of Cash Flows
June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from income from contracts for financial assistance	\$ 240,702	\$ 205,854
Payments to vendors and suppliers	(18,460)	(15,946)
Payments of salaries and benefits	(4,218)	(3,734)
Net cash provided by operating activities	218,024	186,174
CASH FLOWS FROM CAPITAL AND OTHER FINANCING ACTIVITIES		
Capital asset expenditures	(237,010)	(216,830)
Repayment of bond principal	(112,085)	(98,895)
Interest payments to bondholders	(140,660)	(129,060)
Repayment of commercial paper obligations	-	(97,700)
Build America Bonds interest subsidy	7,263	11,080
Demolition costs	(11,058)	-
EMKI lease receipts	2,665	5,073
Cash received from other leases	3,707	4,295
Interest received	414	414
Interest paid on leases payable	(642)	(451)
Principal paid on leases payable	(2,992)	(1,376)
Sublease commission payments	-	(250)
Loans receivable receipts	15,917	13,788
Commercial paper advances	17,250	86,700
Deposits received (Bayside)	11,200	-
Capital contribution receipts	50,747	94,972
Proceeds from bond obligations	-	399,920
Proceeds from premiums	-	26,327
Net cash provided by (used in) capital financing activities	(395,284)	98,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(196,710)
Proceeds from the sale of investments	181,573	-
Interest income	13,562	848
Net cash provided by (used in) investing activities	195,135	(195,862)
CHANGE IN CASH AND CASH EQUIVALENTS		
	17,875	88,319
Cash and cash equivalents — beginning of the year	305,729	217,410
Cash and cash equivalents — end of the year	\$ 323,604	\$ 305,729
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 61,950	\$ 35,778
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation, amortization and other	169,512	164,139
Loss on disposal of capital assets	(3,453)	(121)
Rental income	(2,851)	(3,106)
<i>Changes in assets and liabilities:</i>		
Accounts receivable, net	(1,531)	(5,143)
Prepays and other current assets	477	(2,640)
Other liabilities	(470)	-
Accounts payable — non-construction related	(5,610)	(2,733)
Net cash provided by operating activities	\$ 218,024	\$ 186,174
SUPPLEMENTAL DISCLOSURE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital assets acquired and included in accounts and retainage payable and other liabilities	\$ 48,336	\$ 56,424
Lease assets acquired in exchange for lease obligations	-	10,230
	\$ 48,336	\$ 66,654

See accompanying notes to the financial statements.

UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

(A Component Unit of the University of Massachusetts)

Notes to Financial Statements

June 30, 2023 and 2022

1) OPERATIONS OF THE AUTHORITY

The University of Massachusetts Building Authority (the "Authority" or "UMBA") is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was created by Chapter 773 of the Acts of 1960 of the Commonwealth, as amended (the "Enabling Act"). The purposes of the Authority are to provide dormitories, dining commons, and other buildings and structures for use by the University of Massachusetts (the "University"), its students, staff and their dependents, and other entities associated with the University as requested by authority of the Trustees of the University (the "Trustees").

The Enabling Act provides that the Authority shall have eleven members, five of whom shall also be trustees of the University. Members of the Authority are appointed by the Governor of the Commonwealth. Two of the other members must be graduates of the University. Non-trustee members serve terms of approximately six years while trustee members serve until they are no longer trustees of the University. Members whose terms have expired continue to be members until reappointed or replaced.

The major functions of the Authority include the issuance of bonds to finance projects requested by the Trustees; the planning and construction or renovations related to those projects; the setting and collection of fees, rents, rates, and other charges related to such projects; debt service administration; and maintenance and repair of its projects. In conjunction with its financings, the Authority has entered into contracts with the Commonwealth, acting by and through the Trustees, with respect to its projects that provide for payments for debt service and other costs of the financings as well as the operating costs of the Authority and its projects.

As stated in the Enabling Act, the Authority may sell bonds and notes, in either a public or private sale, at a price and with such terms as it may determine are in the best interest of the Authority, provided that the bonds of each issue mature no later than fifty years from their date and the sale and terms thereof have been approved by the Treasurer and Receiver-General and the Secretary of Administration and Finance of the Commonwealth or their designees.

The Authority is exempt from federal and state income tax under the doctrine of intergovernmental tax immunity found in the U.S. Constitution. The Authority qualifies as a public charity under Section 170(b)(1)(A)(iv) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Authority's financial statements are included in the University's financial statements as a blended component unit.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) *Basis of accounting*

The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") as applied to governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the economic resources measurement focus, the Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses result primarily from providing, operating, and maintaining Authority facilities for use by the University. The principal sources of operating revenues include income from contracts for financial assistance, which represents amounts needed for debt service and related expenses received from the University and fees charged to the University for services. Operating expenses for the Authority include facility operating costs, depreciation of capital assets, professional fees, and other administrative costs. All revenues and expenses not categorized as operating revenues and expenses are reported as nonoperating.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of when the related cash flow takes place.

b) *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

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and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Restricted Assets

Certain proceeds of the Authority's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the accompanying Statements of Net Position because their use is limited by bond trust agreements.

The following sets forth the restricted cash and cash equivalent and investment balances as of June 30 (\$ in thousands):

	<u>2023</u>	<u>2022</u>
Restricted cash and cash equivalents:		
Capital projects fund	\$ 285,116	\$ 282,520
Restricted investments:		
Capital projects fund	\$ 15,646	\$ 195,721

d) Capital Assets and Depreciation (excluding intangible right-to-use leases)

Property, plant, and equipment are stated at cost on the date of acquisition or at fair market value if contributed. Construction in progress is included as a capital asset. Construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction including capitalized interest, if any. All construction costs related to projects that are not yet completed are charged to construction in progress until such time as the projects are completed and placed in operation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets from the date the property is placed in operation. Land is not depreciated. The useful lives applicable to the Authority are as follows:

Buildings	12 to 50 years
Building, leasehold, and land improvements	3 to 20 years
Equipment	3 to 10 years
Furnishings	3 to 10 years

e) Cash and Cash Equivalents

Cash and cash equivalents include cash balances maintained in checking accounts, overnight repurchase agreements, and amounts held in permitted money market mutual funds with an original maturity date of three months or less. The Authority is authorized to invest in the Massachusetts Municipal Depository Trust ("MMDT"), a pooled money market-like fund, established under General Laws, Chapter 29, Section 38A. MMDT is an external investment pool that meets the criteria established by GASB 79 to report its holdings at amortized cost. As such, the Authority reports its position in MMDT at amortized cost, which approximates the net asset value of \$1.00 (one dollar) per share. MMDT has a maturity of less than one year and is not rated.

f) Investments

Investments in marketable securities are stated at fair value.

Realized and unrealized gains (losses) on investments, if any, include the net changes in the fair value of investments.

g) Net Position

Net position is reported in the following categories:

Net investment in capital assets — This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt, as well as deferred outflows of resources that are attributed to the acquisition, construction, or improvement of those assets.

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Restricted component of net position — This category consists of assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2023 and 2022, there were no restricted net position balance.

Unrestricted component of net position — This category consists of net assets that do not meet the definition of the two preceding categories and are available to support the Authority's operations.

For purposes of net position classification, when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources.

h) Capital Contributions

Capital contributions are for capital asset acquisition, facility development, and long-term planning studies and are reported in the accompanying Statements of Revenues, Expenses, and Changes in Net Position after nonoperating revenues and expenses as capital contributions when the associated capitalized expenditures are incurred.

i) Insurance

The Authority carries a full complement of third-party insurance, including workers' compensation, property, general liability, hire and non-owned auto coverage, an umbrella policy complemented with an excess policy, director and officers (D&O) complemented with an excess policy, crime coverage, and social engineering coverage.

In addition, the Owner-controlled Consolidated Insurance Program ("OCIP") was established to provide insurance coverage for contractors on selected Authority capital projects. This program provides workers' compensation and general liability insurance coverage for most contractors working on projects in the program. The program has a deductible component that is funded by the Authority. The deductible component is limited on both a per-occurrence basis and an aggregate basis for all OCIP-covered projects by stop-loss insurance.

This exposure is partially secured by and paid out of an escrow trust fund set up for this purpose as a requirement of the stop-loss insurer. The total deductible exposure, plus unpaid OCIP-related insurance premiums and expenses committed to the OCIP, is addressed by the Authority with an OCIP reserve of \$3.9 million and \$3.9 million as of June 30, 2023 and June 30, 2022, respectively, which is presented as other noncurrent liabilities in the accompanying Statements of Net Position.

j) Revenue Recognition

The Authority's major revenue source is fees for services that are primarily related to contracts with the University. The Authority has entered into various contracts with the University, acting by and through the Trustees, related to the management of certain Authority projects and the payment to the Authority of certain fees and operating costs. The Authority fixes fees, rents, rates, and other charges for the use of its projects in amounts sufficient to provide for the debt service and other payments related to the Authority's obligations and for the Authority's operating expenses. These contracts generally call for the University to bill and collect all revenue derived from the projects and remit to the Authority or to the Trustee under the Authority's trust agreements funds sufficient to cover debt service on its bonds, its costs of operations, and its financial obligations with respect to the projects. Revenue is recognized when earned consistent with the accrual basis of accounting and is included in income from contracts for financial assistance, management, and in the accompanying statement of revenues, expenses, and changes in net position.

The Authority records revenue associated with the interest rate subsidy provided by the United States Government related to the Authority's issuance of bonds under the Build America Bond ("BAB") program. Under the program, the Government provides a direct 35% subsidy of the interest rate paid to bondholders. During fiscal year 2013, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. In fiscal year 2022, the Authority's November 1, 2021 and May 1, 2022 original subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were reduced by 5.7%.

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k) Adoption of New Accounting Standards

In March 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.

This standard establishes the definitions of Public-Private and Public-Public Partnerships, an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement. This standard also provides guidance for accounting and financial reporting for availability payment arrangements (APA). As of and for the years ending June 30, 2023 and 2022, the Authority had no APAs. The Authority adopted Statement No. 94 effective July 1, 2021. Adoption of the standard had no effect on the Authority's financial statements. See note 9 for discussion of the Authority's Public-Private Partnership arrangements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines subscription-based information technology arrangements (SBITA) and establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Authority adopted Statement No. 96 effective July 1, 2021. Adoption of the standard had no effect on the Authority's financial statements.

l) Lease Accounting

The Authority is a lessee for various noncancellable real estate leases and a lessor for various real estate and ground leases.

Short-term Leases

For lease arrangements with a maximum possible term of 12 months or less at commencement, the Authority recognizes an expense based on the provisions of the lease contract.

Leases Arrangements Other than Short Term

For all other leases (i.e., those that are not short term) where the Authority is a lessee, the Authority recognizes a lease liability and an intangible right-to-use lease asset.

For leases, where the Authority is a lessor, the Authority recognizes a lease receivable and a deferred inflow of resources.

Measurement of Lease Amounts

As a lessee, at lease commencement, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term.

Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the Authority is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

As a lessor, at lease commencement, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflows of resources are initially measured as the initial amount of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the deferred inflows of resources are amortized into lease revenue on a straight-line basis over the shorter of the lease term or the useful life of the underlying lease receivable.

Key Estimates and Judgments

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The Authority generally uses its estimated incremental borrowing rate (IBR) as the discount rate for leases unless the rate that the lessor/vendor charges is known. The Authority IBR for leases is based on the rate of

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interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease payments, respectively, under similar terms at the commencement or remeasurement date. To determine its IBR, the Authority used historical bond yield curves to determine the appropriate rate. For lease amendment effective February 1, 2023, the Authority applied the 4.93% IBR. For leases commencing during the fiscal year 2022, the Authority applied the 2.92% IBR.

- The lease includes the noncancellable period of the lease plus any additional periods covered by either the Authority or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the Authority and the lessor/vendor/lessee have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the Authority to determine if they should be included in the measurement of the lease liabilities or lease receivables, including those payments that require a determination of whether they are reasonably certain of being made, such as purchase options, payments for termination penalties, and other payments.

Remeasurement of Lease Amounts

The Authority monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable, the liability or receivable is remeasured, and a corresponding adjustment is made to the lease asset (for lessee arrangements) or deferred inflows of resources (for lessor arrangements).

Presentation in Statement of Net Position

Right-to-use lease assets are reported with capital assets in the accompanying Statements of Net Position. Lease receivables are reported with current assets if lessor payments are due within one year. If lease receivables are greater than one year, they are reported with noncurrent assets.

m) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are defined as a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, whereas deferred inflows of resources decrease net position, similar to liabilities.

3) CASH DEPOSITS AND INVESTMENTS

Cash Deposits – Custodial Credit Risk

The Authority’s cash and cash equivalents held on deposit consisted of the following as of June 30 (\$ in thousands):

	<u>2023</u>	<u>2022</u>
Cash	\$ 7,255	\$ 8,726
MMDT	316,349	297,003
	<u> </u>	<u> </u>
Total cash and cash equivalents	<u>\$ 323,604</u>	<u>\$ 305,729</u>

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2023 and 2022, the bank balances of uninsured deposits totaled \$7.0 million and \$8.5 million, respectively.

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Investments

As of June 30, 2023, the Authority's investments consisted of the following:

Investment type	Investment Maturities (in Years)		
	Total	Less than 1	1 to 5
U.S. Treasuries	\$ 15,646	\$ 15,646	\$ -

As of June 30, 2022, the Authority's investments consisted of the following:

Investment type	Investment Maturities (in Years)		
	Total	Less than 1	1 to 5
U.S. Treasuries	\$ 195,721	\$ 180,486	\$ 15,235

Interest Rate Risk

The Authority has a formal investment policy that establishes minimum credit quality of certain instruments, outlines investment procedures, and provides for periodic reporting. Generally, the Authority holds its investments until maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Enabling Act specifies the permitted investments of the Authority. These permitted investments include direct obligations of or obligations that are unconditionally guaranteed by the United States of America ("Treasuries"), obligations of an agency or organization created pursuant to an act of Congress of the United States as an agency or instrumentality thereof ("Agencies"), time deposits or certificates of deposits fully secured by Treasuries or Agencies, and Treasuries and Agencies subject to repurchase agreements. Other legislation allows the Authority to invest in MMDT. Additionally, in accordance with the Authority investment policy, the Authority's Bond Trustee may invest some of the Authority's funds in money market accounts, permitted and collateralized by Treasuries.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority's Enabling Act does not contain legal or policy requirements that would limit the exposure to custodial credit risk, except that interest-bearing time deposits or certificates of deposit of banking institutions or trust companies must be continuously and fully secured by Treasuries or Agencies.

Fair Value Measurements

GASB No. 72, *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

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- Level 2 – inputs other than Level 1 that are observable, either directly or indirectly, and include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability; and,
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurement. Unobservable inputs are developed based on the best information available in the circumstances and may include the Authority's own data.

All the Authority's investments at June 30, 2023 and 2022 consist of U.S. Treasury notes, which are considered level 1 investments.

4) CAPITAL ASSETS

A summary of changes in capital assets follows (\$ in thousands):

	Balance June 30, 2021	Additions	Retirements/ Adjustments	Balance June 30, 2022	Additions	Retirements/ Adjustments	Balance June 30, 2023
Land	\$ 121,817	\$ 754	\$ (1,093)	\$ 121,478	\$ 616	\$ -	\$ 122,094
Buildings	3,844,105	98,705	(1,324)	3,941,486	97,047	(17,281)	4,021,252
Building and land improvements	917,957	20,845	(9,322)	929,480	47,793	(13,007)	964,266
Equipment and furnishings	82,973	1,593	(1,986)	82,580	4,876	(3,219)	84,237
Construction in progress	191,339	217,962	(117,002)	292,299	242,513	(132,968)	401,844
Subtotal	<u>5,158,191</u>	<u>339,859</u>	<u>(130,727)</u>	<u>5,367,323</u>	<u>392,845</u>	<u>(166,475)</u>	<u>5,593,693</u>
Less accumulated depreciation:							
Buildings	(941,367)	(110,343)	1,616	(1,050,094)	(113,321)	15,499	(1,147,916)
Building and land improvements	(361,627)	(46,001)	10,355	(397,273)	(47,620)	10,303	(434,590)
Equipment and furnishings	(56,251)	(5,470)	1,985	(59,736)	(5,729)	3,218	(62,247)
Subtotal	<u>(1,359,245)</u>	<u>(161,814)</u>	<u>13,956</u>	<u>(1,507,103)</u>	<u>(166,670)</u>	<u>29,020</u>	<u>(1,644,753)</u>
Total capital assets, net excluding lease assets	<u>3,798,946</u>	<u>\$ 178,045</u>	<u>\$ (116,771)</u>	<u>3,860,219</u>	<u>\$ 226,175</u>	<u>\$ (137,455)</u>	<u>3,948,940</u>
Lease assets, net (Note 9)	<u>18,081</u>			<u>25,986</u>			<u>23,150</u>
Total capital assets, net as reported in the statements of net position	<u>\$ 3,817,027</u>			<u>\$ 3,886,205</u>			<u>\$ 3,972,090</u>

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5) BONDS PAYABLE

The following is a summary of bonds outstanding for the year ended June 30, 2023 and the related activity during the fiscal year (\$ in thousands):

Bond Description	Original Borrowing	Current Maturity Year	Interest Rate	Outstanding June 30, 2022	Additions	Reductions	Outstanding June 30, 2023	Insured	Callable	Call Date Beginning
Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	271,855	2039	6.42% to 6.57%	16,945	-	-	16,945	No	At Par	Anytime
Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable)	28,570	2039	5.82% to 6.17%	22,400	-	(775)	21,625	No	*	Anytime
Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	430,320	2040	3.80% to 5.45%	413,610	-	(17,125)	396,485	No	*	Anytime
Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)	3,005	2040	5.75%	2,420	-	(75)	2,345	No	*	Anytime
Project Revenue Bonds, Senior Series 2013-1	212,585	2039	2.00% to 5.00%	8,410	-	(5,845)	2,565	No	At Par	Anytime
Project Revenue Bonds, Senior Series 2013-2 (Federally Taxable)	71,970	2041	0.43% to 4.26%	29,590	-	(2,485)	27,105	No	At Par	Nov-23
Project and Refunding Revenue Bonds, Senior Series 2013-3	24,640	2023	4.00% to 5.00%	485	-	(485)	-	No	At Par	Anytime
Project Revenue Bonds, Senior Series 2014-1	293,890	2044	3.00% to 5.00%	62,935	-	(4,135)	58,800	No	At Par	Nov-24
Refunding Revenue Bonds, Senior Series 2014-3	67,635	2026	2.00% to 5.00%	24,345	-	(4,500)	19,845	No	At Par	Nov-24
Refunding Revenue Bonds, Senior Series 2014-4	157,855	2025	0.20% to 3.38%	8,700	-	(2,070)	6,630	No	*	Anytime
Project Revenue Bonds, Senior Series 2015-1	298,795	2045	4.00% to 5.00%	266,880	-	-	266,880	No	At Par	Nov-25
Refunding Revenue Bonds, Senior Series 2015-2	191,825	2036	3.00% to 5.00%	133,330	-	(25,620)	107,710	No	At Par	Nov-25
Refunding Revenue Bonds, Senior Series 2017-1	165,130	2047	4.00% to 5.25%	165,130	-	-	165,130	No	At Par	Nov-27

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Bond Description	Original Borrowing	Current Maturity Year	Interest Rate	Outstanding June 30, 2022	Additions	Reductions	Outstanding June 30, 2023	Insured	Callable	Call Date Beginning
Refunding Revenue Bonds, Senior Series 2017-2	19,510	2027	1.58% to 3.37%	13,570	-	(1,570)	12,000	No	No	-
Refunding Revenue Bonds, Senior Series 2017-3	187,680	2038	3.00% to 5.00%	152,150	-	(3,650)	148,500	No	At Par	Nov-27
Direct Placement										
Project Revenue Bonds, Senior Series 2018-1	37,650	2043	2.00% to 2.93%	37,650	-	-	37,650	No	At Par	Anytime
Refunding Revenue Bonds, Senior Series 2019-1	208,725	2039	5.00%	208,725	-	-	208,725	No	At Par	May-29
Project Revenue Bonds, Senior Series 2020-1	200,840	2050	5.00%	200,840	-	-	200,840	No	At Par	Nov-29
Project Revenue Bonds, Senior Series 2020-2 (Federally Taxable)	129,830	2050	1.76 to 3.54%	127,845	-	(2,020)	125,825	No	At Par	Nov-29
Refunding Revenue Bonds, Senior Series 2020-3 (Federally Taxable)	319,345	2044	1.71 to 3.50%	315,665	-	(2,165)	313,500	No	At Par	Nov-29
Refunding Revenue Bonds, Senior Series 2020-4 (Federally Taxable)	329,930	2043	.43% to 3.013%	329,930	-	(9,345)	320,585	No	*	Anytime
Refunding Revenue Bonds, Senior Series 2021-1 (Federally Taxable)	312,330	2037	5.00%	291,750	-	(29,965)	261,785	No	At Par	May-31
Refunding Revenue Bonds, Senior Series 2021-2 (Federally Taxable)	46,585	2036	0.145% to 2.652%	30,835	-	(255)	30,580	No	At Par	May-31
Project Revenue Bonds, Senior Series 2022-1	188,650	2052	5.00%	188,650	-	-	188,650	No	At Par	May-32
Project Revenue Bonds, Senior Series 2022-2 (Federally Taxable)	211,270	2045	2.2% to 4.3%	211,270	-	-	211,270	No	At Par	May-32
Unamortized bond premium				241,608	-	(26,455)	215,153			
Total				\$ 3,505,668	\$ -	\$ (138,540)	\$ 3,367,128			

*These series of bonds are callable at the Make-Whole Redemption Price, which equals the greater of the outstanding principal balance or the present value of the scheduled future principal and interest payments; payments are discounted at the Treasury Rate plus 25 basis points (2009 Series Bonds) or 30 basis points (2010 Series Bonds).

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The following is a summary of bonds outstanding for the year ended June 30, 2022 and the related activity during the fiscal year (\$ in thousands):

Bond Description	Outstanding June 30, 2021	Additions	Reductions	Outstanding June 30, 2022
Project Revenue Bonds, Senior Series 2009-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	\$ 16,945	\$ -	\$ -	\$ 16,945
Project Revenue Bonds, Senior Series 2009-3 (Federally Taxable)	23,135	-	(735)	22,400
Project Revenue Bonds, Senior Series 2010-2 (Federally Taxable - Build America Bonds - Direct Pay to Issuer)	430,320	-	(16,710)	413,610
Project Revenue Bonds, Senior Series 2010-3 (Federally Taxable)	2,490	-	(70)	2,420
Project Revenue Bonds, Senior Series 2013-1	13,735	-	(5,325)	8,410
Project Revenue Bonds, Senior Series 2013-2 (Federally Taxable)	32,010	-	(2,420)	29,590
Project and Refunding Revenue Bonds, Senior Series 2013-3	945	-	(460)	485
Project Revenue Bonds, Senior Series 2014-1	66,825	-	(3,890)	62,935
Refunding Revenue Bonds, Senior Series 2014-3	28,635	-	(4,290)	24,345
Refunding Revenue Bonds, Senior Series 2014-4	13,865	-	(5,165)	8,700

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Bond Description	Outstanding June 30, 2021	Additions	Reductions	Outstanding June 30, 2022
Project Revenue Bonds, Senior Series 2015-1	266,880	-	-	266,880
Refunding Revenue Bonds, Senior Series 2015-2	157,765	-	(24,435)	133,330
Refunding Revenue Bonds, Senior Series 2017-1	165,130	-	-	165,130
Refunding Revenue Bonds, Senior Series 2017-2	15,100	-	(1,530)	13,570
Refunding Revenue Bonds, Senior Series 2017-3	155,630	-	(3,480)	152,150
Direct Placement				
Project Revenue Bonds, Senior Series 2018-1	37,650	-	-	37,650
Refunding Revenue Bonds, Senior Series 2019-1	208,725	-	-	208,725
Project Revenue Bonds, Senior Series 2020-1	200,840	-	-	200,840
Project Revenue Bonds, Senior Series 2020-2 (Federally Taxable)	129,830	-	(1,985)	127,845
Refunding Revenue Bonds, Senior Series 2020-3 (Federally Taxable)	317,795	-	(2,130)	315,665
Refunding Revenue Bonds, Senior Series 2020-4 (Federally Taxable)	329,930	-	-	329,930
Refunding Revenue Bonds, Senior Series 2021-1 (Federally Taxable)	302,270	-	(10,520)	291,750
Refunding Revenue Bonds, Senior Series 2021-2 (Federally Taxable)	46,585	-	(15,750)	30,835
Project Revenue Bonds, Senior Series 2022-1	-	188,650		188,650
Project Revenue Bonds, Senior Series 2022-2 (Federally Taxable)	-	211,270		211,270
Unamortized bond premium	242,430	26,327	(27,149)	241,608
Total	\$ 3,205,465	\$ 426,247	\$ (126,044)	\$ 3,505,668

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Aggregate annual maturities of principal and interest on bonds outstanding as of June 30, 2023 are as follows (\$ in thousands):

Fiscal year-end	Bonds			Direct Placement Bonds		Total
	Principal	Interest	Interest Subsidy*	Principal	Interest	
2024	\$ 123,070	\$ 132,448	\$ (6,993)	\$ 1,655	\$ 754	\$ 250,934
2025	120,870	127,805	(6,729)	1,690	717	244,353
2026	116,885	122,850	(6,445)	1,725	684	235,699
2027	120,295	117,642	(6,153)	1,760	649	234,193
2028	125,125	112,292	(5,858)	1,790	615	233,964
2029–2033	647,160	476,601	(24,217)	8,320	3,730	1,111,594
2034–2038	687,235	331,724	(13,702)	9,595	2,429	1,017,281
2039–2043	630,010	177,452	(2,315)	11,115	901	817,163
2044–2048	366,985	74,200	-	-	-	441,185
2049–2053	176,690	18,410	-	-	-	195,100
	<u>\$ 3,114,325</u>	<u>\$ 1,691,424</u>	<u>\$ (72,412)</u>	<u>\$ 37,650</u>	<u>\$ 10,479</u>	<u>\$ 4,781,466</u>

*These interest rate subsidies are provided by the United States Government related to the Authority's issuance of bonds under the Build America Bond ("BAB") program. Under the BAB program, the Government provides a direct subsidy of the interest rate paid to bondholders up to 35%. The Authority's November 1, 2022, and May 1, 2023 subsidy payments related to the Senior Series 2009-2 Project Revenue Build America Bonds and the Senior Series 2010-2 Project Revenue Build America Bonds were 33.00%. For fiscal year 2024 through fiscal year 2043, the estimated subsidy reflected in the table above is 33.00%.

Bond Activity

The Authority did not issue any new bonds and there was no refunding activity in the fiscal year 2023.

In fiscal year 2022, the Authority issued \$188.7 million of Senior Series 2022-1 Project Revenue Bonds and \$211.3 million of Senior Series 2022-2 Project Revenue Bonds.

Bond Premium and Issuance Expenses

The Authority amortizes the premiums received as a reduction of interest expense over the life of the respective bond issue. No bond activity occurred in the fiscal year 2023, thus no new bond premium, discount or bond issuance costs were recorded in the fiscal year 2023. In the fiscal year 2022, the Authority received \$26.3 million as premiums at issuance.

In connection with the Authority's bond issues, the Authority incurred certain issuance costs associated with the bond offerings. In fiscal year 2022, issuance costs were \$2.42 million and were expensed in accordance with the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

6) COMMERCIAL PAPER

The maximum aggregate principal amount of commercial paper which may be outstanding at one time is \$200,000,000. The Commercial Paper Notes Series 2013-A are secured by a standby liquidity facility agreement with TD Bank, that expires on August 3, 2025. As of June 30, 2023, the outstanding commercial paper had a term of 20 days with a maturity date July 20, 2023.

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The following is a summary of commercial paper issues for the year ended June 30 (\$ in thousands):

	Balance June 30, 2022	Issues	Repayments	Balance June 30, 2023
CP series 2013-A tax exempt	\$ 20,000	\$ 11,000	\$ -	\$ 31,000
CP series 2013-A taxable	-	6,250	-	6,250
	\$ 20,000	\$ 17,250	\$ -	\$ 37,250

	Balance June 30, 2021	Issues	Repayments	Balance June 30, 2022
CP series 2013-A tax exempt	\$ -	\$ 30,700	\$ (10,700)	\$ 20,000
CP series 2013-A taxable	31,000	56,000	(87,000)	-
	\$ 31,000	\$ 86,700	\$ (97,700)	\$ 20,000

The Authority incurred fees associated with its commercial paper credit facility of \$997,677 and \$721,512 for fiscal years 2023 and 2022, respectively.

7) PLEDGED REVENUES

The Authority has pledged as security for its revenue bonds, the payments made by the University to the Authority to pay the debt service on its outstanding revenue bonds. The general purpose of such revenue bonds issued by the Authority is to finance the University's capital projects and are payable through fiscal year 2053. Such pledges remain in place until the revenue bonds outstanding are defeased or paid. The total amount of pledged revenues in fiscal year 2023 was \$259.2 million. Total debt service (principal and interest) paid during fiscal year 2023 on outstanding revenue bonds was \$250.9 million, representing 96.8% of pledged revenues.

8) CONTRIBUTIONS FROM THE UNIVERSITY OF MASSACHUSETTS AND THE COMMONWEALTH OF MASSACHUSETTS

During fiscal year 2023, the Authority received capital contributions from the University in the amount of \$34.2 million to fund the Goodell Hall, Engineering Building and Service Workers Honor Pavilion renovations at Amherst, the East Campus dormitory demolition project at the Dartmouth campus, the Olsen Hall Infrastructure improvements and various other projects at the Lowell campus. During fiscal year 2022, the Authority received capital contributions from the University in the amount of \$15.3 million to fund the Goessmann Hall School of Health Sciences renovations at Amherst, the East Campus dormitory demolition project at the Dartmouth campus, the Olsen Hall Infrastructure improvements and various other projects at the Lowell campus.

During fiscal years 2023 and 2022, the Authority received grants totaling \$15.7 million and \$65.6 million from the Commonwealth, respectively. These grants were from Division of Capital Asset Management and Maintenance to fund projects at the Amherst, Boston, Dartmouth and Lowell campuses.

As per the Authority's policy, these grants are shown in the Statements of Revenues, Expenses and Changes in Net Position as a capital contribution.

9) PUBLIC-PRIVATE PARTNERSHIPS AND LEASES

The Authority has entered into three Public-Private Partnerships (PPP), one of which meets the definition of a service concession arrangement (SCA,) the remaining two do not meet the definition of an SCA.

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a) PPPs meeting the definition of an SCA

On July 7, 2022, the Authority entered into an SCA with Mass Ave Housing Partners LLC ("Project Company"), to carry out the design, construction, financing, operation, management, and maintenance of a portion of the Student Housing Project on the Amherst campus consisting of approximately 600 beds of undergraduate apartment-style housing and approximately 200 beds of graduate student apartment-style housing and related infrastructure, including parking. The Project Company will manage, maintain, and operate the Student Housing Facilities and be entitled to all user fees associated with the project as defined, for a term of 65-years. At the end of the arrangement, operation of the Student Housing Project will be transferred to the University. The estimated cost of construction of the Student Housing Project is \$250 million. In accordance with GASB Statement No. 94, the Authority will record an asset and corresponding deferred inflow for the cost of the Student Housing Project when the related assets are placed into service which is expected to occur in January, 2024.

In accordance with SCA agreements, the Authority received from the Project Company a lump-sum payment of \$20 million which is included in other noncurrent liabilities in the accompanying financial statements.

b) PPPs not meeting the definition of an SCA

On November 8, 2016, the Authority entered into an agreement with Commonwealth Educational Resources, Inc. (PCER), a Massachusetts not-for-profit corporation to construct and operate for 40 years a 1,082-bed student housing facility at its Boston campus (the "Boston Project"). The Boston Project reverts to the Authority in 2056. The Boston Project was financed with \$130.08 million of revenue bonds issued on October 26, 2016 (Series 2016 Bonds) by the Massachusetts Development Finance Agency ("MassDevelopment") pursuant to a Loan and Trust Agreement between MassDevelopment and PCER. Neither the Authority, University nor Boston campus have pledged revenues to secure the payment of the Series 2016 bonds or have any obligation with respect to payment of the Series 2016 bonds.

On November 14, 2018, the Authority entered into an agreement with Provident Commonwealth Educational Resources II, Inc. (PCER II), a Massachusetts not-for-profit corporation to construct and operate for 45 years a 1,210-bed student housing facility at its Dartmouth campus (the "Dartmouth Project"). The Dartmouth Project reverts to the Authority in 2064. The Dartmouth Project was financed with \$132.19 million of revenue bonds issued on November 14, 2018 (Series 2018 Bonds) by the Massachusetts Development Finance Agency ("MassDevelopment") pursuant to a Loan and Trust Agreement between MassDevelopment and PCER II. Neither the Authority, University nor Dartmouth campus have pledged revenues to secure the payment of the Series 2018 bonds or have any obligation with respect to payment of the Series 2018 bonds.

Management evaluated the applicability of relevant GASB guidance against the underlying Boston and Dartmouth Project agreements and indentures and has concluded that the associated debt should not be recognized on the financial statements of the Authority.

In accordance with GASB Statement No. 94, PPP's that do not meet the definition of an SCA are recorded based upon the operators' (PCER and PCER II) estimated carrying value of the underlying PPP assets as of the expected date of transfer in ownership to the Authority. At of June 30, 2023 and 2022, the estimated carrying value of the assets upon ownership transfer for the Boston Project (2056) and the Dartmouth Project (2064) were deemed immaterial and therefore no amounts have been recorded in the accompanying financial statements.

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c) Ground Leases

Pursuant to the Boston and Dartmouth Project PPP agreements, the Authority entered into the following ground leases. For the Boston Project, commencing January 1, 2019, and continuing for a term of 40 years, the annual rental amount payable to the Authority is \$1.025 million. For the Dartmouth Project, commencing January 1, 2021, and continuing for a term of 45 years, the rental amount payable to the Authority is \$625,000, increasing by 3% every five years.

d) Direct Financing Lease

In accordance with the GASB 87 transition guidance, the Authority has not restated the underlying assets related to its direct finance lease.

On October 27, 2009, the Authority entered into an agreement to lease its facility located on Morrissey Boulevard in Dorchester, Massachusetts (the Facility) to the Edward M. Kennedy Institute for the United States Senate ("EMKI"), a charitable corporation registered in the District of Columbia. The lease agreement provides for an initial term of ninety-nine years commencing in October 2009, and thereafter, at the option of EMKI, may be extended for two additional ninety-nine-year periods.

EMKI has an option to purchase the Facility for one dollar at any time after the earlier of: (i) payment of no less than 51% or defeasement of the original amount of the associated revenue bonds. The University has right of first refusal in the event EMKI decides to sell or otherwise dispose of the ownership of the Facility.

The project was financed with \$74.38 million of revenue bonds. Rent is equal to the debt service on the outstanding bonds and payable semiannually through fiscal year 2043.

At June 30, 2023 and 2022, the Authority recorded gross lease receivable of approximately \$91.5 million and \$96.6 million, respectively related to the EMKI lease. Also at June 30, 2023 and 2022, the Authority recorded unearned interest income of approximately \$23.7 million and \$25.9 million, respectively related to the EMKI lease. The Authority presents the unearned interest income associated with the EMKI lease as other current liabilities of approximately \$2.2 million and \$2.2 million and other noncurrent liabilities of approximately \$21.5 million and \$23.7 million as of June 30, 2023 and 2022, respectively.

For the years ended June 30, 2023 and 2022, the Authority recognized \$2.2 million and \$2.3 million, respectively, of interest income related to its EMKI direct financing lease.

e) Other Leases

The Authority has executed long-term leases, as a lessee, with the Commonwealth, acting by and through the Trustees, covering the land on which facilities owned by the Authority are located on the University's campuses. These leases call for nominal annual payments to the Commonwealth. Certain of these leases renew automatically for subsequent 5- or 10-year periods unless the Authority notifies the University that it does not wish to renew. Other leases require the Authority to notify the University of its desire to renew. As of June 30, 2023, all leases with the Commonwealth were in good standing and any leases requiring action by the Authority during the year to facilitate their renewals were properly renewed.

As provided in the Enabling Act, each of the above-referenced leases also terminates when the Authority no longer has any bonds outstanding, at which time all Authority property becomes the property of the Commonwealth.

On April 1, 2014, the Authority entered into a lease, as lessee, with Massachusetts Mutual Life Insurance Company, as lessor, for space at Tower Square, 1500 Main Street, Springfield, Massachusetts. The lease, as amended, ends on July 31, 2024. Annual rent is \$320 thousand. The Authority subleases the space to the

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University, as lessor, to be used as classroom space for its Springfield satellite campus with a monthly payment of \$26,728 through July 31, 2024.

On July 17, 2014, the Authority entered into a lease, as lessee, with One Beacon Street Limited Partnership for space at One Beacon Street, Boston, Massachusetts. The lease ends December 31, 2030. Annual rent payments range from \$2.10 million to \$2.55 million.

In April 2021, the Authority entered into a lease-leaseback agreement with the University. The purpose of which was to allow the Authority to control additional square footage at the One Beacon Street office building in order to facilitate a future sublease of a portion of that space to a third party. The term of the lease-leaseback agreement ends in December 2030. The lease-leaseback agreement was for the same square footage and at the same terms. In March 2022, the amount of square footage in the lease-leaseback agreement was revised such that the Authority became a net lessee to that agreement. Accordingly, at June 30, 2023 and 2022, the Authority, as net lessee, recorded a lease asset and corresponding lease liability for its net lease-leaseback agreement with the University.

Also in March 2022, the Authority identified and entered into a sublease, as lessor, with a third party (HYM) for certain of the square footage it controlled at the One Beacon Street office building. The HYM lease expires in December 2030 and requires annual rental payments in the range from \$0.6 million to \$0.7 million.

On May 12, 2022, the Authority entered into a lease agreement, as lessee, with the University to lease office space at Mt. Ida for the Authority's use. The lease ends in June 2051, and the annual rent payments range from \$150 thousand to \$600 thousand. Also on May 12, 2022 the Authority entered into a sublease agreement, as lessor, with the University of Massachusetts Foundation (the Foundation), a related party, to sublease 47% of office space at Mt Ida site through June 2051, for an up-front payment of \$3.5 million to cover rent payments from fiscal year 2022 through fiscal year 2039. Thereafter through June 2051, the Foundation's annual rent payment will be \$205 thousand/year.

A summary of lease asset activity during the year ended June 30 is as follows (\$ in thousands):

	Balance at 7/1/2021	Additions	Balance at 6/30/2022	Additions	Remeasure ments/ Deductions	Balance at 6/30/2023
Lease assets - office space:						
One Beacon - UMBA Lessee	\$ 18,916	\$ -	\$ 18,916	\$ -	\$ (2)	\$ 18,914
University (One Beacon) - UMBA Sublessee	-	4,762	4,762	-	-	4,762
Mass Mutual (Satellite) - UMBA Lessee	1,280	-	1,280	-	(1)	1,279
University (Mt. Ida) - UMBA sublessee	-	5,468	5,468	-	4	5,472
Total lease assets	\$ 20,196	\$ 10,230	\$ 30,426	\$ -	\$ 1	\$ 30,427
Less accumulated amortization:						
One Beacon - UMBA Lessee	(1,802)	(1,802)	(3,604)	(1,801)	-	(5,405)
University (One Beacon) - UMBA Sublessee	-	(180)	(180)	(539)	-	(719)
Mass Mutual (Satellite) - UMBA Lessee	(313)	(313)	(626)	(313)	-	(939)
University (Mt. Ida) - UMBA sublessee	-	(30)	(30)	(188)	4	(214)
Total accumulated amortization	(2,115)	(2,325)	(4,440)	(2,841)	4	(7,277)
Total lease assets, net	\$ 18,081	\$ 7,905	\$ 25,986	\$ (2,841)	5	\$ 23,150

Lease assets are reported as capital assets in the accompanying financial statements. See note 4 for rollforward of all of the Authority's capital assets.

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Lease Liabilities

A summary of changes in the related lease liabilities during the year ended June 30, 2023, is as follows (\$ in thousands):

	<u>Balance at 7/1/2022</u>	<u>Additions</u>	<u>Remeasurements/ Deductions</u>	<u>Balance at 6/30/2023</u>	<u>Amounts due within one year</u>
Lease liability - office space:					
One Beacon - UMBA Lessee	\$ 20,068	\$ -	\$ (2,231)	\$ 17,837	\$ 2,313
University (One Beacon) - UMBA Sublessee	4,605	-	(447)	4,158	470
Mass Mutual (Satellite) - UMBA Lessee	660	-	(315)	345	318
University (Mt. Ida) - UMBA sublessee	5,463	-	-	5,463	80
Total lease liability	<u>\$ 30,796</u>	<u>\$ -</u>	<u>\$ (2,993)</u>	<u>\$ 27,803</u>	<u>\$ 3,181</u>

A summary of changes in the related lease liabilities during the year ended June 30, 2022, is as follows (\$ in thousands):

	<u>Balance at 7/1/2021</u>	<u>Additions</u>	<u>Remeasurements/ Deductions</u>	<u>Balance at 6/30/2022</u>	<u>Amounts due within one year</u>
Lease liability - office space:					
One Beacon - UMBA Lessee	\$ 21,349	\$ -	\$ (1,281)	\$ 20,068	\$ 2,231
University (One Beacon) - UMBA Sublessee	-	4,762	(157)	4,605	447
Mass Mutual (Satellite) - UMBA Lessee	971	-	(311)	660	315
University (Mt. Ida) - UMBA sublessee	-	5,468	(5)	5,463	-
Total lease liability	<u>\$ 22,320</u>	<u>\$ 10,230</u>	<u>\$ (1,754)</u>	<u>\$ 30,796</u>	<u>\$ 2,993</u>

Future annual lease payments are as follows (\$ in thousands):

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	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:			
2024	\$ 3,181	\$ 591	\$ 3,772
2025	3,022	527	3,549
2026	2,950	465	3,415
2027	2,904	404	3,308
2028	3,016	1,122	4,138
2029–2033	8,380	917	9,297
2034–2038	710	618	1,328
2039–2043	827	500	1,327
2044–2048	1,093	398	1,491
2049 and thereafter	1,720	79	1,799
Total to maturity	\$ 27,803	\$ 5,621	\$ 33,424

A summary of changes in the related lease receivable during the year ended June 30, 2023, is as follows (\$ in thousands):

	<u>Balance at 7/1/2022</u>	<u>Additions</u>	<u>Deductions/ Corrections</u>	<u>Balance at 6/30/2023</u>	<u>Amounts due within one year</u>
Lease receivable					
One Beacon office space lease	\$ 16,236	\$ -	\$ (2,683)	\$ 13,553	\$ 1,741
Dartmouth P3 ground lease	16,951	-	1,804	18,755	202
Boston P3 ground lease	24,981	-	260	25,241	477
Amherst Satellite office space lease	660	-	(314)	346	318
One Beacon office space HYM sublease	4,531	-	(449)	4,082	307
Mt Ida, office space Foundation sublease	1,202	-	-	1,202	-
Less: lease receivable allowance					
Dartmouth P3 ground lease	-	(2,307)	-	(2,307)	
Boston P3 ground lease	-	(266)	-	(266)	
Subtotal	64,561	(2,573)	(1,382)	60,606	3,045
EMKI direct financing lease	96,622	-	(5,073)	91,549	2,665
Total lease receivable, net of lease receivable allowance	\$ 161,183	\$ (2,573)	\$ (6,455)	\$ 152,155	\$ 5,710

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A summary of changes in the related lease receivable during the year ended June 30, 2022, is as follows (\$ in thousands):

	Balance at 7/1/2021	Additions	Deductions	Balance at 6/30/2022	Amounts due within one year
Lease receivable					
One Beacon office space lease	\$ 17,257	\$ -	\$ (1,021)	\$ 16,236	\$ 1,788
Dartmouth P3 ground lease	16,951	-	-	16,951	-
Boston P3 ground lease	24,981	-	-	24,981	-
Amherst Satellite office space lease	971	-	(311)	660	315
One Beacon office space HYM sublease	-	4,531	-	4,531	448
Mt Ida, office space Foundation sublease	-	4,702	(3,500)	1,202	-
Subtotal	<u>60,160</u>	<u>9,233</u>	<u>(4,832)</u>	<u>64,561</u>	<u>2,551</u>
EMKI direct financing lease	101,694	-	(5,072)	96,622	5,073
Total lease receivable	<u>\$ 161,854</u>	<u>\$ 9,233</u>	<u>\$ (9,904)</u>	<u>\$ 161,183</u>	<u>\$ 7,624</u>

For the years ended June 30, 2023 and 2022, the Authority recognized \$2.9 million and \$3.2 million, respectively, of rental income and \$1.5 million and \$1.4 million, respectively interest revenue related to its lessor operating leases.

For the years ended June 30, 2023 and 2022, the Authority recognized \$0.7 million and \$0.5 million, respectively, of interest expense and \$2.8 million and \$2.3 million, respectively amortization of the ROU lease asset related to its lessee operating leases.

COMMITMENTS AND CONTINGENCIES

In June 2019, the Authority entered into an agreement to lease property located at 200 Mount Vernon Street ("Bayside project") in Dorchester, Massachusetts to an unrelated party (the Developer). The Developer plans to develop a mixed-use opportunity at the site. Under the terms of the agreement, the Developer, subject to certain contingencies, may enter into a 99-year ground lease for an initial fixed rent up-front payment of up to \$235 million, with a minimum payment of \$192.5 million.

At June 30, 2023, the Authority held the \$11.5 million that is a fully nonrefundable deposit. Subsequent to the year end, an additional \$11 million was released to the Authority as a nonrefundable deposit. The Authority has the ability to terminate the agreement at any time subject to the terms of the agreement.

The Authority has outstanding purchase commitments with contractors for the construction of certain facilities as of June 30, 2023 and 2022 of \$193.1 million and \$181.5 million, respectively.

As of June 30, 2023 and 2022, the Authority had a working capital deficiency of \$125.9 million and \$107.7 million, respectively. As stated in the various contracts between the Authority and the University, the University is required to provide necessary funding to the Authority to meet its obligations through June 30, 2024 and beyond.

From time to time, the Authority is involved in routine litigation that arises in the ordinary course of business. There are no significant legal proceedings to which the Authority is a party for which management believes the ultimate outcome would have a material adverse effect on the Authority's financial position.

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10) RELATED PARTY TRANSACTIONS

Related party transactions not previously disclosed are:

The following table details the amounts due to the various campuses of the University at June 30, which were recorded as part of accounts payable and other current liabilities in the accompanying Statements of Net Position (\$ in thousands):

Campus	2023	2022
Amherst Campus	\$ 495	\$ 336
Boston Campus	338	646
Dartmouth Campus	89	45
Lowell Campus	-	2
Chan Medical School	-	1,668
Total	\$ 922	\$ 2,697

The Authority has issued debt, the proceeds of which were loaned to the Worcester City Campus Corporation (“WCCC”) for the purpose of University capital improvements. The current and noncurrent balance of the outstanding WCCC loan receivable amounted to \$15.9 million and \$162.2 million as of June 30, 2023, and \$15.9 million and \$180.6 million as of June 30, 2022. In fiscal year 2020, the Authority has issued debt, the proceeds of which were loaned to the University for the purpose of University capital improvements. The current and noncurrent balance of the outstanding University loan receivable amounted to \$0.5 million and \$23.3 million as of June 30, 2023. The noncurrent balance of the outstanding University loan receivable amounted to \$23.7 million as of June 30, 2022.

In May 2016, the Authority entered into an agreement with the University to loan \$3.7 million to the Authority for a term of fourteen years for the purposes of lease improvements. The current and noncurrent balance of the outstanding loan payable amounted to \$1.2 million and \$2.5 million as of June 30, 2023 and \$0.8 million and \$2.9 million as of June 30, 2022, reported within current and noncurrent other liabilities.

11) SUBSEQUENT EVENT

Subsequent to the year ended June 30, 2023, and through December 8, 2023, the Authority borrowed an additional \$15.0 million of tax-exempt commercial paper and rolled \$31.0 million of tax-exempt and \$6.25 million of taxable commercial paper with interest rates ranging from 3.95% to 5.67% with a maturity date of January 11, 2024, to fund construction projects at the Boston and Lowell campuses.

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2023 and through December 8, 2023, the date on which the financial statements were issued.



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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*

Members of the Board
University of Massachusetts Building Authority:

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 University of Massachusetts Building Authority (the Authority), a component unit of the University of Massachusetts, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
December 8, 2023